U.S. Department of Homeland Security

AGENCY FINANCIAL REPORT

FY 2022

Connect with DHS

Social Media

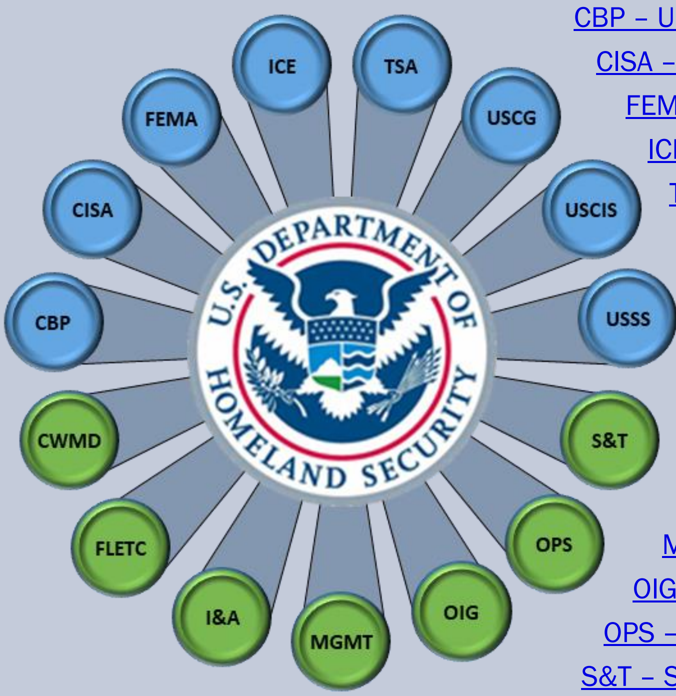
DHS has multiple social media platforms that allow citizens to keep informed about homeland security issues and activities the Department is taking to make America safe.

- https://www.dhs.gov/facebook
- https://www.dhs.gov/twitter
- https://www.dhs.gov/instagram
- https://www.dhs.gov/linkedin
- https://www.dhs.gov/flickr
- https://www.dhs.gov/youtube
- https://public.govdelivery.com/accounts/USDHS/subscriber/new

For more information, please scan the QR code and visit DHS.gov

DHS Components

DHS's Operational Components (shaded in blue) lead the Department's operational activities to protect our Nation. The DHS Support Components (shaded in green) provide mission support and business support activities to ensure the operational organizations have what they need to accomplish the DHS mission. Click on the Component links to find out more about DHS and the Components that execute and support the mission. For the most up to date information on the Department's structure and leadership, visit our website at http://www.dhs.gov/organization.



Operational Components

- CBP – U.S. Customs and Border Protection
- CISA – Cybersecurity and Infrastructure Security Agency
- FEMA – Federal Emergency Management Agency
- ICE – U.S. Immigration and Customs Enforcement
- TSA – Transportation Security Administration
- USCG – U.S. Coast Guard
- USCIS – U.S. Citizenship and Immigration Services
- USSS – U.S. Secret Service

Support Components

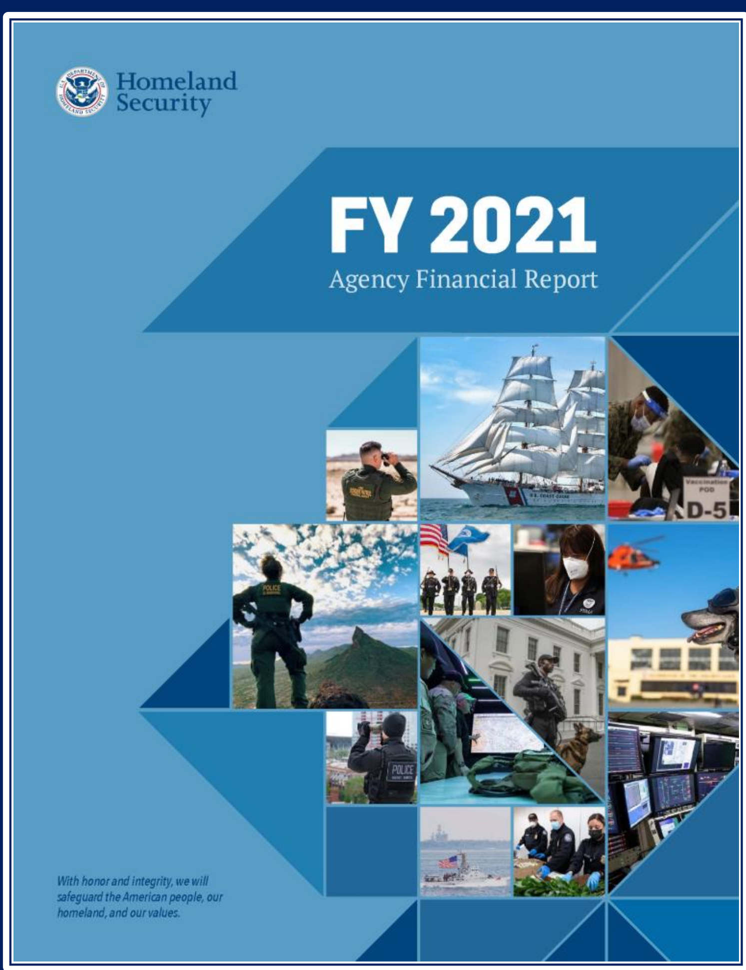
- CWMD – Countering Weapons of Mass Destruction Office
- FLETC – Federal Law Enforcement Training Centers
- I&A – Office of Intelligence and Analysis
- MGMT - Management Directorate
- OIG – Office of Inspector General
- OPS – Office of Operations Coordination
- S&T – Science and Technology Directorate

Certificate of Excellence in Accountability Reporting

In June 2022, DHS received its ninth consecutive Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants (AGA) for its Fiscal Year (FY) 2021 Agency Financial Report. The CEAR Program was established by the AGA, in conjunction with the Chief Financial Officers Council and the Office of Management and Budget, to further performance and accountability reporting.

In addition to the coveted CEAR award, DHS was presented with a Best-in-Class Award for Informative Payment Integrity Disclosures. This is the first time the AGA has recognized an agency in this category.

AGA is an association for professionals that work in the areas of financial management, accounting, auditing, IT, budgeting, policy, grants management, performance management, and other business operations areas to help government work more efficiently and effectively.




AGA

Certificate of Excellence in Accountability Reporting®

presented to the

U.S. Department of Homeland Security

in recognition of outstanding effort in preparing the Agency Financial Report for fiscal year 2021

Diane L. Dudley, CGFM, CPA
Chair, CEAR Board

Ann M. Ebberts, MS, PMP
Chief Executive Officer, AGA


AGA

Certificate of Excellence in Accountability Reporting®

BEST-IN-CLASS AWARD

presented to the

U.S. Department of Homeland Security

in recognition of

informative payment integrity disclosures

in the Agency Financial Report for fiscal year 2021

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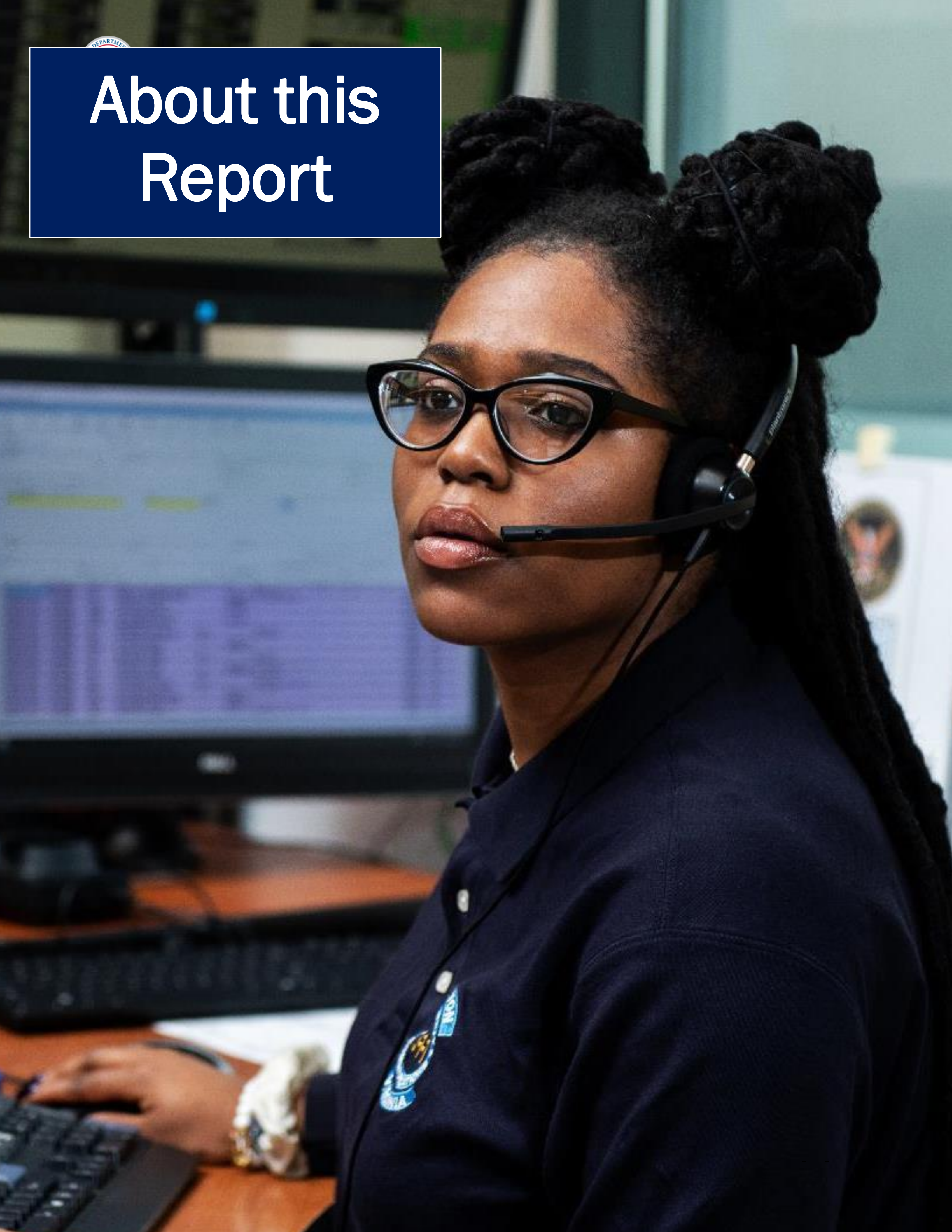
About this Report



The U.S. Department of Homeland Security's Agency Financial Report for FY 2022 presents the Department's detailed financial information relative to our mission and the stewardship of those resources entrusted to us. It also highlights the Department's priorities, strengths, and challenges in implementing programs to enhance the safety and security of our Nation.

For FY 2022, the Department's Performance and Accountability Reports consist of the following three reports:

- DHS Agency Financial Report | Publication date: November 15, 2022
- DHS Annual Performance Report | Publication date: April 11, 2023. This report is submitted with the Department's Congressional Budget Justification.
- DHS Report to our Citizens (Summary of Performance and Financial Information) | Publication date: April 11, 2023

When published, all three reports will be located on our public website at: http://www.dhs.gov/performance accountability.

Contact Information

For more information, contact:

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Office of the Chief Financial Officer
Office of Program Analysis and Evaluation
245 Murray Lane, SW
Mailstop 200
Washington, DC 20528

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This report is available at: http://www.dhs.gov/performance-accountability.

Message from the Secretary

November 14, 2022

I am pleased to present the Department of Homeland Security's (DHS) Agency Financial Report for Fiscal Year 2022. This report provides a detailed assessment of the Department's financial status and demonstrates how the resources entrusted to us were used to support our homeland security mission.

DHS was created through the combination of more than 20 different federal departments and agencies into a unified homeland security enterprise to achieve a more secure America that is better prepared to confront the range of threats we face. DHS is responsible for counterterrorism, cybersecurity, aviation security, border security, port security, maritime security, administration and enforcement of our immigration laws, protection of our national leaders, protection of critical infrastructure, and detection of and protection against chemical, biological and nuclear threats to the homeland, and response and resilience to disasters.

Today, more than ever, the Department is focused on its mission to ensure we safeguard the American people, our homeland, and our values. As we face a range of diverse threats and challenges, we continue to assure the American people that the resources entrusted to the Department are used effectively and efficiently to support our mission and to respond to our nation's need. The performance and financial data in this report provide a more detailed summary of how we continue to invest on our nation's security.

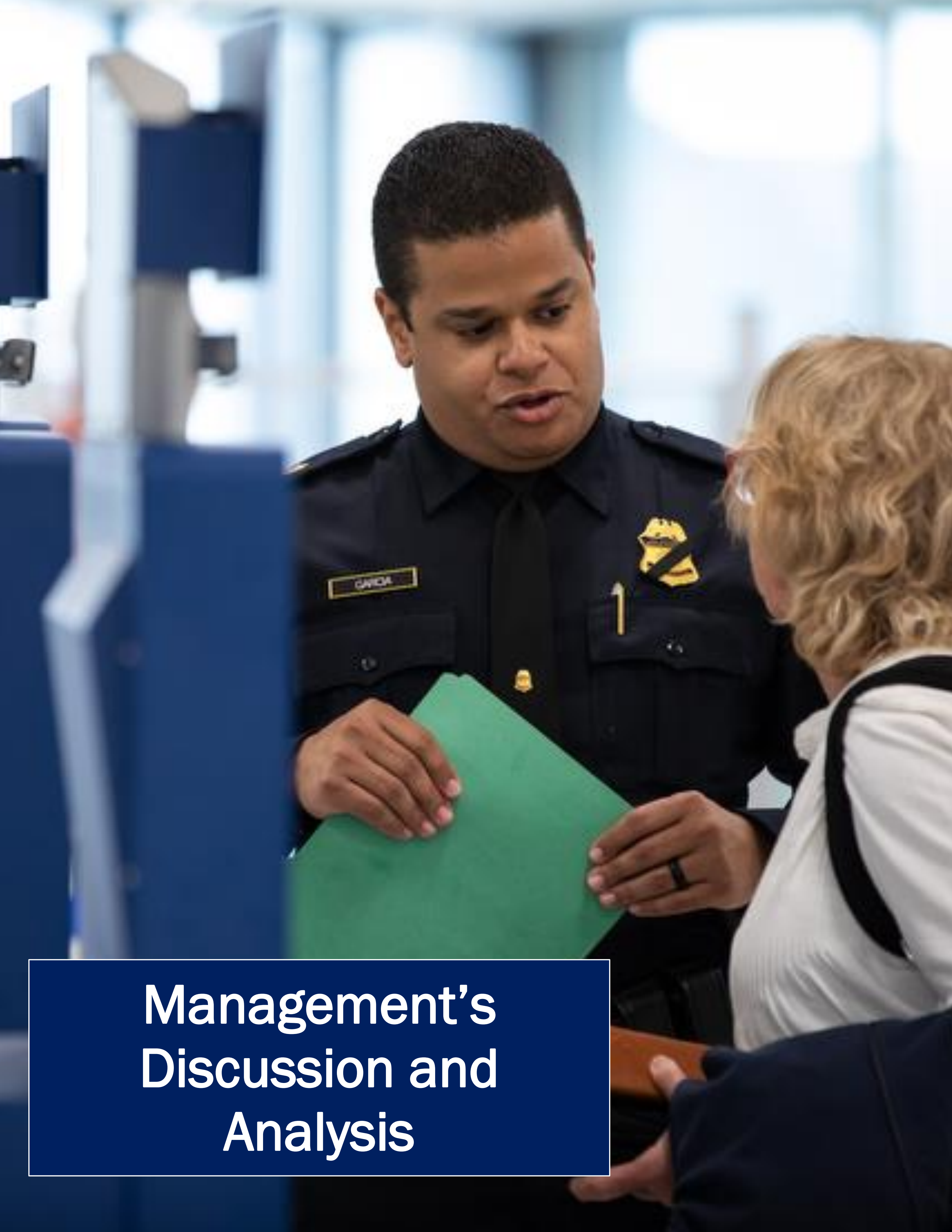
As Secretary, I have seen firsthand how the personnel of DHS steadfastly serve the nation. Our commitment to service and the American public is unwavering. The information in the Department's performance and accountability reports is complete and reliable, except as otherwise reported in our Annual Performance Report. DHS's performance and accountability reports for this and previous years are available on our public website: https://www.dhs.gov/performance-accountability.

We have much more to do, and we will succeed because of the immeasurable dedication and talent of the DHS workforce.

I am privileged to support our mission and those who enable it, and I am proud of what we have achieved. I look forward to the Department's accomplishments in years to come.

Sincerely,

Alejandro N. Mayorkas
Secretary of Homeland Security



Management's Discussion and Analysis

The *Management's Discussion and Analysis* is required supplementary information to the financial statements and provides a high level overview of DHS.

The *Our Organization* section displays the Department's organization with links to the Department's Components.

The *Performance Overview* section provides a summary of progress for each of our Components, selected accomplishments, key performance measures, and future initiatives to strengthen the Department's efforts in achieving a safer and more secure Nation.

The *Financial Overview* section provides a summary of DHS's financial data explaining the major sources and uses of funds and provides a quick look at our Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources, and Statements of Custodial Activity.

The *Analysis of Systems, Controls, and Legal Compliance* section provides the *Secretary's Assurance Statement* related to the Federal Managers' Financial Integrity Act, the Federal Financial Management Improvement Act, and the Department of Homeland Security Financial Accountability Act. This section also describes the Department's efforts to address our financial management systems to ensure systems comply with applicable accounting principles, standards, requirements, and with internal control standards.

Organization

The Department of Homeland Security has a vital mission: to secure the nation from the many threats we face. This requires the dedication of more than 240,000 employees in jobs that range from aviation and border security, administering our lawful immigration system, to emergency preparedness and response, strengthening cybersecurity, and critical infrastructure protection. Our duties are wide-ranging, and our goal is clear - keeping America safe. For the most up to date information on the Department's structure, visit our web site at https://www.dhs.gov/organization. Below is a listing and description of the Components of DHS.

Operational Components

Customs and Border Protection (CBP)

CBP is one of the world's largest law enforcement organizations and is charged with keeping terrorists and their weapons out of the U.S. while facilitating lawful international travel and trade.

Cybersecurity and Infrastructure Security Agency (CISA)

CISA leads the national effort to understand, manage, and reduce risk to our cyber and physical infrastructure.

Federal Emergency Management Agency (FEMA)

FEMA helps people before, during, and after disasters. FEMA does this by supporting our citizens and first responders to ensure that, as a Nation, we work together to build, sustain, and improve our capability to prepare for, protect against, respond to, recover from, and mitigate all hazards.

Transportation Security Administration (TSA)

TSA protects the Nation's transportation systems to ensure freedom of movement for people and commerce.

U.S. Citizenship and Immigration Services (USCIS)

USCIS administers the Nation's lawful immigration system, safeguarding its integrity and promise by efficiently and fairly adjudicating requests for immigration benefits while protecting Americans, securing the homeland, and honoring our values.

United States Immigration and Customs Enforcement (ICE)

ICE promotes homeland security and public safety through the criminal and civil enforcement of federal laws governing border control, customs, trade, and immigration.

United States Coast Guard (USCG)

USCG is one of the six armed forces of the United States and the only military organization within DHS. The USCG protects the maritime economy and the environment, defends our maritime borders, and saves those in peril.

United States Secret Service (USSS)

USSS has an integrated mission of protecting national leaders, visiting heads of state and government, designated sites, and National Special Security Events, as well as safeguarding the Nation's financial infrastructure and payment systems to preserve the integrity of the economy.

Support Components

Countering Weapons of Mass Destruction Office (CWMD)

CWMD leads DHS efforts and coordinates with domestic and international partners to safeguard the United States against Chemical, Biological, Radiological, Nuclear, and health security threats.

Federal Law Enforcement Training Centers (FLETC)

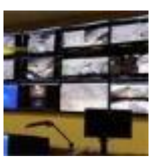
FLETC provides career-long training to law enforcement professionals to help them fulfill their responsibilities safely and proficiently.

Management Directorate (MGMT)

MGMT is responsible for budget, appropriations, expenditure of funds, accounting and finance; procurement; human resources and personnel; information technology systems; facilities, property, equipment, and other material resources; providing biometric identification services; and identification and tracking of performance measurements relating to the responsibilities of the Department.

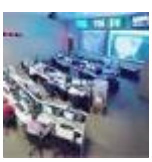
Office of Intelligence and Analysis (I&A)

I&A equips the Homeland Security Enterprise with the timely intelligence and information it needs to keep the homeland safe, secure, and resilient.



Office of Inspector General (OIG)

OIG was established by the Homeland Security Act of 2002 (P.L. 107-296) by an amendment to the Inspector General Act of 1978 (92 Stat. 1101). OIG has a dual reporting responsibility to the Secretary of DHS and to Congress. OIG serves as an independent and objective audit, inspection, and investigative body to promote economy, effectiveness, and efficiency in DHS programs and operations, and to prevent and detect fraud, waste, and abuse.



Office of Operations Coordination (OPS)

OPS provides information daily to the Secretary of Homeland Security, senior leaders, and the Homeland Security Enterprise to enable decision-making; oversees the National Operations Center; manages the DHS Special Events Program; and leads the Department's Continuity of Operations and Government Programs to enable continuation of primary mission essential functions in the event of a degraded or crisis operating environment.

Science and Technology Directorate (S&T)

S&T is the primary research and development arm of the Department. It provides federal, state and local officials with the technology and capabilities to protect the homeland.

Performance Overview

The Performance Overview provides an overview of our performance management framework, a summary of key performance measures, and selected accomplishments, as well as forward-looking initiatives to strengthen the Department's efforts in achieving a safer and more secure Nation. A complete list of all performance measures and results will be published in the DHS FY 2022-2024 Annual Performance Report with the FY 2023 Congressional Budget Justification and will be available at: https://www.dhs.gov/performance-accountability. All previous reports can be found at this link as well.

Organizational Performance Management Framework

With the enactment of the Government Performance and Results Act (GPRA) of 1993, federal agencies were required for the first time to develop Strategic Plans, annual performance plans, and Annual Performance and Accountability Reports [Agency Financial Report and Annual Performance Report (APR)] to communicate progress made against strategic plan goals and objectives to the public and other stakeholders. Efforts continued to mature the organizational performance management framework, resulting in the passage of the GPRA Modernization Act of 2010 (GPRAMA). GPRAMA sets the statutory foundation for the Federal Performance Framework as we know it today, which is a more integrated and coordinated government-wide performance management approach.

Figure 1: DHS Performance Management Framework

DHS uses a robust organizational performance management framework to implement GPRA and GPRAMA and assess our mission program progress.[1] We leverage data and evidence to help define success for the organization, ensure measure results are reliable, engage leaders, and drive the delivery of value to external stakeholders. The graphic above (Figure 1) shows how this performance management framework incorporates the initiatives that come from both GPRA and GPRAMA.

Performance Community

The DHS Performance Community is led by the Chief Operating Officer (a collateral duty of the Deputy Secretary of DHS), the Performance Improvement Officer (PIO) who is also the Director of Program Analysis and Evaluation (PA&E), and the Deputy PIO (DPIO) who is also the Assistant Director for Performance Management in PA&E. These leaders are supported by Performance Analysts in PA&E under the DHS Chief Financial Officer (CFO) in the Management Directorate of DHS. The PIO, DPIO, and PA&E Performance Analysts are the liaisons to our DHS Component performance management leaders and collaborators, along with various external stakeholders interested in performance management (shown in the graphic below).

Figure 2: DHS Organizational Performance Community

DHS Component PIOs, Agency Priority Goal (APG) Leads, and Strategic Review Assessment Leads are senior leaders driving performance management efforts in their respective Components. Component Performance Leads are the critical liaison between DHS PA&E and Component leadership and program managers for all performance management initiatives. They assist with

[1] A mission program is a group of activities acting together to accomplish a specific high-level outcome external to DHS and includes operational processes, skills, technology, human capital, and other resources. In addition, all mission programs uphold privacy, civil rights, and civil liberties throughout their performance. The Support Components and their related offices deliver needed capability and capacity to strengthen the enterprise. In addition, they provide specific assistance and guidance to other DHS Components and external organizations.

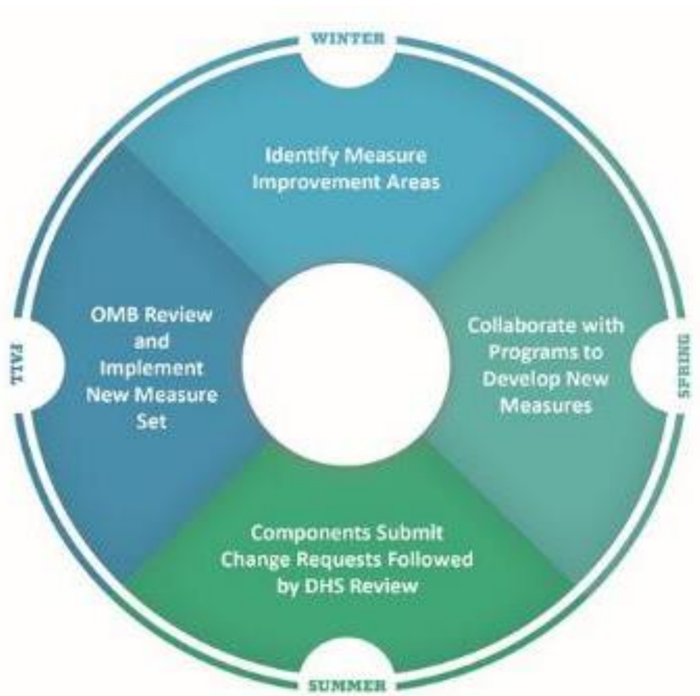
communicating guidance and initiatives, provide advice to programs on measure development, collect and review measure results, and coordinate with their leadership on performance management initiatives. Strategic Review (SR) Assessment Leads are responsible for SR Team efforts annually and delivering key findings from the review process. Program Managers across DHS Components are key contributors to the SR assessment, generating ideas for performance measures, producing measure data, and using information to manage and improve operations. The DHS Performance Community meets quarterly to discuss the implementation of key initiatives and share best practices.

Improving our Measures

PA&E initiates an annual measure improvement process to enhance our set of publicly reported measures. Although the Department has many enduring measures in the Annual Performance Plan (APP) that convey activities of our core mission areas, measures must be dynamic in order to gauge changing priorities and initiatives and more effectively convey the results of our mission programs. Measure improvement ideas are derived from multiple sources:

- DHS and Component Strategic Plans
- Administration and leadership priorities and initiatives
- Government Accountability Office (GAO) and OIG recommendations
- Office of Management and Budget (OMB) suggestions to achieve greater visibility into program performance and connections to resources
- President's Management Agenda and Customer Service initiatives
- Measure gaps identified from Strategic Review findings
- Elevation of existing internal data to publicly reported information
- Budgetary changes
- Review of existing measures to ensure consistency with current operations and guidance

Figure 3: DHS Annual Measure Improvement Process



PA&E works with Components each spring to help them develop and document measures and their targets on the Performance Measure Definition Form (PMDF), which is the change control document and artifact of the measure improvement process. The PMDF is used to propose new measures, make changes to existing measures, and to retire measures from our measure sets.

Once measure changes are approved by DHS and OMB, measures are entered into the Performance Management (PM) system and Components begin collecting and reporting data from the beginning until the end of the fiscal year.

The results of this process constitute our publicly reported measures associated with our performance budget deliverables each year that are incorporated in the Annual Performance Report, the Overview chapter of each Component's Congressional Budget Justification (see the DHS Budget), and the Future Years Homeland Security Program (FYHSP) Report.

Internal Controls for Measure Verification and Validation

The Department recognizes the importance of complete, accurate, timely, and reliable performance data that is shared with leadership and external stakeholders. Performance data are considered reliable if transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management. OMB Circular A-136, *Financial Reporting Requirements*, OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, and the *Reports Consolidation Act* of 2000 (Public Law (P.L.) No. 106-531) further delineate this responsibility by requiring agencies to ensure completeness and reliability of the performance data they report by putting management assurance procedures in place.[2]

DHS implemented a multi-pronged approach to effectively mitigate risks and reinforce processes that enhance the Department's ability to report complete and reliable data for performance measure reporting. This approach consists of:

- An annual measure improvement and change control process described in the previous section using the PMDF
- The PM system information technology repository for performance measure information
- Measure verification and validation assessments by an independent review team
- The Performance Measure Checklist for Completeness and Reliability

Quarterly Performance Reporting

Component program managers work with Component performance staff to collect, review, and enter results, forecasts of the likelihood of meeting measure targets, and meaningful explanations in the PM System on a quarterly basis, or as specified in the measure's data collection methodology. Information is shared quarterly with the DHS PIO and DPIO, posted on a DHS intranet site, and available to all DHS senior leaders and program managers to support their

[2] Note: Circular A-11, PART 6, THE FEDERAL PERFORMANCE FRAMEWORK FOR IMPROVING PROGRAM AND SERVICE DELIVERY, Section 240.26 Definitions. Data limitations. In order to assess the progress towards achievement of performance goals, the performance data must be appropriately valid and reliable for intended use. Significant or known data limitations should be identified to include a description of the limitations, the impact they have on goal achievement, and the actions that will be taken to correct the limitations. Performance data need not be perfect to be valid and reliable to inform management decision-making. Agencies can calibrate the accuracy of the data to the intended use of the data and the cost of improving data quality. At the same time, significant data limitations can lead to bad decisions resulting in lower performance or inaccurate performance assessments. Examples of data limitations include imprecise measurement and recordings, incomplete data, inconsistencies in data collection procedures and data that are too old and/or too infrequently collected to allow quick adjustments of agency action in a timely and cost-effective way.

on-going program management activities. Additionally, many Components have their own internal processes and reports by which they regularly review performance data for management and decision making.

Performance Public Reporting

The Department follows the OMB Circular A-11 and A-136 requirements to produce the following performance and accountability reports to communicate key financial and performance information to stakeholders:

- DHS Agency Financial Report (this report);
- DHS Annual Performance Report; and
- DHS Report to our Citizens (Summary of Performance and Financial Information).

When published, all three reports are located on our DHS.gov public website at Performance & Financial Reports.

DHS also integrates performance information in our performance budget deliverables to Congress. The Overview Chapter of the Congressional Justification (referred to as the Strategic Context) contains program descriptions and their associated measures by Component. We include our measures in the Executive Summary section of the FYHSP Report to Congress to again emphasize the connection between funding and performance. The last avenue for performance public reporting is through the Agency Priority Goals discussed below.

Agency Priority Goals

Agency Priority Goals (APGs) provide a tool for senior leadership to drive the delivery of results on key initiatives over a two-year period. PA&E collaborates with Components and OMB to develop APG plans and provide quarterly progress reports to the public at the OMB web site performance.gov. For the FY22-FY23 cycle, the Department has implemented two APGs on improving cybersecurity and reducing the burden of paperwork.

Performance Reviews

Performance Reviews are a means for senior leadership to be engaged in the management of efforts to deliver results relevant to stakeholders. Meetings may be held with APG Goal Leads, senior leaders, subject matter experts, and performance leadership and staff to discuss current results, progress, and challenges on APGs and other performance initiatives to drive improvement.

Strategic Review

Per OMB Circular A-11, DHS conducts an annual SR assessment of progress each spring that examines program execution accomplishments and challenges, risks, and next steps to improve. The Strategic Review integrates numerous government-wide organizational initiatives into the assessment methodology including the Program Management Improvement Accountability Act (PMIAA), Enterprise Risk Management (ERM), and the Foundations of Evidence-based Policy Making Act (Evidence Act). The review serves multiple purposes for the Components, DHS, and OMB:

- Assesses the effectiveness of programs and capabilities
- Identifies next steps and opportunities for improvement
- Develops initial evidence-building questions
- Makes key findings available to inform planning, budgeting, and management decisions
- Facilitates best practices of a learning organization

- Drives a focused conversation with OMB on significant issues and informs management and budget activities

PA&E manages the process to produce the Strategic Review findings. Component Assessment Teams, led by a Senior Executive Service leader, gauge program progress, and recommend a rating using a variety of qualitative and quantitative evidence. Assessment Team Leads present written findings and oral briefings to the PIO and other Department leadership. The Headquarters Review Team conducts a cross-cutting review of assessment results, and progress ratings are agreed upon in concert with the PIO, DPIO, and senior program leadership. PA&E prepares a Summary of Findings to inform targeted discussions with OMB. Findings are also used to inform the Department's Planning, Programming, Budgeting, and Execution (PPBE) cycle, and are published in the APR to inform stakeholders.

DHS Summary of Key Performance Measures

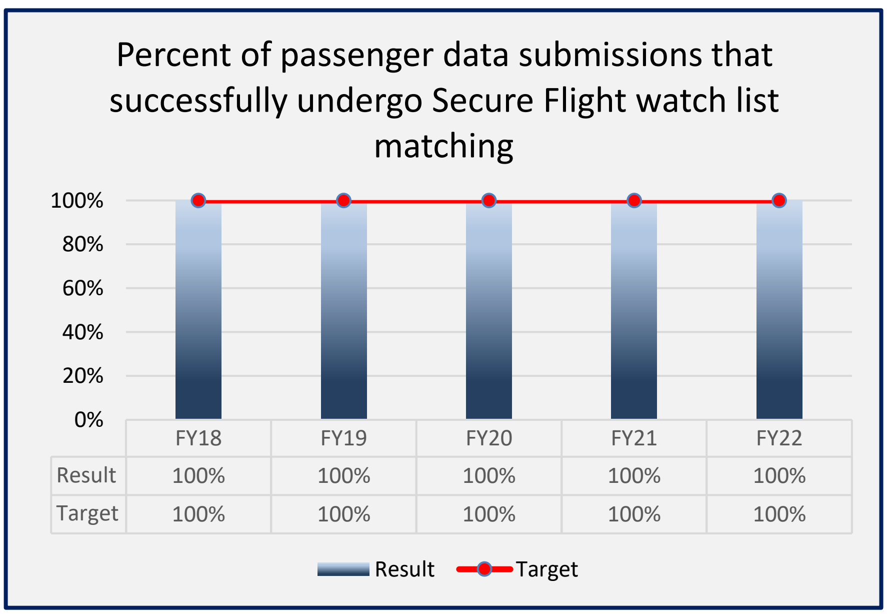
Strategic plan goals are implemented by our programs which are groups of activities acting together to accomplish a specific high-level outcome external to DHS and include operational processes, skills, technology, human capital, and other resources. Programs have performance goals, performance measures, and performance targets. Below are a select set of measures organized by the goals contained in DHS's FY 2020-2024 Strategic Plan, and that describe how our programs work to deliver on the DHS mission.

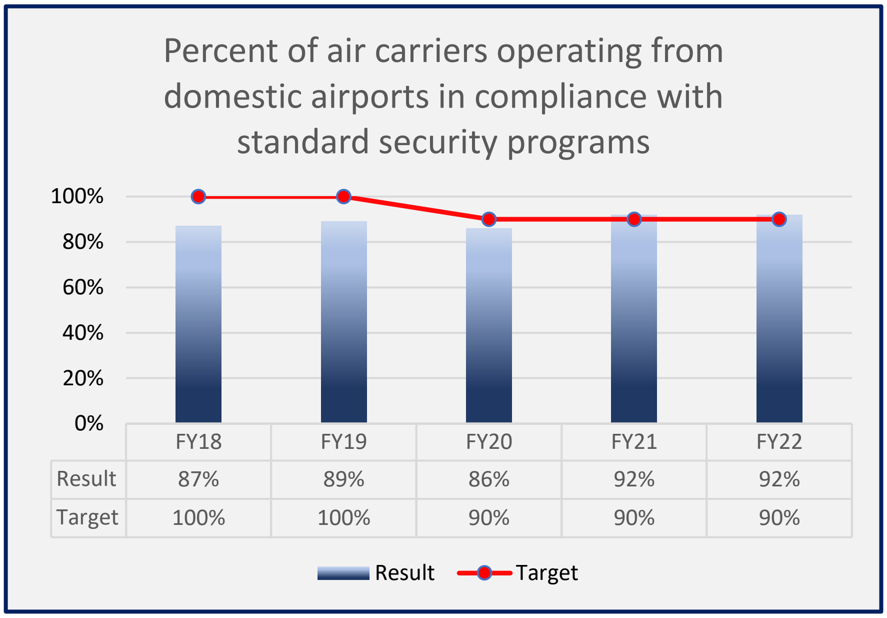
Goal 1: Counter Terrorism and Homeland Security Threats

One of the Department's top priorities is to protect Americans from terrorism and other homeland security threats by preventing nation-states and their proxies who engage in terrorist or criminal acts from threatening the homeland. Terrorists and criminals are constantly adopting new techniques and sophisticated tactics to circumvent homeland security and threaten the safety, security, and prosperity of the American public and our allies. The rapidly evolving threat environment demands strategies and tactics to ensure an initiative-taking response by DHS and its partners to identify, detect, and prevent attacks against the United States. Focused activities associated with this goal include information sharing, aviation security, and protection of national leaders and events.

The following measures highlight some of our efforts to counter terrorism and homeland security threats. Up to five years of data is presented if available.

Percent of passenger data submissions that successfully undergo Secure Flight watch list matching (TSA): Vetting individuals against high-risk watch lists strengthens the security of the transportation system by ensuring that individuals on the No-Fly List are prevented from boarding an aircraft and informs the traveling public that all covered domestic and international air passengers have undergone checking against these watch lists. This measure reports the percent of qualified message submissions received from the airlines that are successfully matched by the Secure Flight automated vetting system against the existing high risk watch lists. A qualified message submission from the airlines contains passenger data sufficient to allow successful processing in the Secure Flight automated vetting system. Secure Flight receives an average 2 million passenger submissions per day from commercial airline operators. In FY 2022 this measure achieved 100%, meeting the target, and has maintained this level of performance since 2010. DHS will continue to report this measure as it conveys an underlying critical layered process to ensure security in the aviation environment and transportation system.



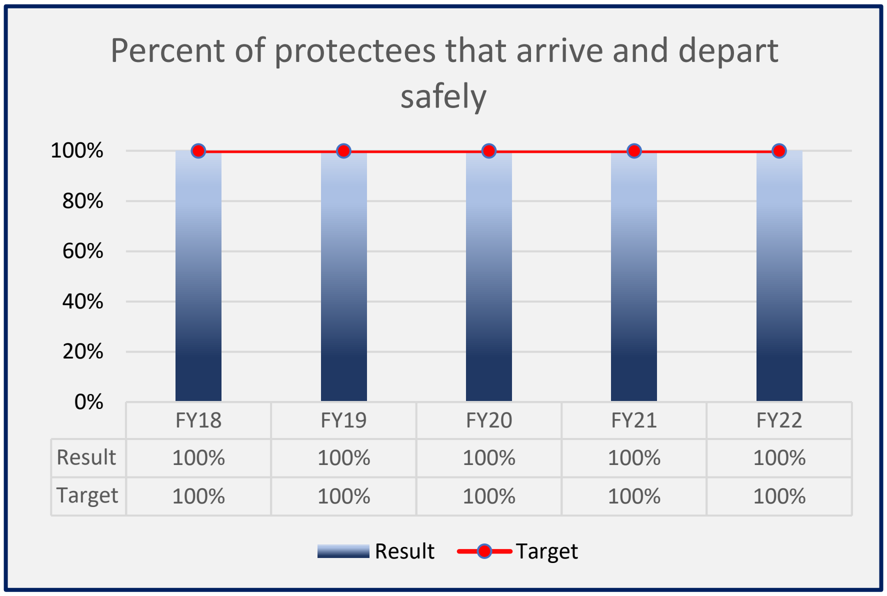


Percent of air carriers operating from domestic airports in compliance with standard security indicators (TSA): TSA verifies air carrier compliance from domestic airports with standardized security through a robust inspection program on one or more aspect of operations such as catering, cargo acceptance, and aircraft searches, which allows for improved collaboration, information sharing, and facility awareness of emerging security risks. Inspections are conducted in accordance with the Compliance Implementation Plan that identifies three types of inspections (comprehensive, targeted, and supplemental). In FY 2022, there were 33,680 inspections conducted, resulting in 2,768 findings nationwide. TSA continues to engage with regulated parties to reduce vulnerabilities and findings. Joint testing and regular visits with airline officials are conducted to address areas of concern as well. TSA

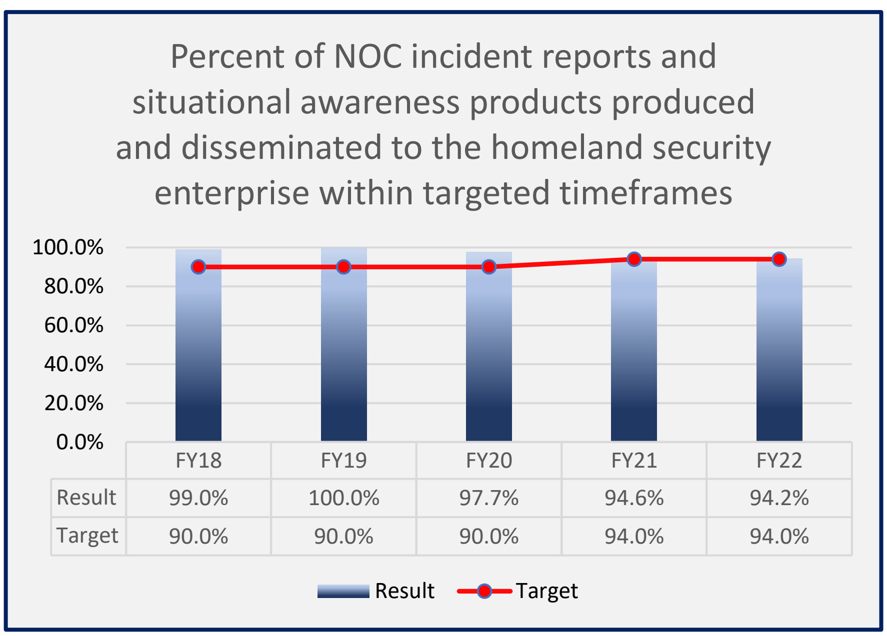
TSA's Multimodal Public Areas Capabilities (MPAC) Division shares information with stakeholders that highlights recent technology testing activities, upcoming events, and provides access to assessment results, publications, and security studies. For example, *MPAC shared press releases earlier this year* for the selection of TSA's first Unmanned Aircraft Systems (UAS) test beds at MIA and LAX. These testbeds will allow TSA to test technologies that will detect, track, and identify drones entering restricted airspace, which could pose a threat to aviation security.

will continue to deliver critical and complex aviation guidance and clarification to industry partners to ensure overall adequacy, effectiveness, and efficiency of security programs.

Percent of protectees that arrive and depart safely (USSS): This measure reflects the effectiveness of efforts to ensure safe arrivals and departures for the President and Vice President of the United States and their immediate families, former presidents, their spouses, and their minor children under the age of 16, major presidential and vice-presidential candidates and their spouses, and foreign heads of state. In FY 2022, USSS ensured safe arrival and departure for all 4,867 protective visits. The target for this measure is always 100% and the USSS has achieved 100% of safe arrivals and departures for more than the past five years. To achieve these results takes a coordinated effort across several specialized resources within USSS and coordination with federal, state, and local partners. Using advanced countermeasures, the USSS executes security operations that deter, minimize, and decisively respond to identified threats and vulnerabilities to keep protectees safe.

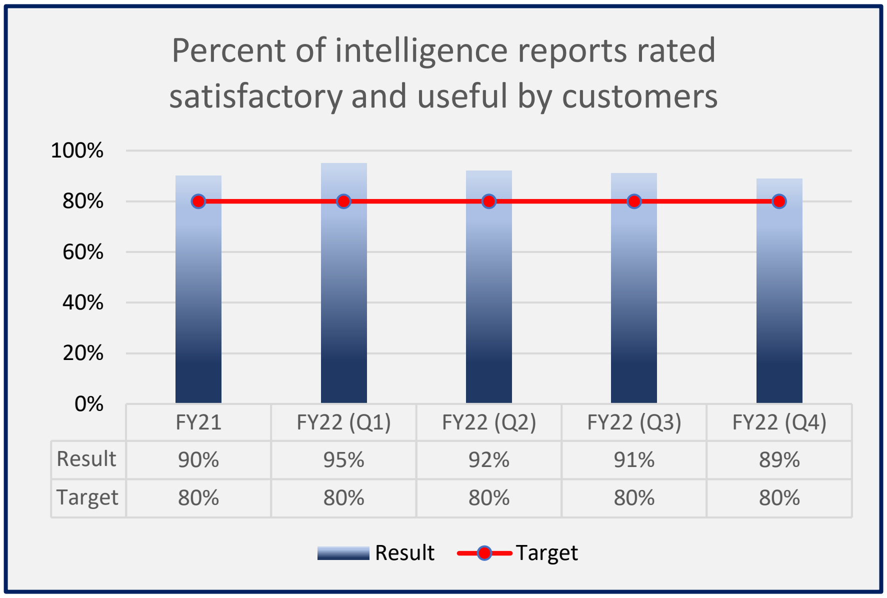


Percent of National Operations Center incident reports and situational awareness products produced and disseminated to the homeland security enterprise within targeted timeframes (OPS): This measure evaluates the percent of Situational Awareness (SA) Products disseminated within targeted timeframes. These products serve as the basis for senior leader decision-making and promote SA across the homeland security enterprise. To augment SA, facilitate coordination, and provide decision support, the National Operations Center (NOC) utilizes a web-based DHS Common Operating Picture (COP). The COP can be accessed through various Briefing Display Systems within the NOC, or through any computer using the Homeland Security Information Network (HSIN). The NOC Watch Team creates a geographically located icon on the COP and an overall written situation summary to provide SA on the event to decision makers and the



homeland security enterprise. In FY 2022, OPS disseminated 94.2% of NOC incident reports and SA products to the homeland security enterprise within targeted timeframes.

Percent of intelligence reports rated satisfactory and useful by customers (I&A): This measure gauges the extent to which finished intelligence products are satisfying customers' needs. An intelligence report is a product of analytical judgement applied to address an intelligence question produced by DHS or through partnerships with other agencies where the analytic conclusions have been drafted, reviewed, and disseminated to customers. Providing intelligence on topics of concern equips the homeland security enterprise with the timely intelligence and information it needs to keep the homeland safe, secure, and resilient. In FY 2022, I&A received 258 customer feedback forms, 230 of which provided usefulness ratings of "Very Satisfied" or "Somewhat Satisfied" with I&A's intelligence reports.



The Secret Service provided protection for the President and other world leaders at the Summit of the Americas in Los Angeles in FY 2022. The President, Vice President, as well as 22 Heads of State attended the summit. This multi jurisdictional security event concluded without protective incident, ensuring the safety of all protectees and attendees.

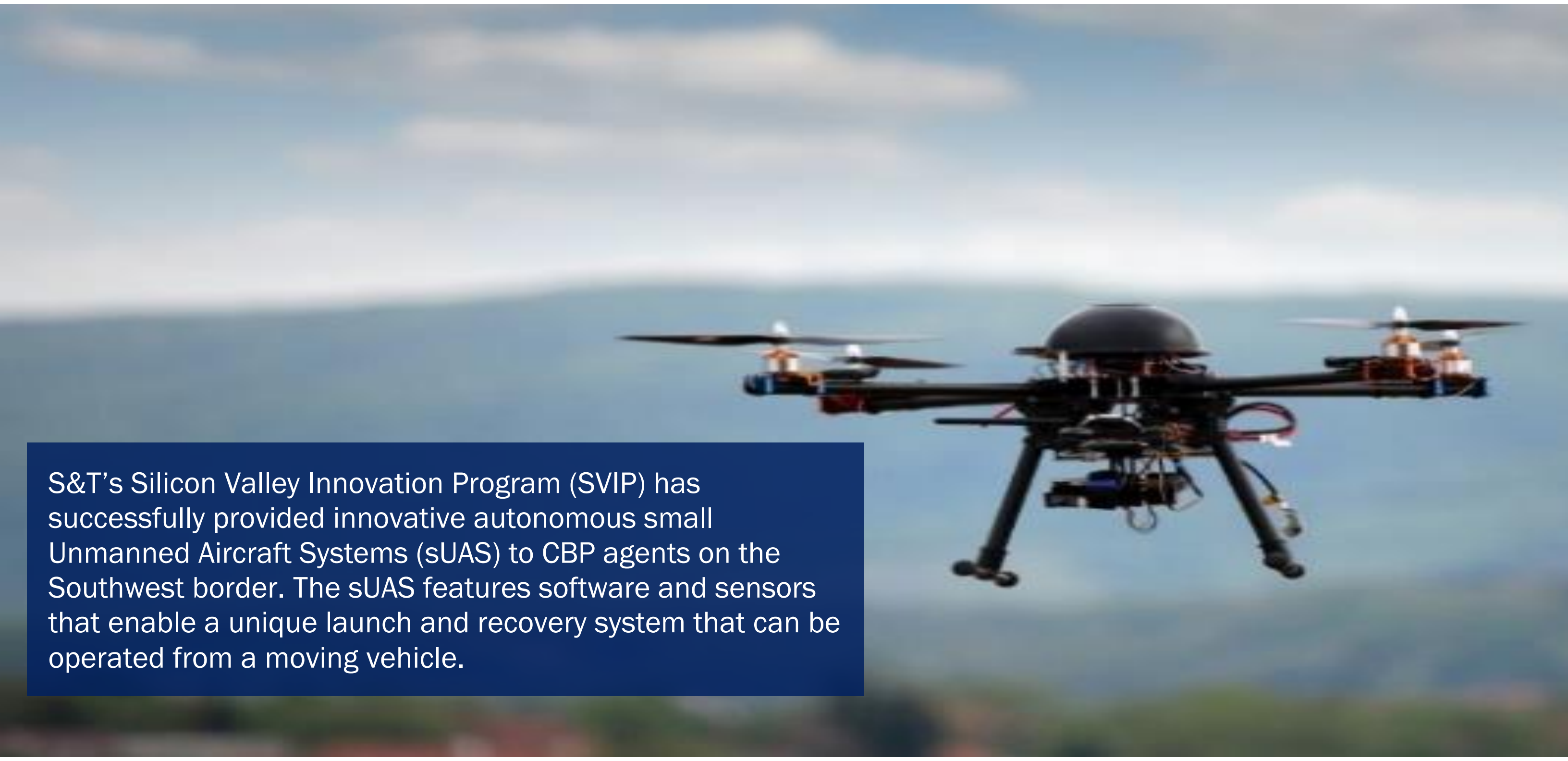
Looking Forward

A few near-term efforts to advance the Department's capability and capacity in these areas are provided below.

- **DHS has taken a tactical and preemptive approach to address the threat posed by the pace of technological advance for unmanned aerial systems (UAS).** Terrorists continue to use UAS (i.e., drones) to conduct surveillance and potentially launch terrorist attacks which are a real threat across many domains. Drug smugglers have used these systems to monitor border patrol officers and to deliver drugs in remote areas. Criminals and nation-states are using them to spy on sensitive facilities. Threats continue to evolve, and unmanned aerial systems can support a wide array of emerging threats. To address this, the Department has taken a tactical and preemptive approach across several Components. Notable examples include but are not limited to:
    - CBP partnered with S&T to establish a center focused on the exploitation of aviation and maritime drones. The Center for Air and Marine Drone Exploitation, a first of its kind in federal law enforcement, provides support for all CBP components to help protect covered facilities and operations. While CBP continues to provide counter-UAS (C-UAS) capabilities during Special Event Assessment Rating events and DHS-identified mass gathering events, a major next step for CBP is a funding proposal to continue expanding their air domain awareness and C-UAS capabilities.

DID YOU KNOW?

The Coast Guard is a leader in countering UAS threats within DHS and protects the public at major waterfront events, like the Macy's Thanksgiving Day Parade and San Francisco Fleet Week. This year, the Coast Guard protected nearly 3 million spectators at public events nationwide.



S&T's Silicon Valley Innovation Program (SVIP) has successfully provided innovative autonomous small Unmanned Aircraft Systems (sUAS) to CBP agents on the Southwest border. The sUAS features software and sensors that enable a unique launch and recovery system that can be operated from a moving vehicle.

- USCG partnered with S&T to field initial C-UAS capabilities. As USCG continues to mature its C-UAS capabilities to meet this rapidly evolving threat, they plan to make significant updates and revisions to internal program guidance for patrols, boardings, escorts, and fixed security zones to enhance the ability of the field to respond to C-UAS and active shooter and active threat situations.
- CISA also plans to establish a small unmanned aircraft system Security Program Office to further support and enhance the Department's UAS-related programs.

DID YOU KNOW?

In 2022, I&A released a mobile app that puts intelligence in the hands of its frontline customers. "DHS Intel" features push notifications, threat area filters, and an advanced keyword search capability, providing swift, secure, and simplified access to DHS and partner generated products.

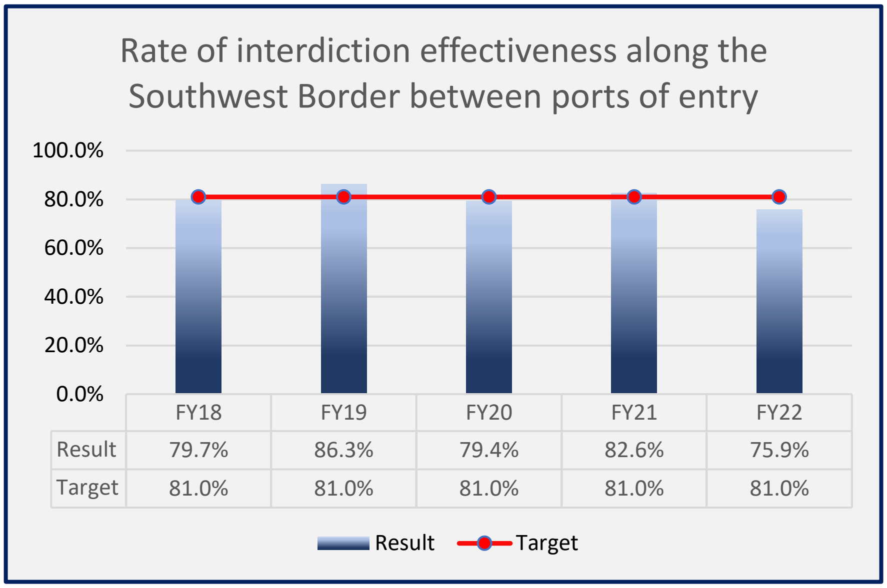
- **DHS is seeking technological advantages and leveraging partnerships to advance aviation security.** TSA and S&T continue to collaboratively explore innovative approaches to aviation security. The two agencies have partnered with Duke University to develop a prototype hybrid x-ray system that combines multi-view transmission (e.g., CT) with x-ray diffraction (XRD) tomography. XRD technology will improve material recognition and threat identification, which means an increased ability to detect currently unidentifiable threats. S&T will also be supporting TSA with modeling and simulation studies to better define requirements for the checked baggage program. In the future, the goal is to improve checked baggage alarm rates while managing down-stream resource constraints.

DHS OPS supported Operation Allies Welcome (OAW) to welcome Afghan allies as they resettled and integrated into communities across America. The OPS NOC maintained a 24/7 Crisis Action Team that collected interagency information to provide situational awareness to the OAW Unified Coordination Group and senior leaders. OPS rapidly surged staff to share vital information and assist coordination while also meeting the NOC core mission to provide information on threats, natural disasters, acts of terrorism, or other man made disasters.

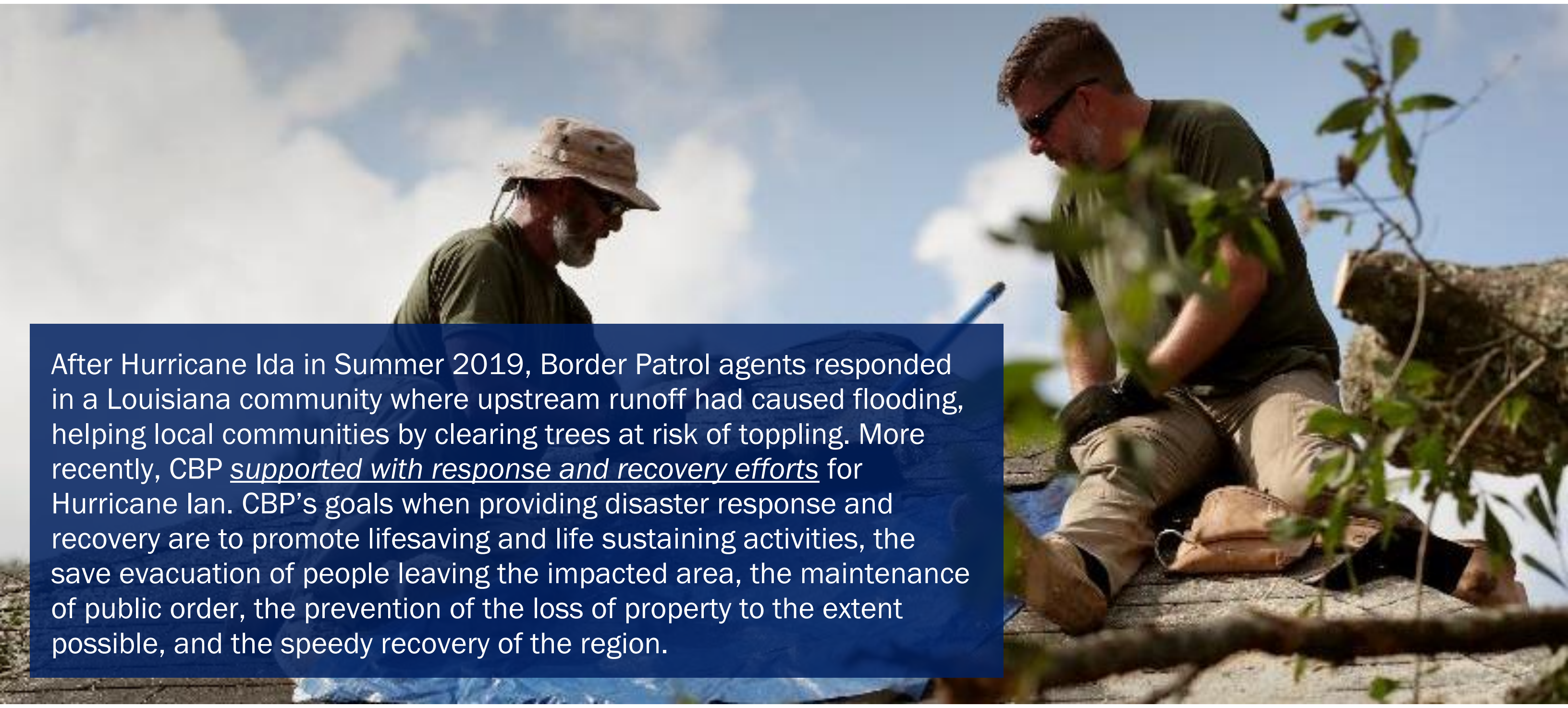
Goal 2: Secure U.S. Borders and Approaches

Secure borders are essential to our national sovereignty. DHS continues its efforts to secure and maintain control of our land and maritime borders. Concentration is also focused on Transnational Criminal Organizations (TCO) and preventing the impact of these organizations operating both domestically and internationally. Efforts also continue to pursue and appropriately prosecute those illegally in the interior of the country, and to ensure that we properly administer immigration benefits and employ only those who are authorized to work.

The following measures highlight some of our efforts to secure U.S. borders and approaches. Up to five years of data is presented if available.



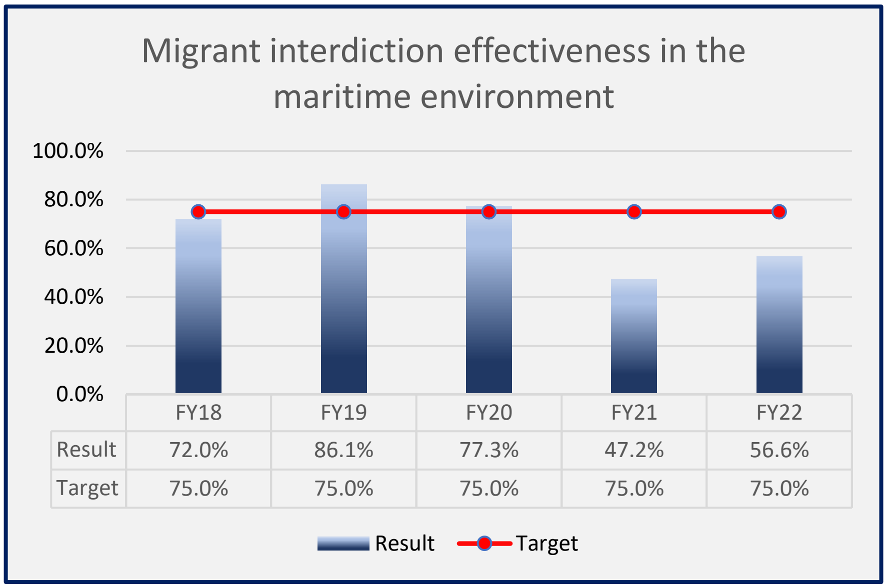
Rate of interdiction effectiveness along the Southwest Border between ports of entry (CBP): The Border Patrol uses this measure as an important indicator of the effectiveness of law enforcement and response efforts to apprehend detected illegal border crossers, and as a key indicator of the status of security over the U.S. Border. Results for this measure have varied significantly in recent years. Illicit cross-border activity has increased, necessitating operational adjustments to



After Hurricane Ida in Summer 2019, Border Patrol agents responded in a Louisiana community where upstream runoff had caused flooding, helping local communities by clearing trees at risk of toppling. More recently, CBP *supported with response and recovery efforts* for Hurricane Ian. CBP's goals when providing disaster response and recovery are to promote lifesaving and life sustaining activities, the save evacuation of people leaving the impacted area, the maintenance of public order, the prevention of the loss of property to the extent possible, and the speedy recovery of the region.

facilitate humanitarian efforts. While many of the people processed by CBP are members of family units or unaccompanied children, a growing number remain evasive and often are guided by criminal organizations. While CBP anticipates further increases in the daily volume of cross-border traffic, application of Title 42 authority also continues to lower the interdiction effectiveness rate, entailing that people subject to the order be expelled as expeditiously as possible from the U.S. due to the ongoing pandemic. Going forward, the Border Patrol will continue to shift resources to locations that are determined to be the best use of personnel and surveillance technology to meet estimated targets.

Migrant interdiction effectiveness in the maritime environment (USCG): This measure communicates the effectiveness of the maritime law enforcement program to interdict migrants of all nationalities attempting to enter the United States through maritime borders not protected by the Border Patrol. This measure reports the percent of detected migrants of all nationalities who were interdicted by the USCG and partners via maritime routes. The USCG conducts patrols and coordinates with other federal agencies and foreign countries to interdict migrants at sea, denying them entry via maritime routes to the United States, its territories, and possessions. There is currently a significant increase in migrant flow in the

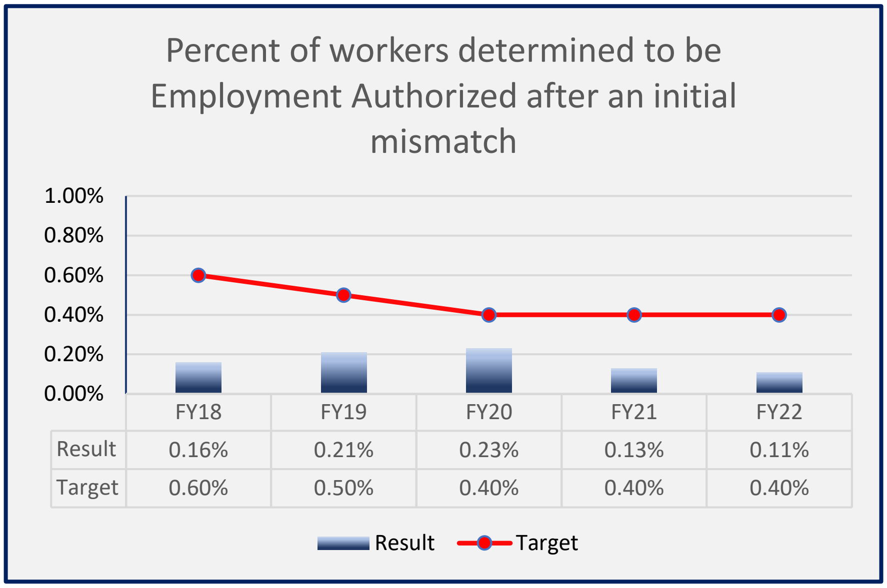


maritime environment, and it is expected this trend will continue. Assets have been surged to address this increase, especially in the Caribbean. The additional assets have led to more interdictions, but the increased flow of migrants led to an overall lower interdiction effectiveness rate. USCG will continue to adjust patrol patterns to meet the changes in the migrant flow.

DID YOU KNOW?

In 2021, the Coast Guard responded to 11,427 pollution incidents, mitigated the impacts of 990,464 gallons of oil discharged within the Coastal Zone, and prevented the discharge of 8,234,524 gallons of oil into U.S. waters.

Percent of workers determined to be Employment Authorized after an initial mismatch (USCIS): This measure assesses the accuracy of E-Verify by the percent of employment verification requests that are not confirmed as work authorized during the initial review. E-Verify confirms employment eligibility of new hires by electronically matching information provided by employees on the I-9 Form, Employment Eligibility Verification, against records available to the Social Security Administration and DHS. The report shows the number of cases in which examiners in the program find an individual employment authorized after an initial mismatch. Ensuring the accuracy of E-Verify reflects the program's intent to minimize negative impacts imposed upon those entitled to employment in the U.S. while ensuring the integrity of immigration benefits by effectively detecting and preventing unauthorized employment. A lower result indicates that the system is effective in confirming employment eligibility and does



	FY18	FY19	FY20	FY21	FY22
Result	0.16%	0.21%	0.23%	0.13%	0.11%
Target	0.60%	0.50%	0.40%	0.40%	0.40%

Since its inception in 2009, the USCIS Citizenship and Integration Grant program (CIGP) has awarded over $100 million through over 500 competitive grants to immigrant serving organizations nationwide. The CIGP has helped more than 300,000 immigrants prepare for citizenship through its support and high quality services.

not require manual intervention. USCIS continues to increase the records available for electronic matching, which strengthens the program against identity fraud.

Looking Forward

A few near-term efforts to advance the Department's capability and capacity in these areas are provided below.

- **Border security operations continue to be a top priority for DHS.** CBP prioritizes keeping terrorists and their weapons from entering the U.S. while welcoming all legitimate travelers and commerce. Cross-border flows of people are at historical highs, and as changes in the composition of cross-border flows have expanded the non-interdiction tasks for CBP's agents, CBP has remained agile and identified workforce management solutions to address critical gaps in recruiting, retention, capacity, and capability. For example, CBP continues to implement the Border Patrol Processing Coordinator position to better enable agents to focus their time on core law enforcement competencies. Looking ahead, CBP plans to supplement this approach by continuing to develop incentives, professional development opportunities, and training that attracts new talent and augments the retention of skilled, experienced agents. To further enhance Border Security Operations, CBP also plans to fuse performance data and resource

DID YOU KNOW?

In 1789, the U.S. Customs Service was established to aid in the protection of the nation's supply chains and financial systems. Congress authorized the Collector of Customs to acquire boats and boatsmen, and a fleet of vessels began to patrol the coastal waters of the U.S, the forerunners of today's CBP Air and Marine Operations (AMO).

HSI has a Cyber Crimes Unit which houses the Computer Intrusion Response Program and is devoted to protecting American businesses and infrastructure by detecting, investigating, and countering network intrusion attempts.

deployment information into a geospatial depiction that eases explanations and promotes decision making regarding Operational Advantage. To support its public and private partnerships, CBP will also continue maturing its ability to use evidence and evaluation to identify efficiencies and best practices related to technology and programs, and to provide further evidence of CBP's efficacy in these areas.

- **DHS is responding with agility to ensure national security and to protect the increased number of people and goods that cross our nation's borders every day.** ICE's Enforcement and Removal Operations (ERO) and the Office of the Principal Legal Advisor (OPLA) work to remove those who pose a threat to national security, public safety, and border security. While workload, technology, staffing, and interagency collaboration continue to pose challenges, these two programs persist in implementing corrective actions to maximize their effectiveness. For example:
  - OPLA is frequently called upon to provide guidance on time-sensitive issues and to address significant litigation and frequent court decisions. As the demands of OPLA's mission grow in relation to the increase in cross-border flows, they persist in managing a docket of well over a million cases with the Executive Office for Immigration Review (EOIR), among other significant activities like providing legal advice to clients on complex, novel, and emerging issues related to the COVID-19 pandemic or supporting Operation Allies Welcome. To address resource

DID YOU KNOW?

ICE's Law Enforcement Support Center (LESC) continues to provide smart and effective services and support that strengthen national security and public safety. In FY 2022, the LESC processed over one million queries and nearly 40,000 phone calls in support of federal, state, local, international, and tribal law enforcement agencies.

In July 2022, CBP signed a joint statement with Bahrain to launch a full Global Entry partnership with the Government of the Kingdom of Bahrain. CBP now has 15 Global Entry partner countries. Despite the pandemic, Global Entry surpassed 10 million applicants in FY 2022. That number exceeds the previous records of approximately 3 million applicants prior to the pandemic in 2019.

challenges relative to EOIR's expansion, OPLA will seek appropriations at a level sufficient to ensure that they can fully cover each immigration court and provide necessary facilities. OPLA will also continue to prioritize immigration court docket coverage so the government appears in cases of public safety, national security, or where there would be an injustice if the agency was not represented.

- In response to the surge of new refugee and asylum cases across the Southwest Border (SWB), ICE-ERO has also been faced by resource challenges. Despite this, ERO continues to vet well over a million queries and issue several thousand immigration detainers annually on priority noncitizens posing public safety risks. ERO has also improved many of the services it provides to people in ICE custody. For example, ERO increased accessibility by translating vital documents into languages spoken by noncitizens and provided language services for the deaf and hard of hearing, including in-person and video relay sign language services. ERO also expanded Virtual Attorney Visitation (VAV) to allow legal representatives to meet with clients virtually and confidentially using video technology. In the same spirit, ERO also plans to modernize IT resources to improve data quality and access for all agencies in the immigration lifecycle, improve operational efficiencies, and strengthen capabilities for data tracking and sharing. ERO also plans to secure funding to develop a workforce capable of meeting the demands of its growing mission.

Goal 3: Secure Cyberspace and Critical Infrastructure

Increased connectivity of people and devices to the Internet and to each other has created an ever-expanding attack surface that transcends borders and penetrates almost every American home and institution. In addition, the Federal Government depends on reliable and verifiable information technology systems and computer networks for essential operations. As a result, malicious cyber attackers target government systems to steal information, disrupt and deny

CyberSentry (CS) is a CISA managed threat detection and monitoring program that facilitates visibility into critical infrastructure IT and operational networks. Once CISA establishes a CS relationship with a state, local, tribal, or territorial partner, CISA analysts use their unique insights to detect potential threats and hunt for threats to National Critical Functions.

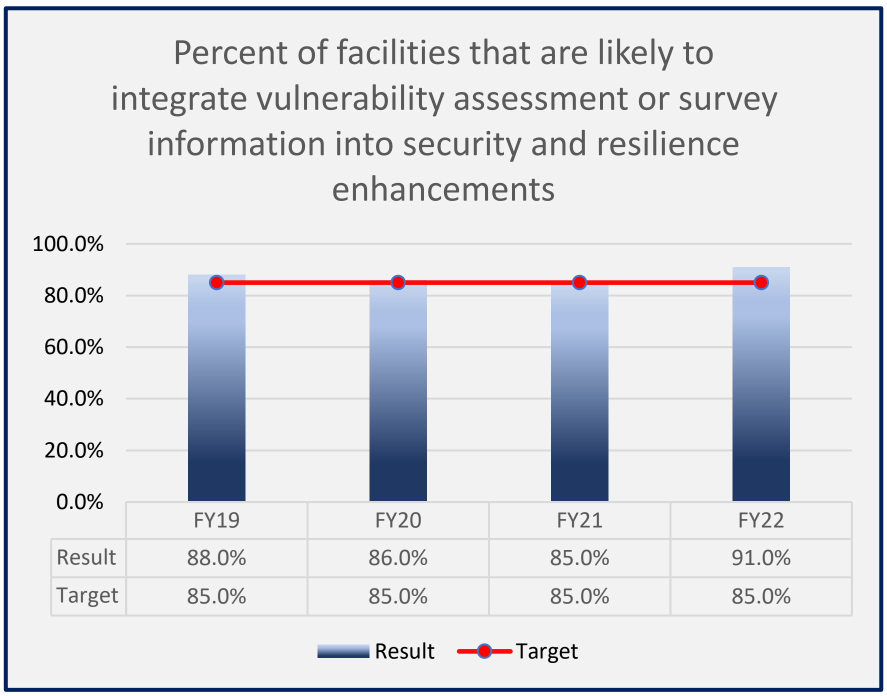
access to information, degrade, or destroy critical information systems, or operate a persistent presence capable of tracking information or conducting a future attack. Serving as the designated federal lead for cybersecurity across the U.S. Government, DHS promotes the adoption of common policies and best practices that are risk-based and responsive to the ever-changing cyber threat environment. Additionally, DHS collaborates with federal interagency counterparts to deploy capabilities for intrusion detection, unauthorized access prevention, and near real-time cybersecurity risk reports. In deploying these capabilities, DHS prioritizes assessments, security measures, and remediation for systems that could significantly compromise national security, foreign relations, the economy, public confidence, or public health and safety.

DID YOU KNOW?

CISA's Joint Cyber Defense Collaborative (JCDC) released its first joint cyber defense plan in 2022 focused on protecting critical U.S. infrastructure and used communication tools to share threat information with partners amid growing Russia Ukraine tensions. This effort informed CISA's *Shield's Up Campaign* to help all organizations prepare for, respond to, and mitigate the impact of malicious cyber activity.

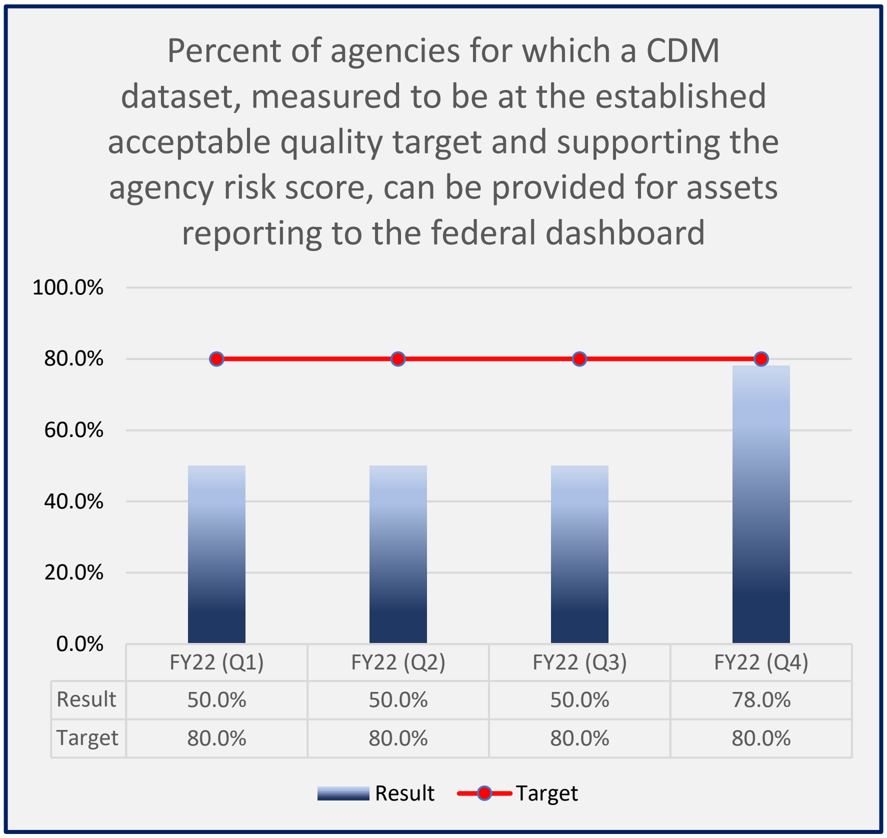
The following measures highlight some of our efforts to secure federal cyberspace and critical infrastructure. Up to five years of data is presented if available.

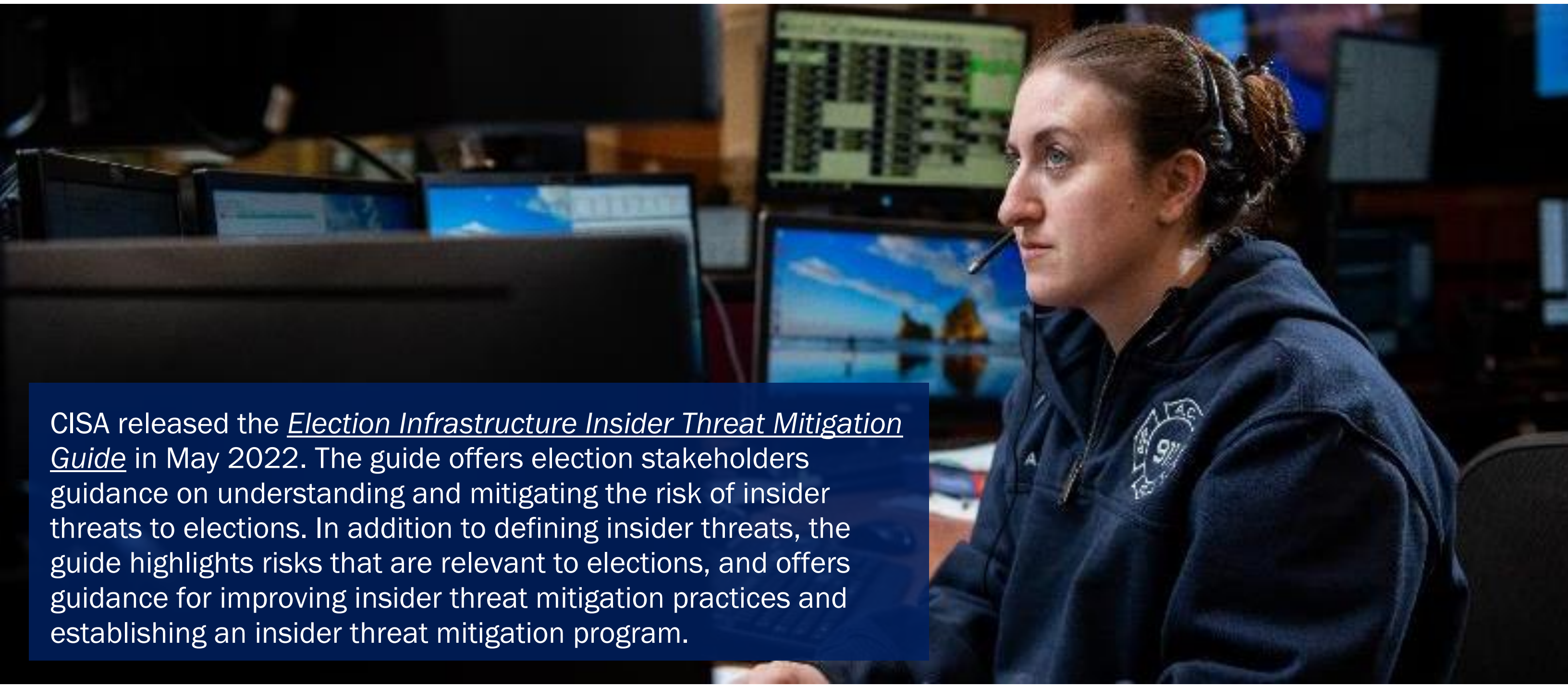
Percent of facilities that are likely to integrate vulnerability assessment or survey information into security and resilience enhancements (CISA): This measure demonstrates the percent of facilities that are likely to enhance their security and resilience by integrating Infrastructure Protection vulnerability assessment or survey information. Security and resilience enhancements can include changes to physical security, security force, security management, information sharing, and protective measures. Providing facility owners and operators with vulnerability information allows them to understand and reduce risk to the Nation's critical infrastructure. The program maintains a strong positive response on integrating assessment and survey information despite limitations in delivering assessments and follow-ups due to social distancing requirements during the pandemic. The current year's results are consistent with the five-year trend.



	FY19	FY20	FY21	FY22
Result	88.0%	86.0%	85.0%	91.0%
Target	85.0%	85.0%	85.0%	85.0%

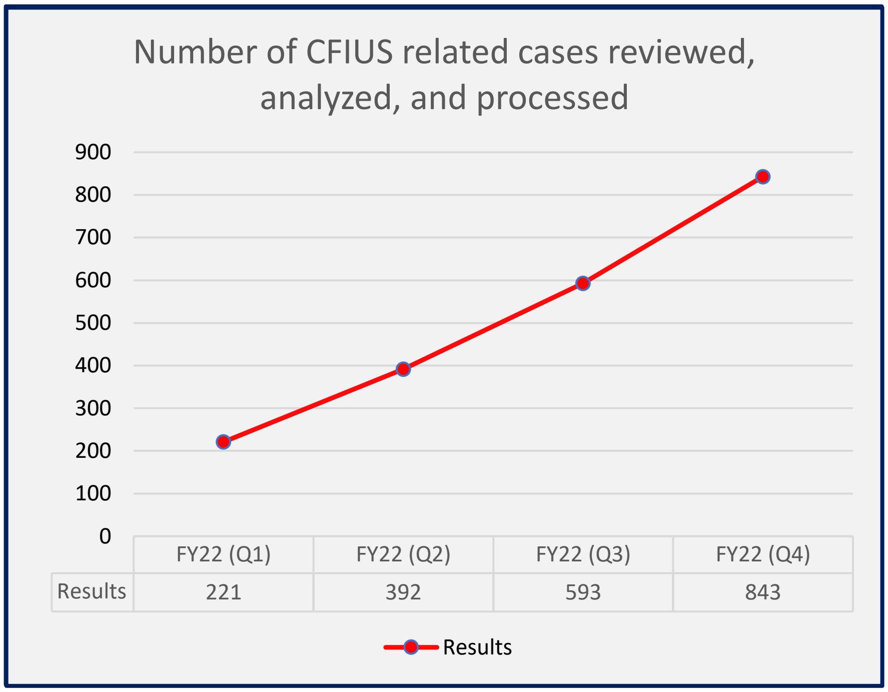
Percent of agencies for which a Continuous Diagnostic and Mitigation (CDM) dataset, measured to be at the established acceptable quality target and supporting the agency risk score, can be provided for assets reporting to the federal dashboard (CISA): This measure is an indicator of a federal agency's ability to provide reliable asset management information to the Federal Dashboard that can subsequently be used to determine cyber risk. More specifically, this measure reports the percent of participating Federal Civilian Executive Branch (FCEB) agencies that have completed a series of required engineering reviews with CDM engineers, demonstrating that the agency's CDM Asset Management solution set is ready for a data quality assessment, and ultimately achieving an acceptable score for the level of data quality leveraged to support a reliable AWARE score and is used to convey results for its associated Agency Priority Goal on Cybersecurity.





CISA released the *Election Infrastructure Insider Threat Mitigation Guide* in May 2022. The guide offers election stakeholders guidance on understanding and mitigating the risk of insider threats to elections. In addition to defining insider threats, the guide highlights risks that are relevant to elections, and offers guidance for improving insider threat mitigation practices and establishing an insider threat mitigation program.

Number of Committee on Foreign Investment in the United States (CFIUS) related cases reviewed, analyzed, and processed (CISA): CISA plays an integral role within DHS supporting CFIUS, an interagency committee that reviews mergers, acquisitions, or takeovers that could result in foreign control of a United States business. These reviews are designed to determine the effects of such transactions on the national security of the United States. As a priority program for DHS, this new measure was developed and is being implemented for FY 2023 to demonstrate progress in this area of CISA's work. This measure was baselined in FY 2022, and the results have been provided here for the reader's awareness.



Looking Forward

A few near-term efforts to advance the Department's capability and capacity in these areas are provided below.

> **DID YOU KNOW?**
>
> Partners can use the *Secure Tomorrow Series*, a strategic foresight capability, to identify emerging risks that could affect infrastructure in 5+ years. With the toolkit, partners can analyze, prioritize, and manage risks drivers to steer towards a preferred future.

- **Attracting, retaining, training, and providing a talented cybersecurity workforce is an increasingly vital part of the DHS mission.** DHS Components, in coordination with the DHS Office of Human Capital, are prioritizing cyber hiring and leveraging additional hiring authorities and incentives to meet the challenge of hiring and retaining top cyber talent. For example, DHS implemented the Cybersecurity Talent Management System (CTMS) in November 2021, a new personnel system that will enable DHS to recruit, develop, and retain our Nation's top cybersecurity professionals more effectively. CISA is also exploring other alternatives like retention pay incentive programs, tuition reimbursement, and student loan payoff programs to attract and retain talented personnel. The agency will also continue to invest in its workforce through learning and evaluation training, cyber-skill training, leadership training, and diversity, equity, inclusion, and accessibility training.
- **DHS safeguards the federal enterprise network, systems, and assets against a spectrum of risks, and has advanced the security of federal networks overall.** CISA works with SLTT partners to provide guidance and recommendations on how to reduce their cyber-attack surface. As CISA continues to mature how it engages with its SLTT partners and other

stakeholders, the delivery of CyberSentry – a software and hardware-based solution pilot program – will help define gaps in stakeholder networks and offer real-time insight into operational technology and critical infrastructure networks for targeted improvements.

DID YOU KNOW?

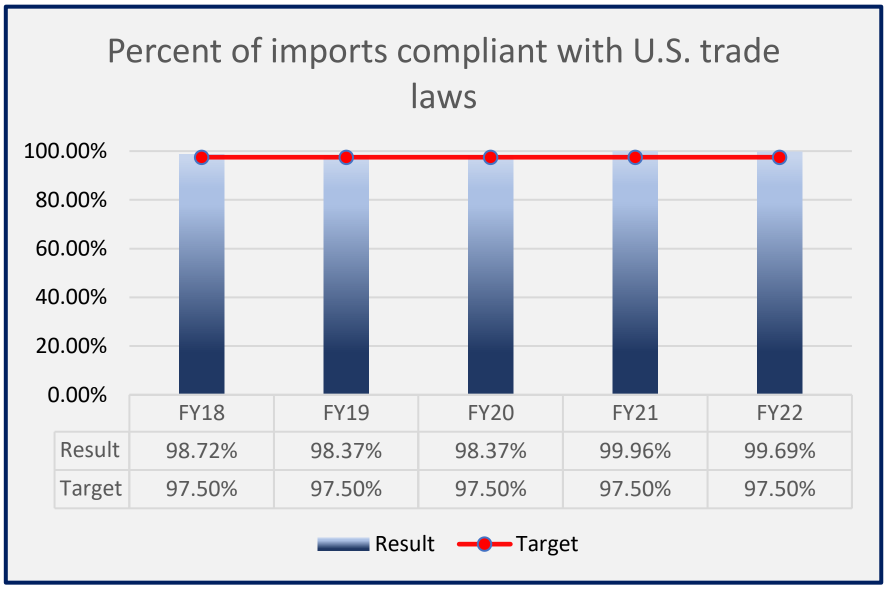
CISA's *Interoperable Communications Technical Assistance Program Service Offerings Guide (TA SOG) Version 7.0* serves as an overview of the technical assistance programs that CISA offers to state, local, tribal, and territorial partners across the country.

Goal 4: Preserve and Uphold the Nation's Prosperity and Economic Security

America's prosperity and economic security are integral to homeland security and are achieved through our international trade operations, maritime natural resources, ice breaking for commercial cargo, aids to navigations for boats/ships, and protection of the nation's financial systems.

The following measures highlight some of our efforts to preserve and uphold the nation's prosperity and economic security. Up to five years of data is presented if available.

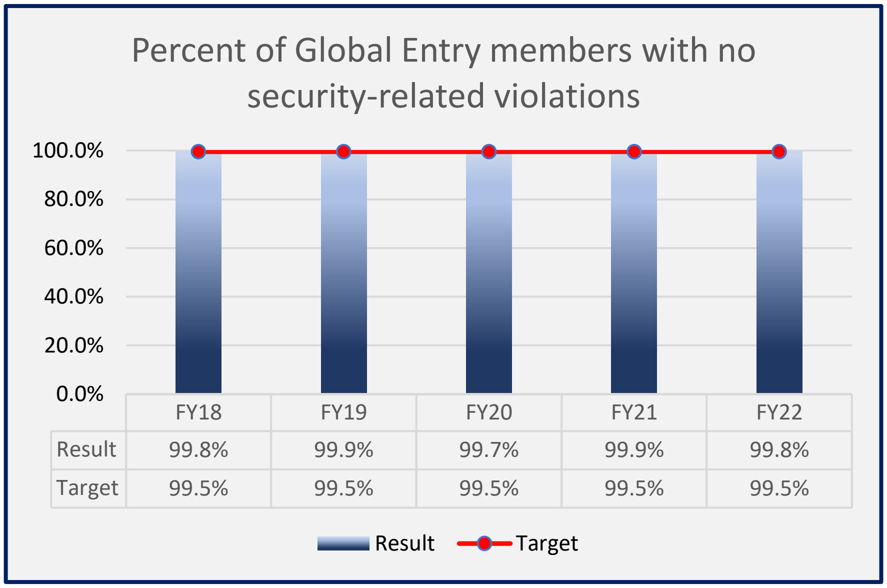
Percent of imports compliant with U.S. trade laws (CBP): This measure reports the percent of imports that are compliant with U.S. trade laws including customs revenue laws, based on statistical sampling of entry records. Ensuring all imports are legally compliant and that their entry records contain no major discrepancies facilitates lawful trade. CBP, the importing community, and our federal partners have a shared



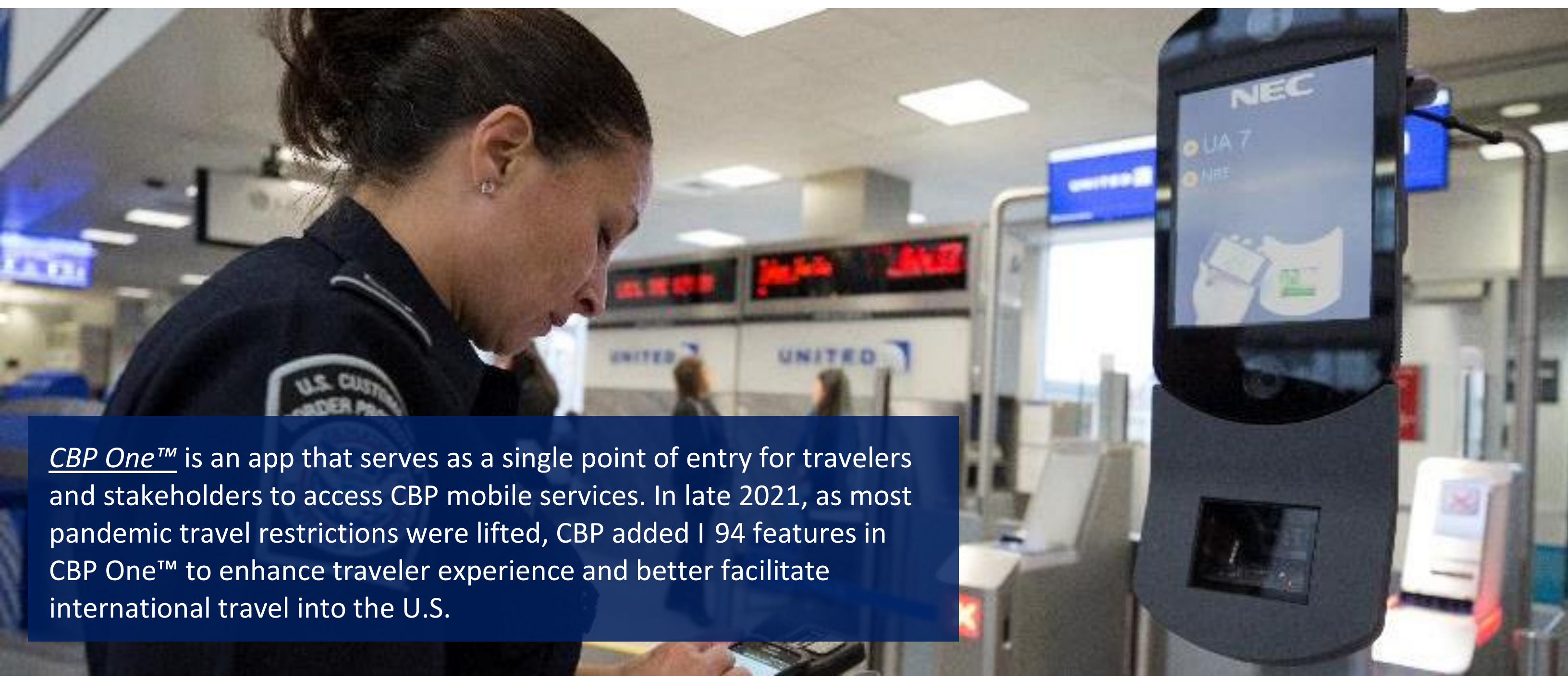
	FY18	FY19	FY20	FY21	FY22
Result	98.72%	98.37%	98.37%	99.96%	99.69%
Target	97.50%	97.50%	97.50%	97.50%	97.50%

While COVID 19 presented a new opportunity for individuals to commit fraud, USSS continues to prevent losses to the public through pandemic related fraud investigations. For example, *in August 2022*, USSS returned approximately $286 million in fraudulently obtained Economic Injury Disaster Loans to the Small Business Administration.

responsibility to maximize compliance with laws and regulations. In carrying out this task, CBP encourages importers to become familiar with applicable laws and regulations and work together with the CBP Office of Trade and Office of Field Operations to protect American consumers from harmful and counterfeit imports by ensuring the goods that enter the U.S. marketplace are genuine, safe, and lawfully sourced. This long-standing measure shows a consistently high compliance rate with FY 2022 results in-line with recent trends. While the expansion of e-commerce has led to greater trade facilitation, its overall growth has facilitated a concomitant increase in online trafficking in counterfeit and pirated goods that are typically shipped through international mail and express courier services and account for approximately 90 percent of counterfeit seizures.



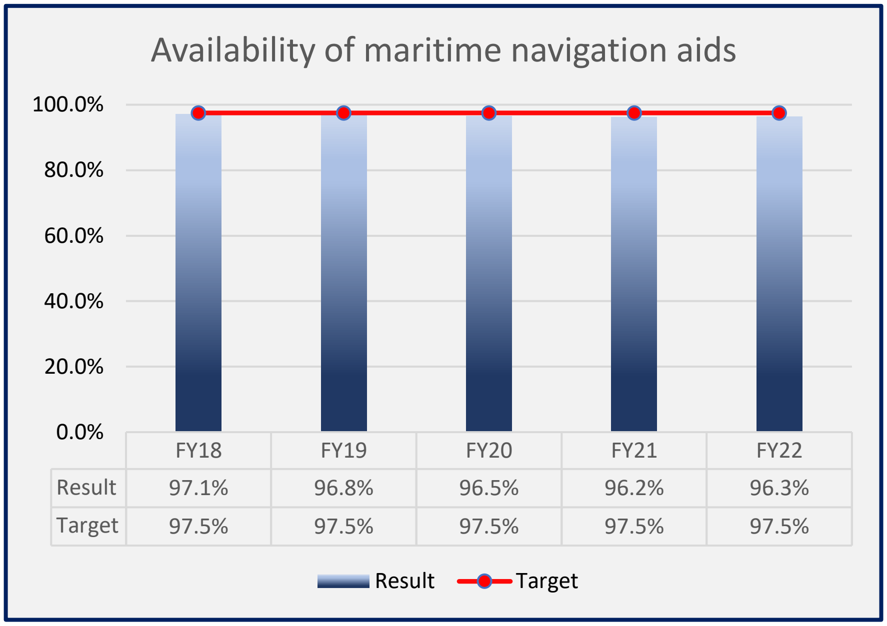
Percent of Global Entry members with no security-related violations (CBP): This measure shows CBP's success at maintaining a high level of security in the international air environment by measuring the degree of compliance with all federal, state, and municipal laws and regulations that CBP is charged with enforcing at the ports of entry (international airports) by Global Entry trusted traveler passengers. During typical non-pandemic times, CBP officers welcome almost a million international travelers daily. In screening both foreign visitors and returning U.S. citizens, CBP uses a variety of techniques to assure that global tourism remains safe and strong. In FY 2022, the Travel program continued



CBP One™ is an app that serves as a single point of entry for travelers and stakeholders to access CBP mobile services. In late 2021, as most pandemic travel restrictions were lifted, CBP added I 94 features in CBP One™ to enhance traveler experience and better facilitate international travel into the U.S.

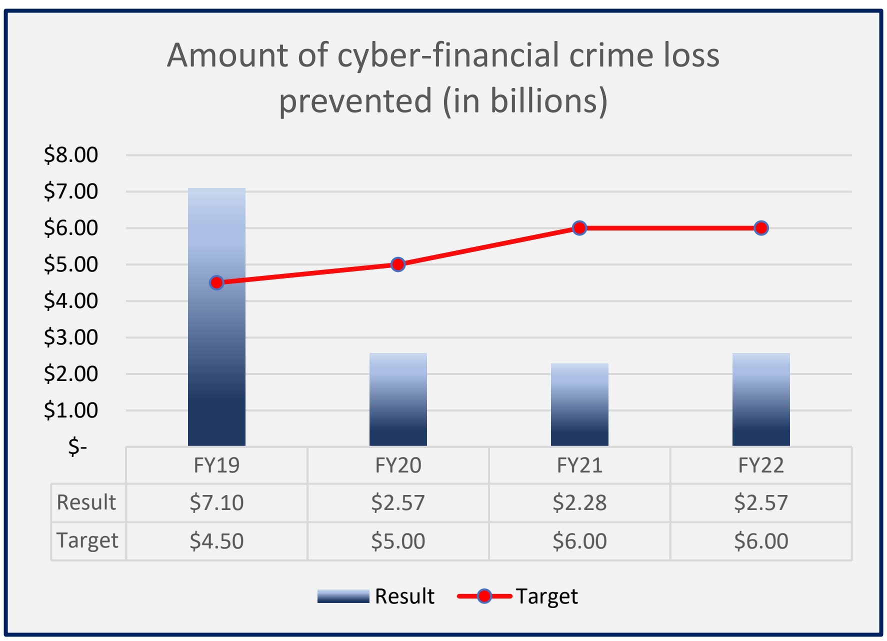
its outstanding performance in safeguarding international travel. While COVID-19 and associated requirements continued to impact the volume of travel into the United States, compliance remains strong. The Travel program is constantly looking at new technologies to receive traveler data in advance of arrival at a port of entry, which enhances security and allows for better facilitation of the entry process into the United States. The program also has a strong outreach program through their public-facing websites: Know Before You Visit, Trusted Traveler Programs, For U.S. Citizens/Lawful Permanent Residents, Electronic System for Travel Authorization, Electronic Visa Update System, and Visa Waiver Program.

Availability of maritime navigation aids (USCG): This measure indicates the hours that short-range federal Aids to Navigation (ATON) are available as defined by the International Association of Marine Aids to Navigation and Lighthouse Authorities in December 2004. As the Road Signs of the Sea, maritime navigational aids ensure safety of maritime traffic and the safe passage of trillions of dollars of economic activity. While ATON damage from hurricanes over the past several years has, for the most part, been addressed, resource availability continues to impact overall availability. The USCG continues to explore solutions to address this challenge.



	FY18	FY19	FY20	FY21	FY22
Result	97.1%	96.8%	96.5%	96.2%	96.3%
Target	97.5%	97.5%	97.5%	97.5%	97.5%

Amount of cyber-financial crime loss prevented (in billions) (USSS): This measure is an estimate of the direct dollar loss to the public prevented due to cyber-financial investigations by the USSS and their law enforcement partners. The dollar loss prevented is based on the estimated amount of financial loss that would have occurred had the offender not been identified nor the criminal enterprise interrupted. Since the onset of the global pandemic, USSS has dedicated significant resources to investigating crimes targeting pandemic relief funds. During FY 2021 and FY 2022 there were many responses to notifications of fraudulently obtained pandemic relief funds. USSS is working with data systems



	FY19	FY20	FY21	FY22
Result	$7.10	$2.57	$2.28	$2.57
Target	$4.50	$5.00	$6.00	$6.00

owners to better capture and record the loss prevented associated with these crimes, which is currently not being reported in this metric. USSS is planning to incorporate this data into future reporting.

DID YOU KNOW?

USCG monitors terrorist risk posed to the Nation's vital Marine Transportation System, safeguarding $5.4 trillion of annual economic activity. In response to heightened risk, USCG elevates operations and advises industry and the public, recommending actions to mitigate risk via USCG's Maritime Security Level.

Looking Forward

A few near-term efforts to advance the Department's capability and capacity in these areas are provided below.

- **Cybercrime continues to be the fastest-growing mode for crime occurring across the country and touches a large share of the U.S. population.** To address this evolving threat, USSS protects the integrity of our nation's financial systems from a broad range of fraud, network intrusions, and other cyber-enabled attacks, regularly preventing billions in fraud loss. To amplify the impact of this mission and to share cybercrime prevention information with stakeholders, USSS partners with the National Computer Forensics Institute (NCFI) to train and equip SLTT law enforcement officers, prosecutors, and judges with the tools necessary to combat the evolving world of cyber and electronic crime. Looking ahead, USSS plans to seek re-authorization to train SLTT law enforcement officers and add authorities to train other Cyber Fraud Task Force (CFTF) partners. ICE-HSI also plays a key role in protecting the United States against cyber and financial crime. For example, HSI established cyber groups of criminal investigators, computer forensic

The USCG's Great Lakes Center of Expertise (GLCOE) is the newest scientific research center that will lead research and testing of freshwater oil spill response technology. The Great Lakes are the largest body of surface freshwater on the planet that supply drinking water to over 40 million people in the U.S. and Canada and support a $7 billion fishing industry. The GLCOE seeks to improve methods of detection, containment, and removal in freshwater and ice conditions, which differ from saltwater density, water circulating patterns, and ecosystems where response technologies were developed.

specialists, and cyber operations officers at domestic offices nationwide to look at exploitation on the dark web such as marketplace, ransomware, child endangerment, and victimization. Moving forward, HSI's Cyber Crimes Center is working to retain their cyber workforce and create targeted recruitment efforts to expand specialized cyber and forensics skills.

- **DHS promotes values of free and fair trade, the rule of law, and respect for human dignity.** The Uyghur Forced Labor Prevention Act (UFLPA) was enacted on December 23, 2021, to strengthen the existing prohibition against the importation of goods made wholly or in part with forced labor into the United States, and to end the systematic use of forced labor in the Xinjiang Uyghur Autonomous Region. Among its mandates, the UFLPA charged the Forced Labor Enforcement Task Force (FLETF), chaired by DHS, to develop a strategy for supporting the enforcement of Section 307 of the Tariff Act of 1930, as amended (19 U.S.C. § 1307). On June 17, 2022, this interagency task force, with input from CBP, ICE, and DHS's Office Strategy, Policy, and Plans, published a strategy to prevent the importation of goods mined, produced, or manufactured with forced labor in the People's Republic of China. Ending forced labor is a moral, economic, and national security imperative. DHS and its FLETF partners remain steadfast in their duty to address this global challenge. Combating trade in illicit goods produced with forced labor, including government-sponsored forced labor of convict labor, protects against unfair competition for compliant U.S. and international manufacturers and promotes American values of free and fair trade, the rule of law, and respect for human dignity. As one example of the impact of FLETF's strategy, CBP is considering revisions to its regulations to provide well-defined requirements for importers for better prohibition of goods made with forced labor, with the goal of deterring and discouraging the use of forced labor. CBP is also exploring novel approaches like increases in technology, overtime, and contractor support to

CBP played a key role in the implementation of two Executive Orders (E.O. 14066 and E.O. 14068) on Russian sanctions, prohibiting the importation of certain Russian goods into the United States. A range of Russian products are now prohibited from importation into the U.S. The range of products spans energy products such crude oil, petroleum energy products, liquefied natural gas, and coal products, to more typical consumer products such as fish, alcohol, and non industrial diamonds.

address initial capacity gaps as the agency works to hire and prepare funding proposal for additional personnel in support of UFLPA requirements.

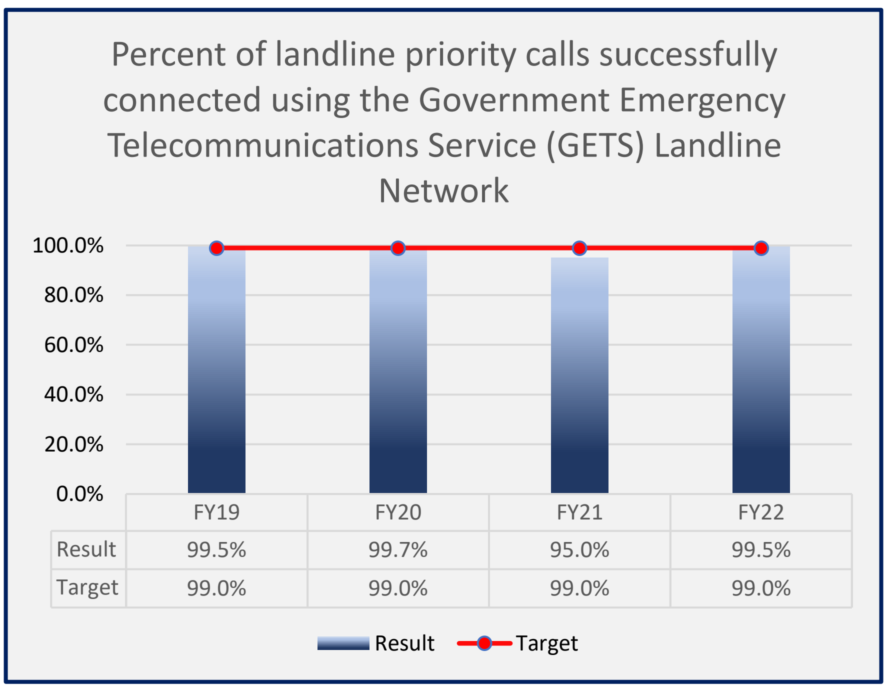
Goal 5: Strengthening Preparedness and Resilience

Preparedness is a shared responsibility across federal, state, local, tribal, and territorial governments; the private sector; non-governmental organizations; and the American people. Some incidents will overwhelm the capabilities of communities, so the Federal Government must remain capable of helping them to respond to natural and man-made disasters. Following disasters, the Federal Government must ensure an ability to direct resources needed to support local communities' immediate response and long-term recovery assistance. The United States can effectively manage emergencies and mitigate the harm to American communities by thoroughly preparing local communities, rapidly responding during crises, and supporting recovery.

> **DID YOU KNOW?**
>
> CISA has a school safety program that supports schools by developing and deploying actionable and tailorable guidance, resources, and tools for K 12 communities on school safety issues, threats, and hazards to educate stakeholders, build awareness, and promote vigilance. For more information, see *CISA's K 12 School Security Guide Product Suite.*

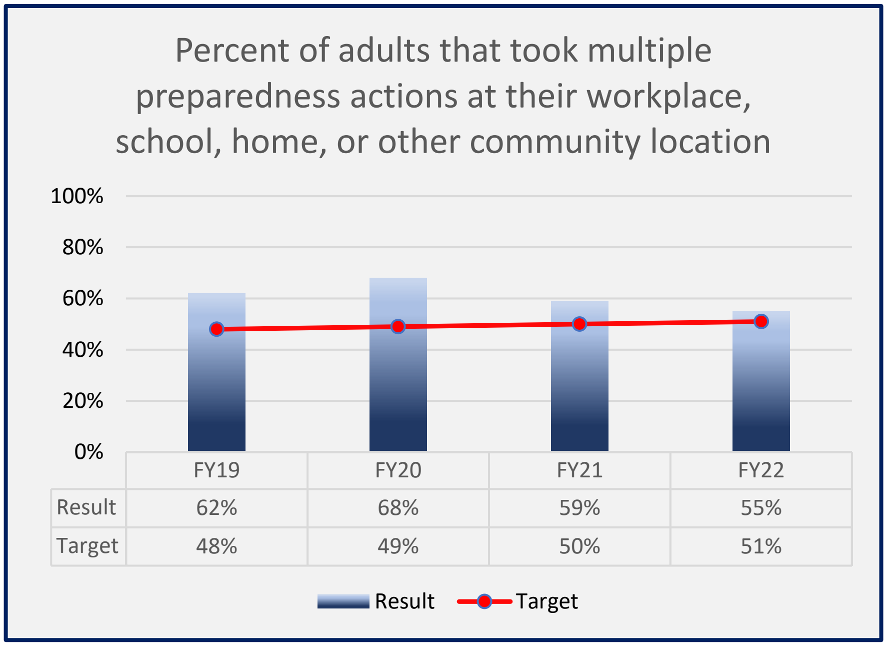
The following measures highlight some of our efforts to strengthen preparedness and resilience. Up to five years of data is presented if available.

Percent of landline priority calls successfully connected using the Government Emergency Telecommunications Service (GETS) Landline Network (CISA): By ensuring the connection of calls for first responders and government officials during a disaster, DHS contributes to a national effective emergency response effort. This measure gauges the reliability and effectiveness of the Government Emergency Telecommunications Service (GETS) to ensure accessibility by authorized users at any time, most commonly to ensure call completion during times of network congestion caused by all-hazard scenarios, including terrorist attacks or natural disasters (e.g., hurricane or earthquake). In FY 2022, this measure achieved 99.5%.

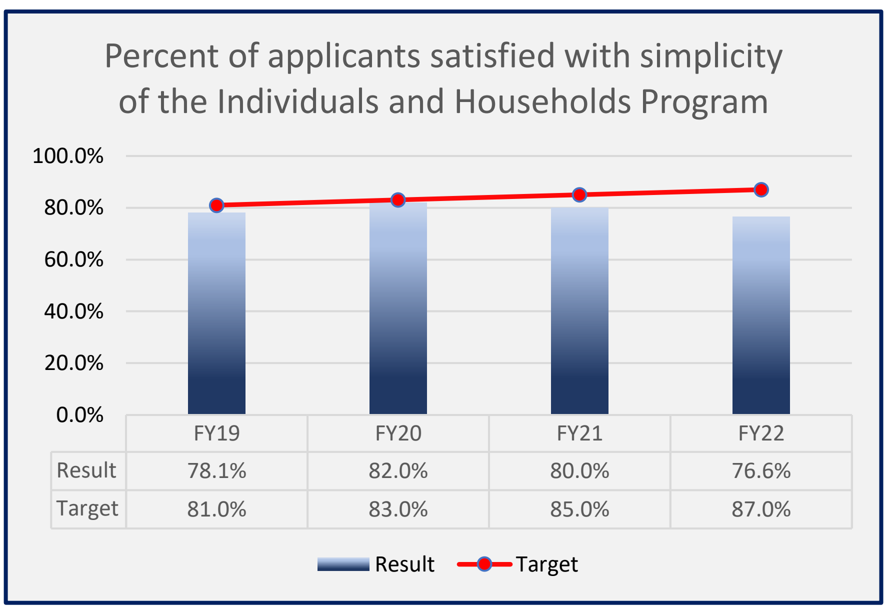


	FY19	FY20	FY21	FY22
Result	99.5%	99.7%	95.0%	99.5%
Target	99.0%	99.0%	99.0%	99.0%

Percent of adults that took multiple preparedness actions at their workplace, school, home, or other community location (FEMA): This measure serves as an indicator of the whole community effort to educate the public regarding their risks, developing methods to mitigate the impacts of those risks, and helping people understand how to prepare to meet disasters when they arrive. Programs and initiatives such as preparedness actions, capacity building, youth preparedness, citizen responder, financial resilience, and messaging help ensure the nation has a variety of tools and resources to help build a culture of preparedness. Results are compiled from the National Households Survey. In FY 2022, 55% of the households that provided a response to the National Households Survey reported they did three or more preparedness actions in the last year. FEMA continues efforts on social media for taking preparedness actions, and partners in nation-wide campaigns like National Preparedness Month. FEMA continues to play a critical role in ensuring the public has a variety of tools and resources to promote and sustain a ready and prepared nation.

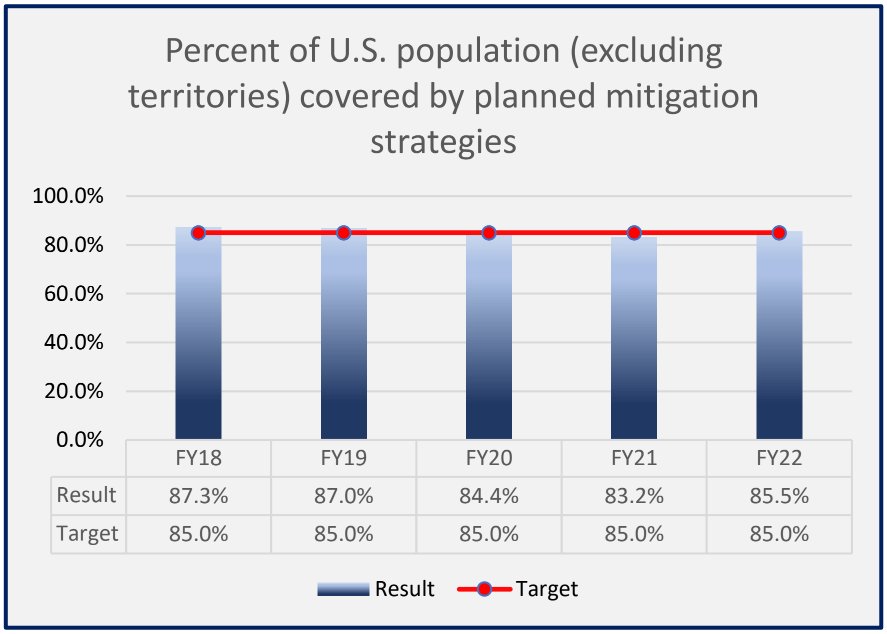


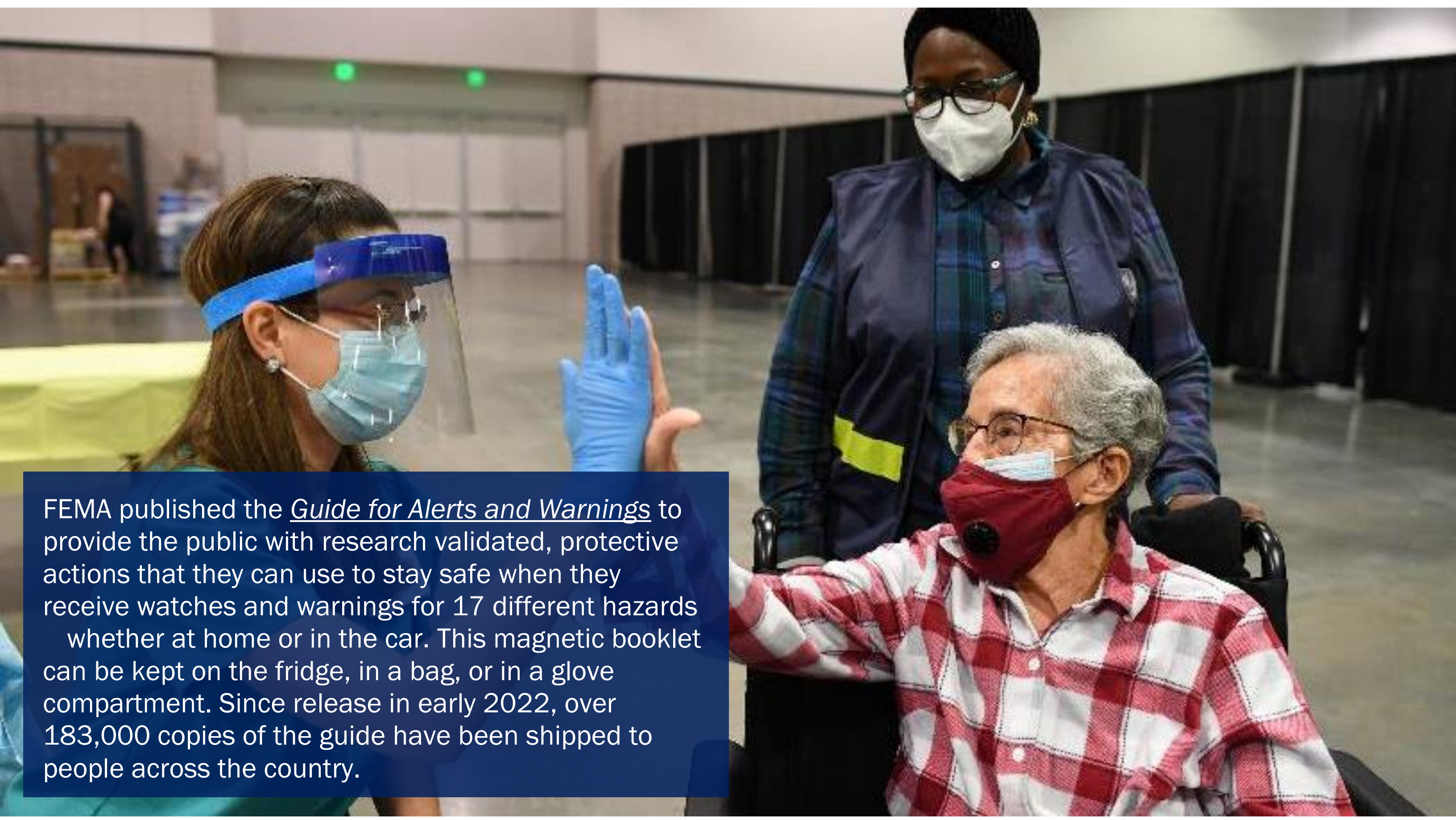
Percent of applicants satisfied with simplicity of the Individuals and Households Program (FEMA): This measure uses surveys to assess applicant impressions of the simplicity of the procedures required to receive disaster relief from the [Individuals and Households Program's](#) (IHP) assistance and services. The program collects survivors' impressions of their interactions with IHP using standard surveys, administered by telephone, at three touchpoints of their experience with FEMA. In FY 2021, FEMA deployed the first email survey to Individual Assistance disaster survivors, and continued this through FY 2022. While FEMA did not meet its target of 87% in FY 2022, these results did not hinder FEMA's ability to execute its mission. Looking ahead, FEMA is working to release a simpler, more intuitive application process that will allow applicants to select their specific Individuals and Households needs, easily see their progress within the application process, navigate instructions that highlight sections where required information is



missing, and review and edit all the information submitted in their entire application from a single screen before submission.

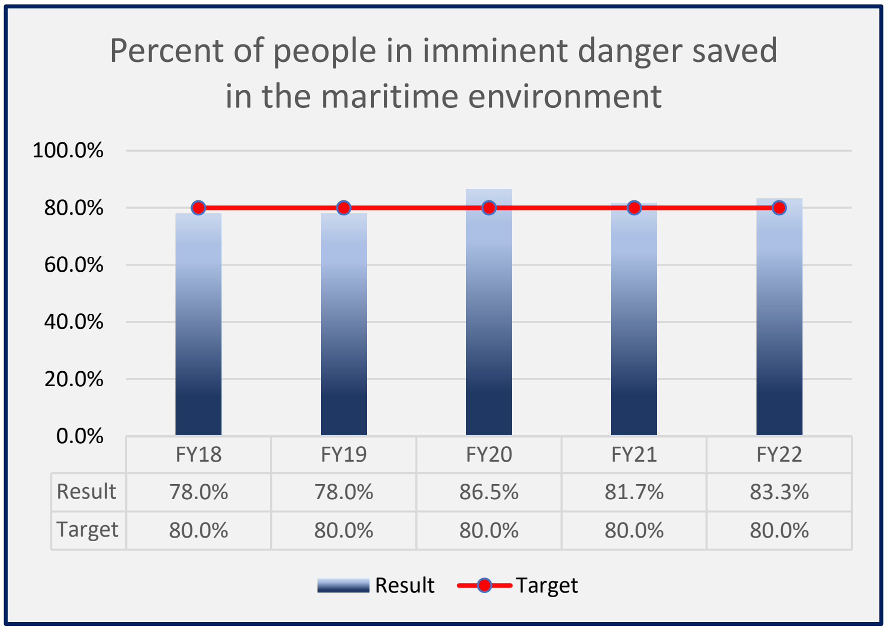
Percent of U.S. population (excluding territories) covered by planned mitigation strategies (FEMA): This measure reports the percent of U.S. population (excluding territories) covered by approved or approvable local [Hazard Mitigation Plans](). To ensure plan coverage did not lapse in some areas, FEMA prioritized hazard mitigation plan review and approvals, continued investment in mitigation through FEMA's Hazard Mitigation Assistance Grants, and provided training and technical assistance to SLTT partners. In FY 2022, this measure achieved 85.5%.



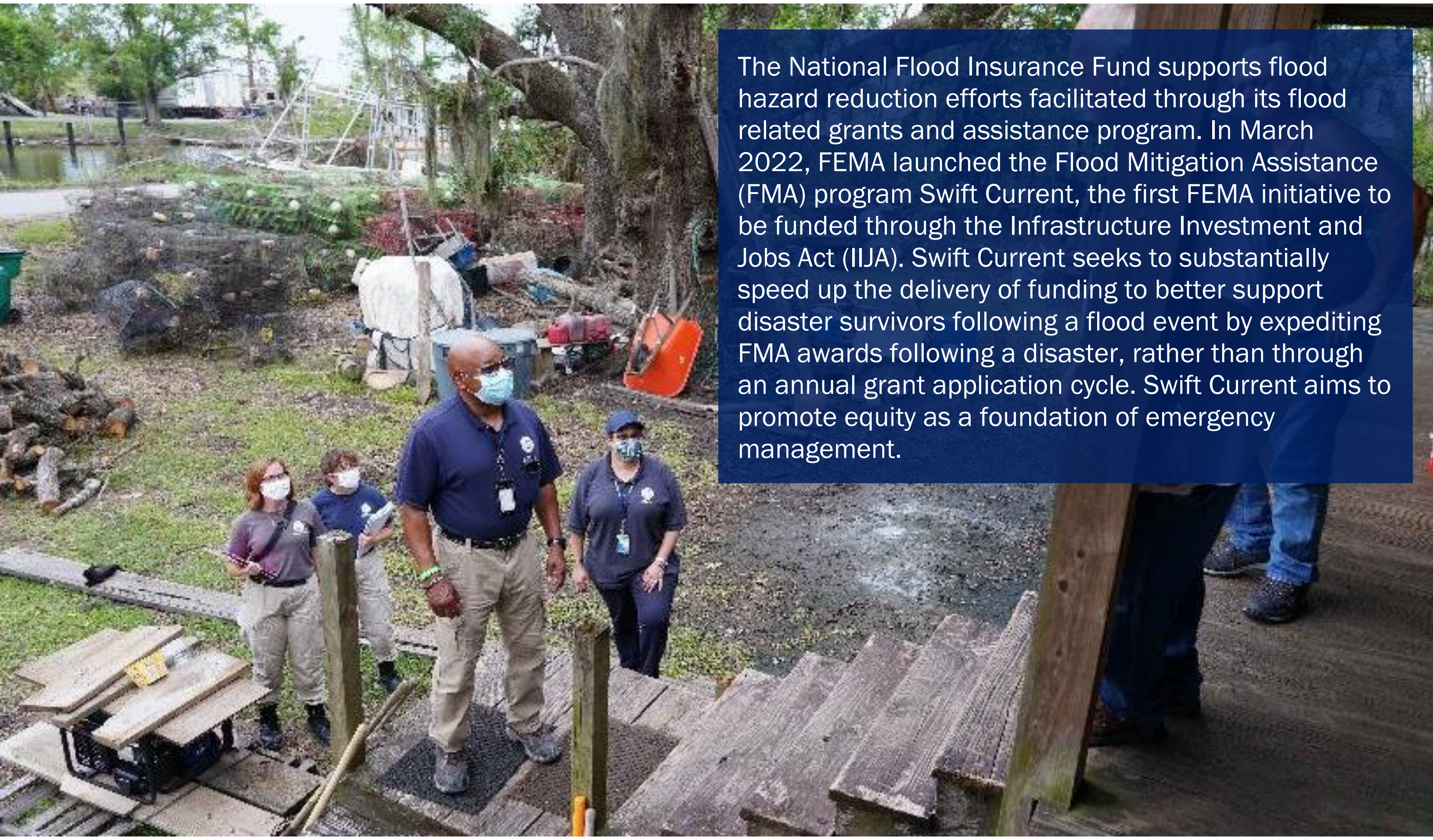


FEMA published the *[Guide for Alerts and Warnings]()* to provide the public with research validated, protective actions that they can use to stay safe when they receive watches and warnings for 17 different hazards whether at home or in the car. This magnetic booklet can be kept on the fridge, in a bag, or in a glove compartment. Since release in early 2022, over 183,000 copies of the guide have been shipped to people across the country.

Percent of people in imminent danger saved in the maritime environment (USCG): This is a measure of the percent of people who were in imminent danger on the oceans and other waterways and whose lives were saved by the USCG. The number of lives lost before and after the USCG is notified and the number of persons missing at the end of search operations are factored into this result. In FY 2022, the USCG achieved 83.3%, which is the second highest result in the past five years, and is the third year in a row that USCG has surpassed its performance target for this measure.



	FY18	FY19	FY20	FY21	FY22
Result	78.0%	78.0%	86.5%	81.7%	83.3%
Target	80.0%	80.0%	80.0%	80.0%	80.0%



The National Flood Insurance Fund supports flood hazard reduction efforts facilitated through its flood related grants and assistance program. In March 2022, FEMA launched the Flood Mitigation Assistance (FMA) program Swift Current, the first FEMA initiative to be funded through the Infrastructure Investment and Jobs Act (IIJA). Swift Current seeks to substantially speed up the delivery of funding to better support disaster survivors following a flood event by expediting FMA awards following a disaster, rather than through an annual grant application cycle. Swift Current aims to promote equity as a foundation of emergency management.

Looking Forward

A few near-term efforts to advance the Department's capability and capacity in these areas are provided below.

- **Climate change represents a profound crisis for the nation, making natural disasters more frequent, more intense, and more destructive**. FEMA is engaging with federal and SLTT partners to address this evolving challenge. In partnership with the White House Office of Science, Technology and Policy (OSTP) and the National Oceanic and Atmospheric Administration (NOAA), FEMA released a report outlining the opportunities for expanding and improving climate information services for the public. FEMA is also planning for how the agency will address climate change in the future and has established steering committees to develop internal cohesion and improved understanding of shared interests and goals among applicable FEMA programs. A notable example is the Climate Adaption Enterprise Steering Group (CAESG), chartered to develop a holistic, unified agency approach to consider and address the impacts of climate change across all of FEMA's programs and operations. Moving forward, FEMA will continue to educate the workforce and emergency management community on concepts related to climate change, future conditions, climate adaptation, and resilience. FEMA will also continue to support community resilience and sustainability by promoting community adoption of codes and standards and will support risk-based decision making by providing technical assistance to SLTTs and communities on how to use available and future data and resources to support community resilience.
- **USCG Search and Rescue:** Search and Rescue (SAR) is one of USCG's oldest missions. Minimizing the loss of life, injury, or property damage by rendering aid in the maritime environment to persons in distress and property has always stood as a USCG priority.

USCG SAR response involves multi-mission stations, cutters, aircraft, and boats linked by communications networks. Managing the SAR program has become increasingly challenging due to a decreasing number of designated SAR professionals at key billets throughout the USCG. As such, the USCG continues to direct time and energy to advocate for improvements in the National SAR System, Marine Environmental Response, and Emergency Management programs, to strengthen the USCG's ability to lead in crisis. USCG continues to develop and implement the SAR Continuous Improvement Program to support the SAR community by applying consistent processes to identify, validate, and share information on program strengths, innovations, and areas for improvement. The SAR mission maintains a high degree of focus on the progression of search and rescue tools for locating people in distress, and the potential SAR response challenges in the polar regions as maritime and aeronautical traffic increases.

DID YOU KNOW?

FEMA's United States Fire Administration in partnership with the U.S. Department of Transportation's National Highway Traffic Safety Administration (NHTSA) is performing a study with the International Association of Fire Fighters (IAFF) on fire, Emergency Medical Services (EMS), and law enforcement response to fires and other emergencies involving electric vehicles.

Agency Priority Goals

Please see our Annual Performance Report (APR) for an update on our FY 2023-2024 APGs. The APR will be available in February 2023 in conjunction with the FY 2024 Budget Submission. The APR will be available at the following link: https://www.dhs.gov/performance-financial-reports.

Financial Overview

The Department's principal financial statements — Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources, Statements of Custodial Activity, and notes to the principal financial statements — are prepared to report the financial position, financial condition, and results of operations of the Department, pursuant to the requirements of 31 U.S.C § 3515(b). The statements are prepared from records of Federal entities in accordance with Federal generally accepted accounting principles (GAAP) and the formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

This section is presented as an analysis of the principal financial statements. Included in this analysis is a year-over-year summary of key financial balances, nature of significant changes, and highlights of key financial events to assist readers in establishing the relevance of the financial statements to the operations of DHS.

COVID-19 Activity

In response to the national public health and economic threats, serious and widespread health issues and economic disruptions caused by COVID-19, DHS has continued to facilitate a speedy, whole-of-government response in confronting COVID-19, keeping Americans safe, helping detect and slow the spread of the virus, and making the vaccine available to as many people as possible.

Throughout the pandemic, DHS has worked with the White House, the Department of Health and Human Services (HHS), the Centers for Disease Control (CDC), and state, local, tribal and territorial governments to fight the COVID-19 pandemic and protect the public. Functioning critical infrastructure is particularly important during the COVID-19 response for both public health and safety as well as community well-being. Today, the Department continues to provide financial assistance through FEMA and under the Other Needs Assistance (ONA) provision of the Individuals and Households Program (IHP) to individuals and households with disaster-related funeral expenses. Under the Coronavirus Response and Relief Supplemental Appropriations Act, 2021, and the American Rescue Plan Act of 2021, FEMA will provide financial assistance for funeral costs specifically related to COVID-19 for funeral expenses at 100 percent federal cost share. In response to the unprecedented pandemic, TSA launched the "Stay Healthy. Stay Secure." campaign, which details proactive and protective measures TSA has implemented at security checkpoints to make the screening process safer for passengers and our workforce by reducing the potential of exposure to the coronavirus. Additionally, the DHS workforce protection command center works to ensure that protective procedures are in place for the front-line workforce, who may regularly encounter potential disease carriers, and is in close coordination with federal health partners and component health and safety officials.

Additional activities information and financial impact can be found in the financial information section under Note 31, COVID-19 Activity, as well as on our website at www.dhs.gov/coronavirus.

Financial Position

The Department prepares its Balance Sheets, Statements of Net Cost, and Statements of Changes in Net Position on an accrual basis, in accordance with U.S. generally accepted accounting principles; meaning that economic events are recorded as they occur, regardless of when cash is received or disbursed.

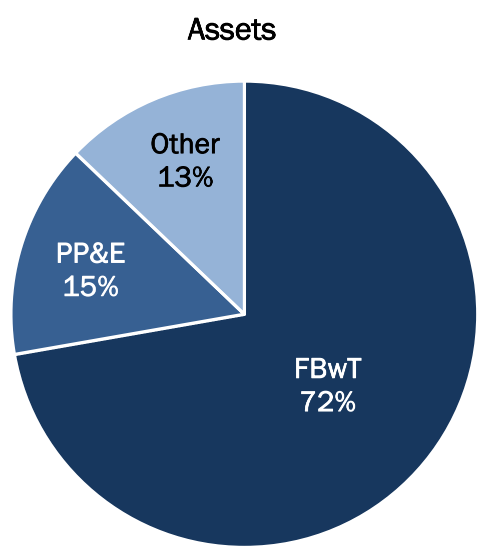
The Balance Sheet presents the resources owned or managed by the Department that have future economic benefits (assets) and the amounts owed by DHS that will require future payments (liabilities). The difference between the Department's assets and liabilities is the residual amount retained by DHS (net position) that is available for future programs and capital investments.

Financial Position ($ in millions)	FY 2022	FY 2021	$ Change	% Change
Fund Balance with Treasury	$ 158,759	$ 163,044	$ (4,285)	-3%▼
General Property, Plant, and Equipment, Net	32,754	27,893	4,861	17%▲
Other Assets	28,290	26,201	2,089	8%▲
Total Assets	**219,803**	**217,138**	**2,665**	1%▲
Debt	20,533	20,618	(85)	<0%▼
Federal Employee and Veteran Benefits Payable	16,940	75,570	(58,630)	-78%▼
Accounts Payable	5,593	5,434	159	3%▲
Insurance Liabilities	5,848	3,436	2,412	70%▲
Other Liabilities	21,986	25,512	(3,526)	-14%▼
Total Liabilities	**70,900**	**130,570**	**(59,670)**	-46%▼
Total Net Position	148,903	86,568	62,335	72%▲
Total Liabilities and Net Position	**$ 219,803**	**$ 217,138**	**$ 2,665**	1%▲

Results of Operations ($ in millions)	FY 2022	FY 2021	$ Change	% Change
Gross Cost	$ 105,853	$ 104,688	$ 1,165	1%▲
Less: Revenue Earned	(16,283)	(14,718)	(1,565)	11%▲
Net Cost Before Gains and Losses on Assumption Changes	**89,570**	**89,970**	**(400)**	0%
(Gains) and Losses on Assumption Changes	1,181	1,573	(392)	-25%▼
Total Net Cost	**$ 90,751**	**$ 91,543**	**$ (792)**	-1%▼

Assets – What We Own and Manage

Assets represent amounts owned or managed by the Department that can be used to accomplish its mission.



The Department's largest asset is Fund Balance with Treasury (FBwT), which consists primarily of appropriated, revolving, trust, deposit, receipt, and special funds remaining at the end of the fiscal year.

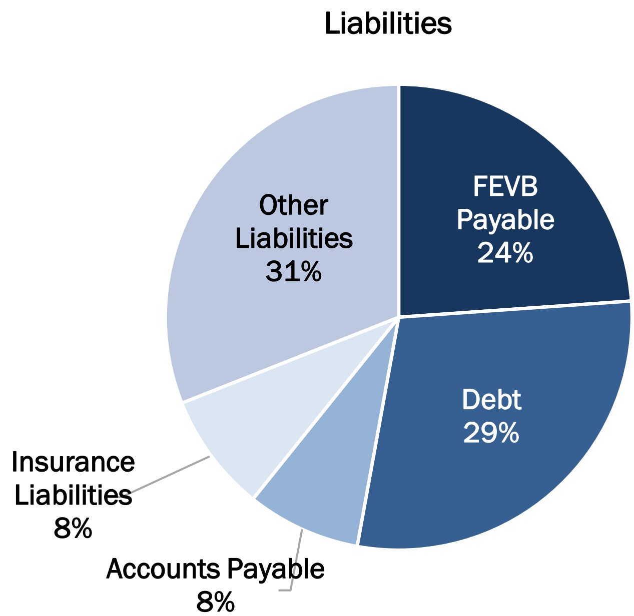
Property, Plant, and Equipment (PP&E) is the second largest asset, and include buildings and facilities, vessels, aircraft, construction in progress, and other equipment. In acquiring these assets, the Department either spent resources or incurred a liability to make payment at a future date; however, because these assets should provide future benefits to help accomplish the DHS mission, the Department reports these items as assets rather than expenses. On April 30, 2021, DoD announced that all DoD funded border barrier projects will be terminated and the U.S. Army Corps of Engineers (USACE) was authorized to approve exceptions to this proclamation to avert immediate physical dangers. Following this work and completion of the termination of contracts, the infrastructure and certain border barrier assets were transferred to the CBP. On March 31, 2022, both DoD and CBP signed ten DD form 1354 (transfer and acceptance of DoD real property) detailing property (both complete and in progress) being transferred between DoD and CBP. Based upon this documentation, CBP recorded the interagency transfer from DoD in April 2022 after review of the property and validation of the value. CBP anticipates receiving additional transfer of border wall assets from USACE in FY 2023 with approximately $1.6 billion in net book value.

Other Assets includes items such as investments, accounts receivable, cash and other monetary assets, taxes, duties and trade receivables, direct loans, and inventory and related property.

As of September 30, 2022, the Department had $220 billion in assets, representing a $3 billion increase from FY 2021. The majority of this change is due to an increase in General PP&E, attributed to the acquisition of the border barrier assets transferred from DoD.

Liabilities – What We Owe

Liabilities are the amounts owed to the public or other federal agencies for goods and services provided but not yet paid for; to DHS employees for wages and future benefits; and for other liabilities.



Debt is now the Department's largest liability, and results from Treasury loans to fund FEMA's National Flood Insurance Program (NFIP) and Disaster Assistance Direct Loan Program. Given the current premium rate structure, FEMA will not be able to generate sufficient resources from premiums to fully pay its debt. This is discussed further in Note 15 in the Financial Information section.

Federal Employee and Veteran Benefits (FEVB) Payable is the Department's second largest liability. In September 2022, per the *National Defense Authorization Act (NDAA) for FY 2021* (P.L. 116-283), DHS transferred the USCG Military Retirement System (MRS) actuarial accrued liability to DoD, and as of September 30, 2022, USCG is no longer the administrative entity. The remaining balance in the Department's FEVB Payable includes amounts owed to current and past personnel for pension and other post-employment benefits. The liability also includes medical costs for approved workers' compensation cases. For more information, see Note 16 in the Financial Information section. This liability is not covered by current budgetary resources, and the Department will use future appropriations to cover these liabilities (see Note 14 in the Financial Information section).

Accounts Payable consists primarily of amounts owed for goods, services, or capitalized assets received, progress on contract performance by others, and other expenses due to other entities.

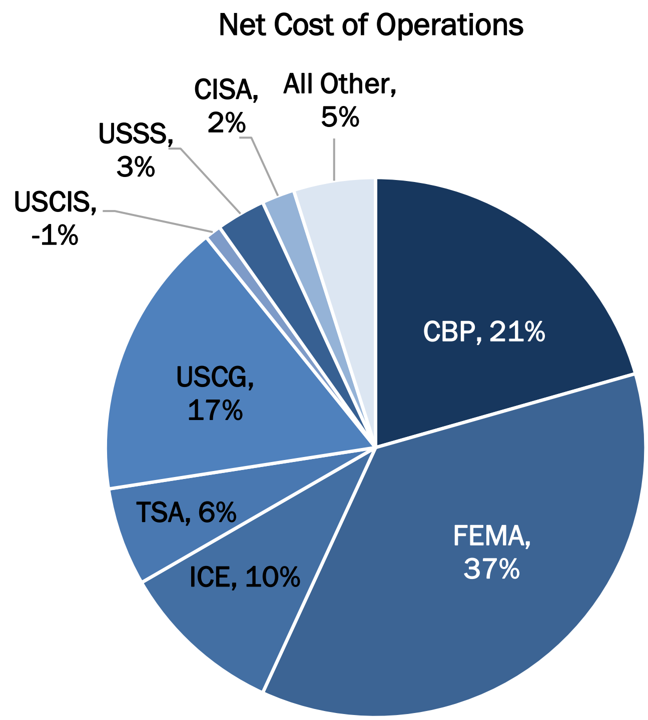
Insurance Liabilities are primarily the result of the Department's sale or continuation-in-force of flood insurance policies within the NFIP, which is managed by FEMA. As a result of estimated claims losses for Hurricane Ian in Southwest Florida and the Carolinas, the Department's Insurance Liabilities increased $2 billion from FY 2021.

Other Liabilities include amounts owed to other federal agencies and the public for goods and services received by the Department, amounts received by the Department for goods or services that have not been fully rendered, unpaid wages and benefits for current DHS employees, and amounts due to the Treasury's general fund, environmental liabilities, refunds and drawbacks, and other.

As of September 30, 2022, the Department reported approximately $71 billion in total liabilities. Total liabilities decreased by $60 billion in FY 2022 mostly due to the transfer of USCG's MRS actuarial accrued liability to DoD.

Net Position

Net position represents the accumulation of revenue, expenses, budgetary, and other financing sources since inception, as represented by an agency's balances in unexpended appropriations and cumulative results of operations on the Statement of Changes in Net Position. Financing sources increase net position and include, but are not limited to, appropriations, user fees, and excise taxes. The net costs discussed in the section below as well as transfers to other agencies decrease net position. The Department's total net position is $149 billion. Total net position increased $62 billion from FY 2021, in large part because of USCG's transfer of the MRS actuarial accrued liability to DoD.



*USCIS negative net cost balance is due to a new premium fee structure that contributed to increased revenue.

Results of Operations

The Department presents net costs by operational Components which carry out DHS's major mission activities, with the remaining support Components representing "All Other."

Net cost of operations, before gains and losses, represents the difference between the costs incurred and revenue earned by DHS programs. The Department's net cost of operations, before gains and losses, was $90 billion in FY 2022, which is similar to the prior year.

During FY 2022, the Department earned approximately $16 billion in exchange revenue. Exchange revenue arises from transactions in which the Department and the other party receive value and that are directly related to departmental operations. The Department also collects non-exchange duties, taxes, and fee revenue on behalf of the Federal Government. This non-exchange revenue is presented in the Statements of Custodial Activity or Statements of Changes in Net Position, rather than the Statements of Net Cost.

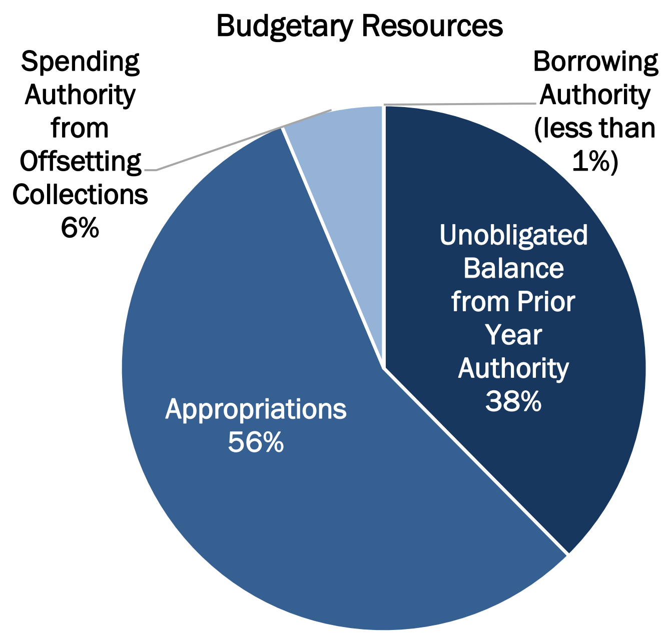
Budgetary Resources

The Statement of Budgetary Resources is prepared on a combined basis, rather than a consolidated basis, and provides information about how budgetary resources were made available as well as their status at the end of the period. Budgetary accounting principles require recognition of the obligation of funds according to legal requirements, which in many cases happens prior to the transaction under accrual basis. The recognition of budgetary accounting transactions is essential for compliance with legal constraints and controls over the use of federal funds. The budget represents our plan for efficiently and effectively achieving the strategic objectives to carry out our mission and to ensure that the Department manages its operations within the appropriated amounts using budgetary controls.

Sources of Funds ($ in millions)				
Unobligated Balance from Prior Year Budget Authority, Net	$ 65,705	$ 46,955	$ 18,750	40%▲
Appropriations	97,949	142,442	(44,493)	-31%▼
Spending Authority from Offsetting Collections	11,097	9,560	1,537	16%▲
Borrowing Authority	4	32	(28)	-88%▼
Total Budgetary Resources	**$ 174,755**	**$ 198,989**	**$ (24,234)**	-12%▼

The Department's budgetary resources, both discretionary and mandatory, were $175 billion for FY 2022. The authority was derived from $66 billion in authority carried forward from FY 2021, appropriations of $98 billion, approximately $11 billion in collections, and $4 million in borrowing authority. Budgetary resources decreased approximately $24 billion from FY 2021. This is mainly due to a decrease in the amount of appropriations received in FY 2022.

Of the total budget authority available, the Department incurred a total of $133 billion in obligations from salaries and benefits, purchase orders placed, contracts awarded, or similar transactions.



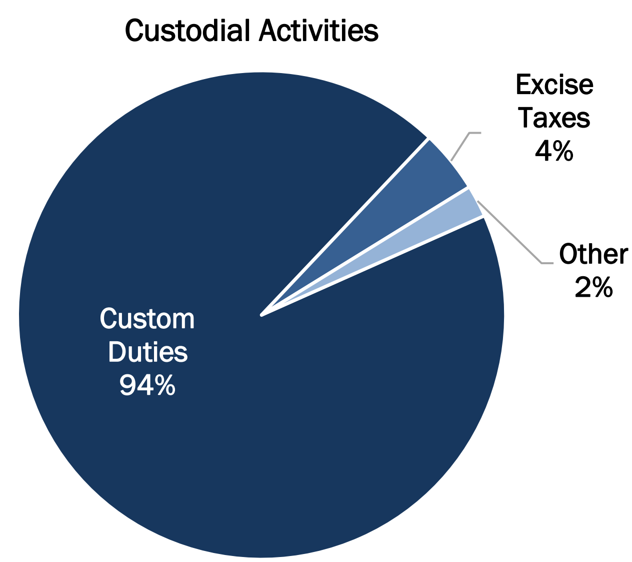
Custodial Activities

The Statement of Custodial Activity is prepared using the modified cash basis. With this method, revenue from cash collections is reported separately from receivable accruals, and cash disbursements are reported separately from payable accruals.

Cash Collections ($ in millions)	FY 2022	FY 2021	$ Change	% Change
Duties	$ 104,624	$ 85,466	$ 19,158	22%▲
Excise Taxes	4,629	4,773	(144)	-3%▼
Other	2,366	1,905	461	24%▲
Total Cash Collections	**$ 111,619**	**$ 92,144**	**$ 19,475**	21%▲

Custodial activity includes the revenue collected by the Department on behalf of others, and the disposition of that revenue to the recipient entities. Non-exchange revenue is either retained by the Department to further its mission or transferred to Treasury's general fund and other federal agencies. The Department's total cash collections is $112 billion, which is a $19 billion increase from FY 2021 mainly due to an increase in import activity and collections of customs duties.

Custom duties collected by CBP account for 94% of total cash collections. The remaining 6% is comprised of excise taxes, user fees, and various other fees.



Stewardship Information

Stewardship investments are substantial investments made by the Federal Government for the benefit of the Nation. When incurred, stewardship investments are treated as expenses in calculating net cost, but due to materiality, they are separately reported to highlight the extent of investments that are made for long-term benefit. The Department's expenditures (including carryover funds expended in FY 2022) in human capital, research and development, and non-federal physical property are shown below.

Investments in Research and Development

Investments in research and development represent expenses incurred to support the search for new or refined knowledge and ideas. The intent of the investment is to apply or use such knowledge to improve and develop new products and processes with the expectation of maintaining or increasing national productive capacity or yielding other future benefits. S&T major research and development programs include the Wildland Firefighter Respirator (WFFR) that protects firefighters' lungs from toxic gases, a 3D X-Ray that enables DHS personnel to safely detect hidden explosive devices, and a system of ground and aerial autonomous vehicles that allows responders to deliver emergency aid and communicate with civilians in high-risk locations. CWMD, S&T, and USCG investments in research and development this fiscal year (in millions) are as follows:

Components	FY 2022	FY 2021
CWMD	$ 74	$ 70
S&T	846	827
USCG	4	8
Total Research & Development	$ 924	$ 905

Investments in Human Capital

Investments in human capital include expenses incurred for programs to educate and train first responders. These programs are intended to increase or maintain national productive capacity as evidenced by the number of responders trained over the course of the programs. FEMA and S&T investments in human capital (in millions) are as follows:

Components	FY 2022	FY 2021
FEMA	$ 108	$ 86
S&T	4	3
Total Human Capital	$ 112	$ 89

Investments in Non-Federal Physical Property

Investments in non-federal physical property are expenses included in the calculation of net cost incurred by the reporting entity for the purchase, construction, or major renovation of physical property owned by state and local governments, which includes security enhancements to airports. TSA investments in non-federal physical property (in millions) are as follows:

Components	FY 2022	FY 2021
TSA	$ 128	$ 188
Total Non-Federal Physical Property	$ 128	$ 188

Other Key Regulatory Requirements

For a discussion on DHS's compliance with the Prompt Payment Act and Debt Collection Improvement Act of 1996, see the Other Information section.

Climate-Related Risks

For a discussion on DHS's efforts taken or planned to assess, measure, and mitigate any significant climate-related risks, see the Other Information section.

Analysis of Systems, Controls, and Legal Compliance

Secretary's Assurance Statement

November 14, 2022

The Department of Homeland Security is responsible for meeting the objectives of Sections 2 and 4 of the *Federal Managers' Financial Integrity Act of 1982* (FMFIA) to establish and maintain effective internal controls, inclusive of financial management systems, that protect the integrity of federal programs. These objectives are satisfied by managing risks and maintaining effective internal controls in three areas: 1) effectiveness and efficiency of operations; 2) reliability of reporting; and 3) compliance with applicable laws and regulations. The Department conducted its assessment of risk and internal controls in accordance with the Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* Based on the results of the assessment, the Department can provide reasonable assurance that internal controls over operations, internal controls over reporting, and internal controls over compliance were operating effectively as of September 30, 2022, except for the disclosures noted in subsequent sections.

Pursuant to the *DHS Financial Accountability* (FAA), the Department is required to obtain an opinion on its internal controls over financial reporting. The Department conducted its assessment of the effectiveness of internal controls over financial reporting in accordance with OMB Circular A-123 and Government Accountability Office (GAO) *Standards for Internal Control in the Federal Government*. Based on the results of this assessment, the Department can provide reasonable assurance that its internal controls over financial reporting were designed and operating effectively, except for aspects of Financial Reporting, Budgetary Accounting, Insurance Liabilities, and Information Technology Controls and Information Systems, where material weakness areas were identified, and remediation is in process.

The *Federal Financial Management Improvement Act of 1996* (FFMIA) requires agencies to implement and maintain financial management systems that substantially comply with Federal financial management system requirements, Federal accounting standards, and United States Standard General Ledger reporting at the transaction level. The material weakness area specifically related to Information Technology Controls and Information Systems affects the Department's ability to substantially comply with financial management system requirements. In addition, as a result of numerous Component agencies' financial management system limitations, the Department does not fully comply with certain government-wide accounting and reporting requirements. Therefore, the Department is reporting non-compliance with FFMIA and Section 4 of FMFIA. To address this non-compliance, the Department has launched a multi-year financial systems modernization program.

As a result of the assessments conducted, the Department continues to enhance its internal controls and financial management program. For noted areas of weakness, the Department is planning for remediation and additional improvements going forward, as highlighted in the Management Assurances section of the Agency Financial Report.

Sincerely,

Alejandro N. Mayorkas
Secretary of Homeland Security

Management's Report on Internal Controls Over Financial Reporting

November 14, 2022

Mr. Joseph V. Cuffari
Inspector General
Department of Homeland Security Washington, DC

Dear Inspector General Cuffari:

The United States Department of Homeland Security (DHS) internal controls over financial reporting constitutes a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with the United States' generally accepting accounting principles. An organization's internal controls over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with the United States' generally accepted accounting principles, and that receipts and expenditures of the organization are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the organization's assets that could have a material effect on the financial statements.

DHS is responsible for designing, implementing, and maintaining effective internal controls over financial reporting. Management assessed the effectiveness of DHS's internal controls over financial reporting as of September 30, 2022, based on criteria established in the Standards for Internal Controls in the Federal Government (GAO-14-704G) issued by the Comptroller General of the United States. Based on that assessment, management concluded that, as of September 30, 2022, DHS's internal controls over financial reporting are effective except for areas of material weakness in Financial Reporting, Budgetary Accounting, Insurance Liabilities, and Information Technology Controls and Information Systems. Specifically:

1) *Financial Reporting:* Ineffective monitoring of reports used in financial reporting controls, ineffective service provider monitoring, and other conditions.
2) *Budgetary Accounting:* Ineffective controls and monitoring of budgetary resources to include undelivered orders, new obligations incurred, and the reimbursable authority related to unfilled customer order.
3) *Insurance Liabilities:* Ineffective design and implementation of controls over the data used in and the review of the valuation approach of the flood insurance liabilities.
4) *Information Technology Controls and Information Systems:* Ineffective controls in financial management systems, including those performed by service organizations, and insufficient design of controls over information derived from systems.

Internal controls over financial reporting have inherent limitations. Internal controls over financial reporting constitutes a process that involves human diligence and compliance and is subject to human error. Internal controls over financial reporting can also be circumvented by collusion or improper management override. Because of their inherent limitations, internal controls over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Challenges have been faced this year given the transition of the United States Coast Guard from a legacy core accounting system and the late fiscal year impact and FEMA response due to Hurricane Ian. However, the transition to the modernized financial system will have innumerable benefits for the United States Coast Guard financial operations and reporting going forward. In addition, FEMA maintains focus on Hurricane Ian response and supported these efforts financially through grants, disaster loans, and flood insurance payments. While keeping the mission in the forefront, DHS continues to make progress in improving its internal controls and financial management program and management commits to implementing corrective actions to resolve the remaining areas of material weakness.

Best Regards,

Alejandro N. Mayorkas
Secretary

Stacy Marcott
Senior Official Performing the Duties of the
Chief Financial Officer

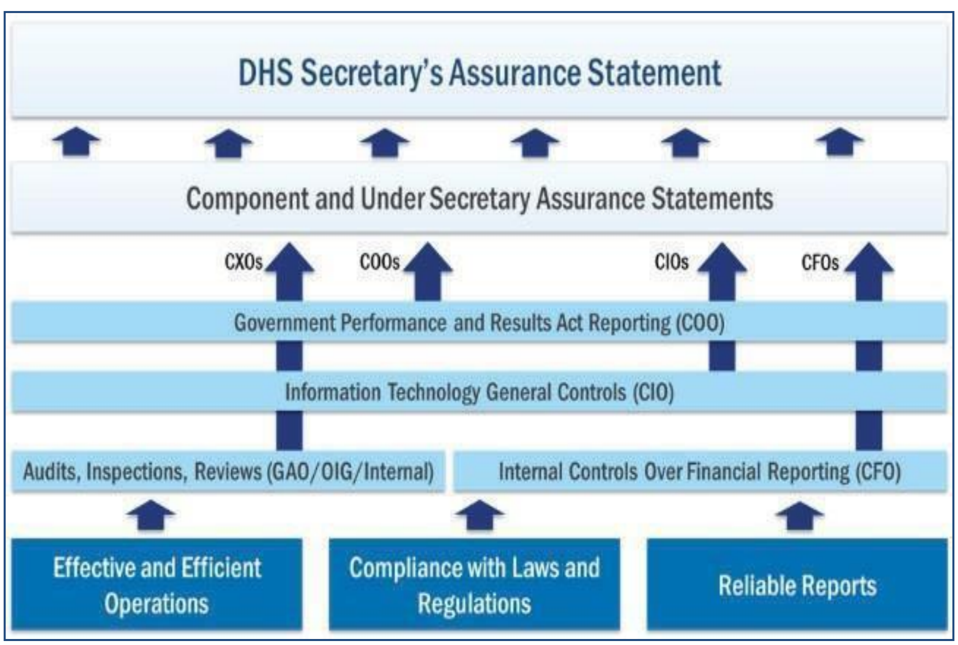
Management Assurances

DHS management is responsible for establishing, maintaining, and assessing internal controls to provide reasonable assurance that the objectives of the Federal Managers' Financial Integrity Act (FMFIA) of 1982 (31 United States Code 3512, Sections 2 and 4) and the Federal Financial Management Improvement Act of 1996 (P.L. 104-208) were achieved. In addition, the DHS Financial Accountability Act (P.L. 108-330) requires a separate management assertion and an audit opinion on the Department's internal control over financial reporting.

The FMFIA requires GAO to prescribe standards for internal control in the Federal Government, more commonly known as the Green Book. These standards provide the internal control framework and criteria federal managers must use in designing, implementing, and operating an effective system of internal control. The Green Book defines internal control as a process effected by an entity's oversight body, management, and other personnel that provides reasonable assurance that the objectives of an entity are achieved. These objectives and related risks can be broadly classified into one or more of the following categories:

- Effectiveness and efficiency of operations,
- Compliance with applicable laws and regulations, and
- Reliability of reporting for internal and external use.

FMFIA also requires OMB, in consultation with GAO, to establish guidelines for agencies to evaluate their systems of internal control to determine FMFIA compliance. OMB Circular A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, provides implementation guidance to federal managers on improving the accountability and effectiveness of federal programs and operations by identifying and managing risks and establishing requirements to assess, correct, and report on the effectiveness of internal controls. FMFIA also requires the Statement of Assurance to include assurance on whether the agency's financial management systems substantially comply with government-wide requirements. The financial management systems requirements are directed by Section 803(a) of the FFMIA and Appendix D to OMB Circular A-123, Compliance with the Federal Financial Management Improvement Act of 1996.



In accordance with OMB Circular A-123, the Department performs assessments over the effectiveness of its internal controls. The results of these assessments provide management with an understanding of the effectiveness and efficiency of programmatic operations, reliability of reporting, and compliance with laws and regulations. Per OMB Circular A-123, management gathered information from various sources including management-initiated internal control assessments, program reviews, and evaluations. Management also considered results of reviews, audits, inspections, and investigations performed by the Department's OIG and GAO. Using available information, each Component performs an analysis on the pervasiveness and materiality over any identified deficiencies to determine their impact and uses the result as the basis for the respective Component assurance statement signed by the Component Head. The Secretary provides assurances over the Department's internal controls in the annual assurance statement considering the state of internal controls at each Component.

DHS is building on the enterprise risk management framework per OMB Circular A-123 and has established a Department-wide Enterprise Risk Management (ERM) working group to facilitate and promote Component development and maturation of ERM capability. DHS Components are at different stages of ERM maturity and some Components have begun embedding the ERM framework into their statement of assurance process. For FY 2022, Components completed operational risk registers to document risks identified and prioritized under the ERM framework. The Department will continue to mature in ERM capability and integrate its internal controls, as appropriate, and will continue to update the Department's risk profile annually.

Department of Homeland Security Financial Accountability Act (DHS FAA)

Pursuant to the DHS FAA, the Department must obtain an opinion over internal control over financial reporting. Annually, the Deputy Secretary issues a memorandum to Component Heads on audit results and approach, asking senior leaders across the organization to fix long-standing issues and properly resource both remediation and assessment efforts. Senior leaders across the organization emulate this top-down approach by committing to annual remediation goals and improving the internal control environment, validated through testing, and finally ensuring that proper resources are available to realize these plans. Senior leaders also track, monitor, and discuss progress against commitments throughout the year to ensure accomplishment of the overall objectives.

Using the GAO Green Book and OMB Circular A-123 as criteria, the Department's internal control over financial reporting methodology is a risk-based, continuous feedback approach centered around four phases: find, fix, test, and assert. Effectiveness of controls and status of each Component's implementation of the internal control strategy are communicated and reported to senior leaders using the Internal Control Maturity Model (ICMM). The ICMM is a five-tiered model that uses tests of design and effectiveness, quality of assessments, and timeliness and efficacy of remediation as primary drivers in demonstrating maturation of the control environment. The Department's goal is to have most Components placed on the Standardized (third) tier, which informs leaders that quality internal control assessments are performed to validate conditions related to areas of material weakness do not exist and that there be minimal, if any, external financial statement audit surprises. This assessment and reporting strategy support sustainment of the financial statement opinion and eventual achievement of an opinion over internal control over financial reporting.

Areas of Material Weakness Resolution Status

In FY 2021, management reported two areas of material weaknesses: 1) Financial Reporting and 2) IT Controls and System Functionality. In FY 2022, DHS continued the ongoing remediating over these known areas of material weaknesses and worked to resolve financial reporting deficiencies through targeted remediation. In FY 2022, the USCG underwent a major financial systems modernization effort that included transitioning to a new financial management system, the Financial Systems Modernization Solution (FSMS), in December 2021. Transition to a modernized financial system will have innumerable benefits for USCG financial operations and reporting going forward. However, challenges with the initial USCG transition to FSMS from the legacy application has had substantial impacts to many of the Component's business processes. As a result, internal control over financial reporting deficiencies were identified and reported in FY 2022. In addition, the late fiscal year landfall of Hurricane Ian has resulted in FEMA response to assist the impacted region. Despite timing challenges, FEMA maintains focus on Hurricane Ian response and continues to support these efforts financially through grants, disaster loans, and flood insurance payments. In FY 2022, DHS management is reporting four areas of material weaknesses: 1) Financial Reporting, 2) Budgetary Accounting, 3) Insurance Liabilities, and 4) IT Controls and System Functionality. DHS has begun remediation of these deficiencies with efforts continuing in FY 2023. Refer to the tables below for areas contributing to the noted areas of material weakness along with appropriate corrective actions planned.

Table 1: Internal Control over Financial Reporting Deficiency Details and Corrective Actions – Financial Reporting

<table>
<tr><th rowspan="2">Area of Material Weakness</th><th>DHS Component(s)</th><th>Year Identified</th><th>Target Correction Date</th></tr>
<tr><td>All</td><td>FY 2003</td><td>FY 2024</td></tr>
<tr><td>Financial Reporting</td><td colspan="3">
Multiple deficiency areas exist that are attributed to the Financial Reporting area of material weakness, which include the following:

Information Used in Controls (Contributing Component(s): All)
<u>Deficiency Details</u>
Ineffective monitoring over information utilized in DHS internal control over financial reporting processes and control activities.
<u>Planned Corrective Actions</u>
DHS continues to implement a multi-phased, risk-based approach for identifying and assessing Information Used in Controls.

Service Provider Monitoring (Contributing Component(s): All)
<u>Deficiency Details</u>
Process deficiencies related to monitoring of external service providers, to include 1) adequately assessing and responding to service provider introduced risks, and 2) obtaining and reviewing Service Organization Control (SOC) reports related to financial services.
<u>Planned Corrective Actions</u>
DHS continues to implement process improvements utilizing a risk-based approach to provide effective monitoring and oversight of service providers.

Other (Contributing Component(s): All)
<u>Deficiency Details</u>
Deficiencies aggregated to substantiate inclusion into this area of material weakness, including 1) journal entries, 2) funeral assistance grants accruals (FEMA), 3) application controls, 4) intragovernmental trading partner activity reporting due to system limitations (USCG), 5) payment management reporting (USCG), 6) property management reporting (USCG); and 7) military payroll reporting (USCG).
<u>Planned Corrective Actions</u>

Process improvements for journal entries will be developed, implemented, and assessed in accordance with remediation plans. USCG migrated to a new Oracle based financial system in FY 2022 that will significantly reduce the volume and amount of manual journal entries processed by USCG going forward.
FEMA will strengthen internal controls to identify, analyze, and respond to material changes in programs that may impact financial reporting, including the recording of liabilities in accordance with Federal Financial Accounting Standards, as necessary.
For efforts associated with application controls, please refer to the IT Controls and Information Systems area of material weakness and corrective actions for more detail.
DHS is in the process of implementing G-Invoicing which is planned to reduce the risk of system limitations associated with federal trading partners going forward.
USCG is continuing to partner with the FSMS team to remediated and resolve challenges that were faced due to the system migration in FY 2022. In addition, USCG processes and associated documentation will be updated to accurately reflect the new operational environment with training provided, as necessary.

</td></tr>
</table>

Table 2: Internal Control over Financial Reporting Deficiency Details and Corrective Actions – Budgetary Accounting

<table>
<tr><th rowspan="2">Area of Material Weakness</th><th>DHS Component(s)</th><th>Year Identified</th><th>Target Correction Date</th></tr>
<tr><td>FEMA, USCG, USSS</td><td>FY 2022</td><td>FY 2023</td></tr>
<tr><td>Budgetary Accounting</td><td colspan="3">Multiple deficiency areas exist that are attributed to the Budgetary Accounting area of material weakness, which include the following:
• Budgetary Resource Management Monitoring (Contributing Component(s): FEMA, USCG, and USSS)
<u>Deficiency Details</u>
○ Insufficient FEMA review and approval of the TAFS in order to identify and correct errors for budgetary resources monitoring and associated postings accompanied by insufficient implementation of the SF-132 to SF-133 reconciliation process.
○ In FY 2022, USCG was unable to properly oversee budget execution, including the reconciliation and monitoring of budgetary resources to include validating the completeness and accuracy of undelivered orders and review of expenditure activity.
<u>Planned Corrective Actions</u>
○ FEMA and USCG will implement additional training to develop the knowledge, experience, and skill of personnel accompanied with enforced accountability.
○ USCG will continue to partner with the FSMS team to establish, as necessary, additional system functionality to strengthen and enhance the ability for budgetary resources monitoring going forward.
○ USSS continues to execute against prior year corrective actions related to undelivered order status reporting to ensure the accuracy and completeness of undelivered order classification and reporting.
• New Obligations Incurred (Contributing Component(s): USCG)
<u>Deficiency Details</u>
○ In FY 2022, USCG was unable to properly oversee budget execution, including the allocation and monitoring of budgetary resources to include validating the completeness and accuracy of undelivered orders for new obligations incurred.
<u>Planned Corrective Actions</u>
○ USCG will continue to partner with the FSMS team to establish, as necessary, additional system functionality to strengthen and enhance the ability for incurring and supporting new obligations as well the capacity for budgetary resources monitoring going forward.
○ USCG will implement additional training to develop the knowledge, experience, and skill of personnel accompanied with enforced accountability.
• Reimbursable Authority and Unfilled Customer Orders (Contributing Component(s): USCG)
<u>Deficiency Details</u>
○ Lack of USCG structure and policy for reimbursable agreements and reimbursable authority related to unfilled customer orders.
<u>Planned Corrective Actions</u>
○ USCG will continue efforts to enhance reimbursable agreements and trading partner documentation.</td></tr>
</table>

Table 3: Internal Control over Financial Reporting Deficiency Details and Corrective Actions – Insurance Liabilities

<table>
<tr><th rowspan="2">Area of Material Weakness</th><th>DHS Component(s)</th><th>Year Identified</th><th>Target Correction Date</th></tr>
<tr><td>FEMA</td><td>FY 2022</td><td>FY 2023</td></tr>
<tr><td>Insurance Liabilities</td><td colspan="3">Multiple deficiency areas exist that are attributed to the Insurance Liabilities area of material weakness, which include the following:
• Insurance Data and Process Assurances (Contributing Component(s): FEMA)
<u>Deficiency Details</u>
○ Lack of control over the National Flood Insurance Program (NFIP) financial data.
○ Inadequate monitoring of NFIP service providers and the Write Your Own program
○ Ineffective implementation of controls over the NFIP Claim Payments process.
<u>Planned Corrective Actions</u>
○ FEMA will continue to design and implement policies and procedures within the Federal Insurance Mitigation Administration (FIMA).
○ FIMA updated its NFIP legacy rating methodology through the implementation of Risk Rating 2.0 – Equity in Action. Beginning October 1, 2021, new policies were subjected to the new rating methodology and existing policyholders eligible for renewal were able to take advantage of immediate decreases in premiums. By April 1, 2023, all new and renewing policies will have been rated using Risk Rating 2.0.
○ FEMA continues to utilize the NFIP PIVOT system to help facilitate and consolidate NFIP core business processes.
• Valuation of the Flood Insurance Liability (Contributing Component(s): FEMA)
<u>Deficiency Details</u>
○ Insufficient review of the valuation approach of the flood insurance liability.
<u>Planned Corrective Actions</u>
○ FEMA will continue to design and implement policies and procedures within the Federal Insurance Mitigation Administration (FIMA).</td></tr>
</table>

Table 4: Internal Control over Financial Reporting Deficiency Details and Corrective Actions – IT Controls and Information Systems

<table>
<tr><th rowspan="2">Area of Material Weakness</th><th>DHS Component(s)</th><th>Year Identified</th><th>Target Correction Date</th></tr>
<tr><td>All</td><td>FY 2003</td><td>FY 2025</td></tr>
<tr><td>IT Controls and Information Systems</td><td colspan="3">
Multiple deficiency areas exist that are attributed to the IT controls and system functionality area of material weakness, which include the following:

Financial System Requirements (Contributing Component(s): All)
<u>Deficiency Details</u>
The Federal Information Security Management Act (FISMA) mandates that federal agencies maintain IT security programs in accordance with OMB and National Institute of Standards and Technology guidance. The Department internal control assessment identified IT controls as a material weakness due to deficiencies surrounding general security and application controls. As a result of the noted deficiencies, the Department's financial systems are unable to fully comply with the FFMIA.
<u>Planned Corrective Actions</u>
Components will continue to implement the find, fix, test strategy in FY 2023. The IT Commitment Letters, signed by both the respective CFO and the Chief Information Officer (CIO) leadership, require each Component to commit to testing as well as provide commitment to passing results for each system and control in scope.
The DHS CFO, CIO, and Component leadership will support the Components in the design and implementation of internal controls in accordance with DHS policy requirements defined for CFO Designated Financial Systems.
System Functionality / Information Derived from Systems (Contributing Component(s): All)
<u>Deficiency Details</u>
Ineffective IT security control and inadequate application / functionality controls impact the ability for management to fully rely on system generated data and reports without putting the processes utilizing this information at risk. Currently, these deficiencies are directly associated with financial system requirement deficiencies.
<u>Planned Corrective Actions</u>
Components will continue to improve and enhance IT security, as noted above for Financial System Requirements. As IT security enhances reliability, DHS will also work to incorporate the find, fix, test strategy to gain coverage over application / functionality controls.
In FY 2023, in addition to fixing long-standing IT control weaknesses, DHS will continue to implement a risk-based strategy for identifying and testing IUC and/or information derived from systems. DHS will also establish an approach to assess the key functionality of systems that have sufficient IT security controls established.
Service Provider Monitoring (Contributing Component(s): All)
<u>Deficiency Details</u>
The Department did not maintain effective internal control related to service organizations, including the monitoring of Information Technology General Controls (ITGC) for external systems to ensure adequate reliance. DHS also identified weaknesses related to evaluating and documenting roles of service organizations, performing effective reviews of SOC reports, and addressing service provider risk in absence of SOC reports.
<u>Planned Corrective Actions</u>
For service provider monitoring controls, DHS continues to build improvements utilizing a risk-based management program to provide monitoring and oversight of service providers.

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Federal Financial Management Improvement Act (FFMIA)

FFMIA requires federal agencies to implement and maintain financial management systems that substantially comply with federal financial management systems requirements, applicable federal accounting standards, and the United States Standard General Ledger at the transaction level. A financial management system includes an agency's overall financial operation, reflecting the people, processes, and technology to capture, classify, summarize, and report data in a meaningful manner to support business decisions.

DHS assesses financial management systems annually for compliance with the requirements of Appendix D to OMB Circular A-123 and other federal financial system requirements. In addition, available information from audit reports and other relevant and appropriate sources, such as FISMA compliance activities, is reviewed to determine whether DHS financial management systems substantially comply with FFMIA. Improvements and ongoing efforts to strengthen financial management systems are considered as well as the impact of instances of non-compliance on overall financial management system performance.

Based on the results of the overall assessment, the IT Controls and Information Systems area of material weaknesses continues to affect the Department's ability to fully comply with financial management system requirements. Therefore, the Department is also reporting a non-compliance with FFMIA. The Department is actively engaged to correct the area of material weakness through significant compensating controls while undergoing system improvement and modernization efforts. The outcome of these efforts will efficiently enable the Department to comply with government-wide requirements and thus reduce the need for manual compensating controls.

Table 5: Non-compliance Details and Corrective Actions – Federal Financial Management Improvement Act

<table>
<tr><th rowspan="2">Area of Non compliance</th><th>DHS Component(s)</th><th>Year Identified</th><th>Target Correction Date</th></tr>
<tr><td>All</td><td>FY 2003</td><td>FY 2025</td></tr>
<tr><td>FFMIA</td><td colspan="3">Multiple deficiency areas exist that are attributed to the FFMIA area of non-compliance, which include the following:

• Financial System Requirements (Contributing Component(s): All)
<u>Non-compliance Details</u>
○ DHS does not substantially comply with FFMIA primarily due to lack of compliance with financial system requirements as disclosed in the IT Controls and System Functionality area of material weakness.
<u>Planned Corrective Actions</u>
○ Refer to the corrective actions planned for the IT Controls and System Functionality area of material weakness.

• Federal Accounting and U.S. Standard General Ledger (USSGL) Requirements
(Contributing Component(s): CBP, FEMA, ICE, USCG*)
<u>Non-compliance Details</u>
○ CBP, FEMA, ICE, and USCG* noted that certain key systems are unable to produce transaction level activity that reconciles at the USSGL-level. USCG also reported a lack of compliance as its financial and mixed systems do not allow for financial statements and budgets to be prepared, executed, and reported fully in accordance with the requirements prescribed by the OMB, Treasury, and the Federal Accounting Standards Advisory Board.
* USCG core accounting system is owned and managed by Management Directorate.
<u>Planned Corrective Actions</u>
○ DHS CFO and Components will continue to design, document, and implement compensating controls to reduce the severity of legacy system application / functionality limitations.</td></tr>
</table>

Digital Accountability and Transparency Act of 2014

Pursuant to OMB Circular A-123, Appendix A, Management of Reporting and Data Integrity Risk, the Department issued its updated Digital Accountability and Transparency Act of 2014 (DATA Act) Data Quality Plan on August 16, 2022. The plan describes the organizational structure, operating environment, internal controls processes, and systems used to generate, validate, and evaluate the data published to USAspending.gov. The plan includes DHS's processes for compiling, reviewing, and monitoring the quality of data provided to USAspending.gov. In addition, the plan describes the processes to assess the level of data quality, methods for increasing the data quality, and the data risk management strategy. The outcomes of this plan align with the Administration's goal for greater transparency, ultimately benefiting citizens and holding government accountable for its stewardship over its assets.

Components assess the design and operating effectiveness of their respective DATA Act reporting processes and controls over consolidation and variance resolution of data submitted to DHS Headquarters. DHS also utilizes a risk assessment process to identify high risk data elements and tests the accuracy, completeness, and timeliness of the recorded transactions against source documents. This two-pronged approach ensures that the Department can provide reasonable assurance that reports over DATA Act are reliable both at reporting and transaction levels further supporting the fidelity of reported transactions to Treasury.

In FY 2022, Federal Emergency Management Agency (FEMA) and the United States Coast Guard (USCG) experienced challenges associated with their DATA Act reporting. These challenges were compensated by DHS validation pre-check processes as well as regular oversight and metrics reporting. FEMA is in the process of updating necessary DATA Act feeder systems to enhance alignment in reporting the Disaster Emergency Fund Code (DEFC) data element in File C when reporting obligations and gross outlays amounts. The United States Coast Guard (USCG) recently implemented a new financial system and experienced delays in reporting DATA Act file C (financial transaction data).

To continue making improvements and enhancements to the Department's DATA Act reporting processes and controls, an enhanced Component corrective action plan process is maintained that: 1) addresses researching and correcting matching award identification numbers with non-matching obligation amounts; 2) identifies the root causes of timing issue misalignments; and 3) continuously tracks misalignments until corrective actions are completed.

Financial Management Systems

Pursuant to the Chief Financial Officers Act of 1990, the DHS CFO is responsible for developing and maintaining agency accounting and financial management systems to ensure systems comply with applicable accounting principles, standards, and requirements with internal control standards. As such, the DHS CFO oversees and coordinates all the Financial Systems Modernization (FSM) efforts for the Department's core accounting systems.

Foundational tenets for the FSM programs are:

- Increase business process standardization across Components through efforts to define a common set of financial management business processes and then ensure that the Component business process re-engineering and modernization efforts reflect the DHS process standard.
- Implement standard financial data element structures, such as the DHS Accounting Classification Structure and Common Appropriation Structure, across Components to standardize reporting and reduce manual reporting processes and inconsistent data.
- Continue to plan and execute financial system modernization projects by migrating components to modernized platforms with integrated asset and procurement management systems that meet Department and government-wide requirements, reduce the need for manual processes, and strengthen internal controls. FSM projects should leverage existing infrastructure, shared services, and technologies such as cloud-based solutions to the extent possible, following guidance and lessons learned from previous attempts to integrate DHS Components' financial management systems.
- Lastly, after standardization and modernization has occurred, work to consolidate financial operations and transaction processing service centers, where cost effective.

DHS has established the FSM Joint Program Management Office (JPMO) to lead and manage all aspects of the FSM programs, in partnership with DHS Components. In March 2017, it was determined that DHS would transition the CWMD, TSA, and USCG FSM initiatives (known as the Trio) out of their current shared service provider environment and into a DHS-managed solution. This solution, known as the Financial Systems Modernization Solution (FSMS), delivers a standardized baseline for the Trio.

In late 2018, TSA and USCG resumed implementation efforts and the Department completed upgrading CWMD to the latest version of the solution in late 2019. TSA went live on the FSMS platform in late 2020 and USCG went live in late 2021. Throughout 2022, DHS and USCG worked together to improve system performance, activate interfaces with key USCG feeder systems, and provide support and training to end users. These efforts are ongoing and will continue into 2023.

DHS is leveraging lessons learned from the TSA and USCG implementations, reducing risk in future migrations through deliberative approaches to program management, resource management, business process standardization, risk management, change management, schedule rigor, and oversight. Lessons learned from the Trio implementations will be further leveraged as the JPMO plans for Discovery efforts in FY 2022 for FEMA as well as ICE and its customer Components.3

In addition to the ongoing DHS FSM efforts, the DHS Office of Chief Information Officer (OCIO) has rapidly deployed a series of technical solutions to meet emerging priorities across the Department, as well as continuing to steadily introduce key programs for functional integration across the enterprise. In a joint effort with the Office of the Chief Financial Officer (OCFO), DHS OCIO has expanded the IT general control program to assist in the monitoring and management of the IT general controls for the Department.

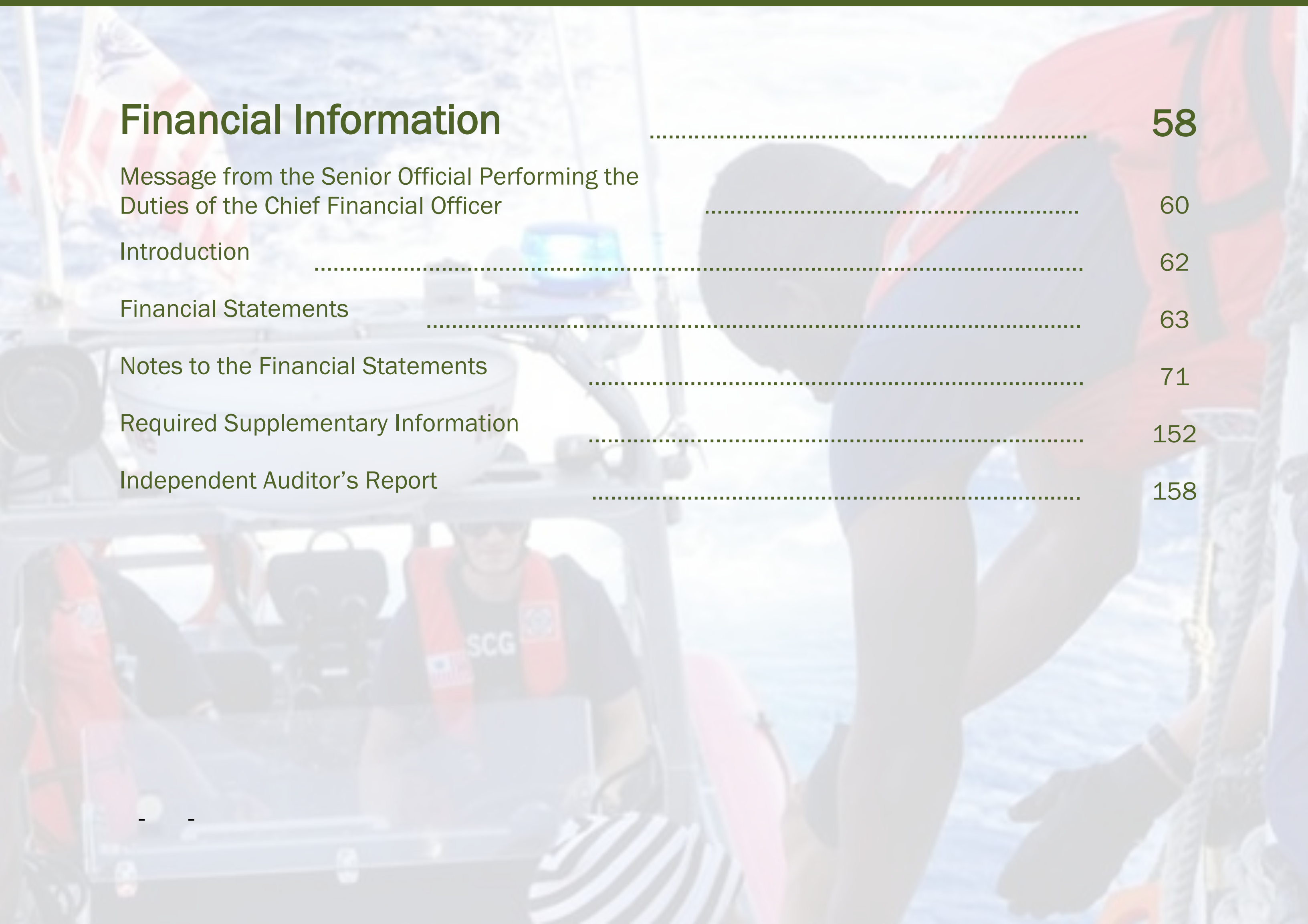
Additionally, OCIO and OCFO jointly support Components in efforts to strengthen IT general controls, system security, and IT internal control environments. OCIO has expanded the Independent Verification and Validation capabilities of Component IT accountable parties to address remediation and has incorporated key recommendations from various audits and assessments in the OCIO Information Security Performance Plan. OCIO Compliance staff also meet on a regular basis with Component IT staff to address any Federal Information Security Modernization Act (FISMA) Scorecard deficiencies.

OCIO has enhanced the Plan of Action and Milestones (POA&M) monitoring program to ensure the completeness and quality of remediation activity and POA&M management. OCIO continues to develop remedial action plans and demonstrate sustained progress mitigating known vulnerabilities, based on risk, and hold Component IT remediation status meetings prioritizing the weaknesses with the greatest impact to the Department with appropriate Component executives.

For cybersecurity, the DHS Secretary has outlined a bold vision and implemented a roadmap for the Department's cybersecurity efforts to confront the growing threat of cyber-attacks, to drive action in the coming year, and to raise public awareness about key cybersecurity priorities. OCIO has implemented a Unified Cybersecurity Maturity Model framework to align cybersecurity spending and new cybersecurity capability requests to critical cybersecurity domains and current initiatives, further improving alignment between DHS and National Security Strategies. OCIO has prioritized the collaboration with all Components to focus on successful implementation of key cybersecurity initiatives such as Cloud Modernization, Zero Trust Architecture, DHS Supply Chain Risk Management program, DHS Cybersecurity Service Provider program, and hardening Identity and Credential Access Management capabilities within the Department. OCIO has also prioritized the integration of cybersecurity risk into the DHS ERM framework to ensure cybersecurity risk is incorporated into the DHS-wide ERM process. Finally, OCIO has formalized the DHS Chief Information Security Office Council to be the overarching governing body for the integration of cybersecurity operations across the varied Component missions organic to the Department.

Financial Information

- The **Financial Information** section demonstrates our commitment to effective stewardship over the funds DHS receives to carry out its mission, including compliance with relevant financial management requirements.
- The **Basic Information** includes DHS's **Financial Statements**, which includes the Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources and Statements of Custodial Activity—as well as the **accompanying Notes to the Financial Statements.**
- The **Required Supplementary Information** provides sections to present information on Deferred Maintenance and Repairs, Combining Statement of Budgetary Resources, Custodial Activity, and Land.
- The **Independent Auditor's Report** is provided by KPMG LLP on the Department's Financial Statements and accompanying Notes.



Message from the Senior Official Performing the Duties of the Chief Financial Officer

November 14, 2022

I am honored to join Secretary Alejandro Mayorkas in presenting the Department of Homeland Security (DHS) Fiscal Year (FY) 2022 Agency Financial Report (AFR). As public servants, one of our most important responsibilities is to be good stewards of the taxpayer dollars that DHS uses daily to help secure our homeland.

Since the Department was created almost twenty years ago, we have committed to adapting quickly to an ever-changing threat environment and the challenges that come with securing our homeland. To support the mission of the Department, the Office of the Chief Financial Officer is dedicated to using data from across DHS to make more informed decisions when resourcing the mission.

The Department's long-term strategic vision for Financial Management is to:

1. **Standardize Business Processes** – define a common set of financial management business processes and ensure business process re-engineering.
2. **Standardize Data Structures** – implement a data standard or common accounting line and appropriation structure across DHS's systems and offices.
3. **Migrate to Integrated Financial, Procurement, and Asset Management Solutions.**
4. **Consolidate the Financial Operations Footprint** – work towards consolidating financial operations and transaction processes where most effective and efficient to do so after accomplishing the first three goals of our strategic vision.

The Department has made great strides over the past few years on our third goal. As of today, the Department has approximately 40% of its spending flowing through modern, integrated financial systems with plans to move most of the remaining balance over the next five years. Having every dollar of DHS spending flowing through a modern, integrated financial system is critical because it improves internal controls to avoid waste, fraud, and abuse, as well as improve accuracy and consistency of financial data. It will also better enable us to use financial reporting data to make data-driven decisions across the Department and become better stewards of taxpayer dollars.

With four areas of material weakness in internal controls—in Financial Reporting, Budgetary Accounting, Insurance Liabilities, and Information Technology—the Department is executing a multi-year plan to achieve an unmodified "clean" ICOFR opinion. The Department recognizes remediation of the remaining areas of material weakness is the most challenging phase of the strategy to achieve a "clean" internal control over financial reporting (ICOFR) opinion, due to the complexity resulting from DHS's many CFO-designated systems, consisting of a combination of core financial and feeder systems in various stages of modernization. As such, the need to rely on manual compensating controls in the interim along with the abundance of information and data utilized in DHS business process activities will remain a priority area going forward.

DHS remains committed to securing the homeland and preparing for and responding to disasters. We will continue to meet these challenges with accountability and transparency – strengthening our risk management, internal controls, and mission-based resourcing to maximize the return on taxpayer investment.

Sincerely,

Stacy Marcott
Senior Official Performing the Duties of the Chief Financial Officer

Introduction

The principal financial statements included in this report are prepared pursuant to the requirements of the *Government Management Reform Act of 1994* (P.L. 103-356) and the *Chief Financial Officers Act of 1990* (P.L. 101-576), as amended by the *Reports Consolidation Act of 2000* (P.L. 106-531), and the *Department of Homeland Security Financial Accountability Act of 2004* (P.L. 108-330). Other requirements include the Office of Management and Budget (OMB) Circular No. A-136, *Financial Reporting Requirements*, as amended. The responsibility for the integrity of the financial information included in these statements rests with the management of DHS. KPMG LLP performed the audit of the Department's principal financial statements. The Independent Auditors' Report accompanies the principal financial statements.

The Department's principal financial statements consist of the following:

- The Consolidated **Balance Sheets** present those resources owned or managed by the Department that represent future economic benefits (assets), amounts owed by DHS that will require payments from those resources or future resources (liabilities), and residual amounts retained by DHS comprising the difference (net position) as of September 30, 2022 and 2021.
- The Consolidated **Statements of Net Cost** present the net cost of DHS operations for the fiscal years that ended on September 30, 2022 and 2021. DHS net cost of operations is the gross cost incurred by DHS less any exchange revenue earned from DHS activities and any gains or losses from assumption changes on pensions, other retirement benefits (ORB), and other post-employment benefits (OPEB).
- The Consolidated **Statements of Changes in Net Position** present the change in the Department's net position resulting from changes in total financing sources and changes in the net cost of DHS operations for the fiscal years that ended on September 30, 2022 and 2021.
- The Combined **Statements of Budgetary Resources** present how and in what amounts budgetary resources were made available to the Department during fiscal years 2022 and 2021, the status of these resources at September 30, 2022 and 2021, the changes in the obligated balance, and outlays of budgetary resources for the fiscal years that ended on September 30, 2022 and 2021.
- The Consolidated **Statements of Custodial Activity** present the disposition of custodial revenue collected and disbursed by the Department on behalf of other recipient entities for the fiscal years that ended on September 30, 2022 and 2021.
- The **Notes to the Financial Statements** provide detail and clarification for amounts on the face of the financial statements as of September 30, 2022 and 2021.

Financial Statements

Department of Homeland Security
Consolidated Balance Sheets
As of September 30, 2022 and 2021
(In Millions)

	2022	2021
ASSETS (Note 2)		
Intragovernmental		
Fund Balance with Treasury (Note 3)	$ 158,759	$ 163,044
Investments, Net (Note 5)	13,407	11,443
Accounts Receivable, Net (Note 6)	684	727
Other Assets (Note 13)	587	739
Total Intragovernmental	**$ 173,437**	**$175,953**
With the Public		
Cash and Other Monetary Assets (Note 4)	26	64
Accounts Receivable, Net (Note 6)	1,461	1,672
Taxes Receivable, Net (Note 7)	8,633	8,093
Loans Receivable, Net (Note 8)	1	8
Inventory and Related Property, Net (Note 9)	2,597	2,531
General Property, Plant, and Equipment, Net (Note 11)	32,754	27,893
Other Assets (Note 13)	894	924
Total With the Public	**$ 46,366**	**$ 41,185**
TOTAL ASSETS	**$ 219,803**	**$ 217,138**
Stewardship Property, Plant, and Equipment (Note 12)		
LIABILITIES (Note 14)		
Intragovernmental		
Accounts Payable	$ 2,323	$ 2,810
Debt (Note 15)	20,533	20,618
Other Liabilities (Note 18)		
Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets	8,605	8,052
Other Liabilities (Without Reciprocals)	(186)	46
Other Liabilities	1,412	1,245
Total Intragovernmental	**$ 32,687**	**$ 32,771**

(Continued)

Department of Homeland Security
Consolidated Balance Sheets
As of September 30, 2022 and 2021
(In Millions)

	2022	2021
With the Public		
Accounts Payable	3,270	2,624
Federal Employee and Veteran Benefits Payable (Note 16)	16,940	75,570
Environmental and Disposal Liabilities (Note 17)	808	628
Insurance and Guarantee Program Liabilities (Note 20)	5,848	3,436
Other Liabilities (Notes 18, 19, and 21)	11,347	15,541
Total With the Public	**$ 38,213**	**$ 97,799**
Total Liabilities	**$ 70,900**	**$ 130,570**
Commitments and Contingencies (Note 21)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations-Funds from Dedicated Collections (Note 22)	$ 891	$ -
Unexpended Appropriations-Funds from Other than Dedicated Collections	130,973	$ 132,437
Total Unexpended Appropriations	**$ 131,864**	**$ 132,437**
Total Cumulative Results of Operations		
Cumulative Results of Operations-Funds from Dedicated Collections (Note 22)	(1,802)	(1,727)
Cumulative Results of Operations-Funds from Other than Dedicated Collections	18,841	(44,142)
Total Cumulative Results of Operations	**$ 17,039**	**$ (45,869)**
Total Net Position	**$ 148,903**	**$ 86,568**
TOTAL LIABILITIES AND NET POSITION	**$ 219,803**	**$217,138**

The accompanying notes are an integral part of these statements.

Department of Homeland Security
Consolidated Statements of Net Cost
For the Years Ended September 30, 2022 and 2021
(In Millions)

	2022	2021
Operational Components		
U.S. Customs and Border Protection		
Gross Cost	$ 18,721	$ 17,627
Less Earned Revenue	(311)	(359)
Net Cost	**18,410**	**17,268**
Federal Emergency Management Agency		
Gross Cost	37,680	41,623
Less Earned Revenue	(4,775)	(4,817)
Net Cost	**32,905**	**36,806**
U.S. Immigration and Customs Enforcement		
Gross Cost	9,111	8,478
Less Earned Revenue	(311)	(248)
Net Cost	**8,800**	**8,230**
Transportation Security Administration		
Gross Cost	9,104	8,555
Less Earned Revenue	(4,144)	(3,016)
Net Cost	**4,960**	**5,539**
U.S. Coast Guard		
Gross Cost	15,886	13,777
Less Earned Revenue	(94)	(331)
Net Cost	**15,792**	**13,446**
U.S. Citizenship and Immigration Services		
Gross Cost	4,632	4,333
Less Earned Revenue	(5,166)	(4,516)
Net Cost	**(534)**	**(183)**
U.S. Secret Service		
Gross Cost	2,615	2,629
Less Earned Revenue	(12)	(12)
Net Cost	**2,603**	**2,617**
Cybersecurity and Infrastructure Security Agency		
Gross Cost	2,190	2,060
Less Earned Revenue	(6)	(10)
Net Cost	**2,184**	**2,050**

(Continued)

Department of Homeland Security
Consolidated Statements of Net Cost
For the Years Ended September 30, 2022 and 2021
(In Millions)

	2022	2021
Departmental Operations and Other Support Components		
Gross Cost	5,914	5,606
Less Earned Revenue	(1,464)	(1,409)
Net Cost	**4,450**	**4,197**
Total Department of Homeland Security		
Gross Cost	105,853	104,688
Less Earned Revenue	(16,283)	(14,718)
Net Cost Before (Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	89,570	89,970
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes (Note 16)	1,181	1,573
NET COST OF OPERATIONS	**$ 90,751**	**$ 91,543**

The accompanying notes are an integral part of these statements.

Department of Homeland Security
Consolidated Statements of Changes in Net Position
For the Year Ended September 30, 2022
(In Millions)

	2022			
	Funds from Dedicated Collections (Note 22) (Consolidated)	All Other Funds (Consolidated)	Eliminations Between FFDC & All Other Funds	Consolidated Total
Unexpended Appropriations:				
Beginning Balance	$ -	$ 132,437	$ -	$ 132,437
Appropriations Received	893	78,529	-	79,422
Appropriations Transferred In/(Out)	(2)	890	-	888
Other Adjustments	-	(1,121)	-	(1,121)
Appropriations Used	-	(79,762)	-	(79,762)
Net Change in Unexpended Appropriations	891	(1,464)	-	(573)
Total Unexpended Appropriations: Ending	**$ 891**	**$ 130,973**	**$ -**	**$ 131,864**
Cumulative Results of Operations:				
Beginning Balance	(1,727)	(44,142)	-	(45,869)
Appropriations Used	-	79,762	-	79,762
Non-Exchange Revenue (Note 32)	2,668	2	-	2,670
Donations and Forfeitures of Cash and Cash Equivalents	4	-	-	4
Transfers In/(Out) without Reimbursement	(4,730)	71,083	-	66,353
Donations and Forfeitures of Property	41	-	-	41
Imputed Financing	272	1,705	1	1,976
Other	4,415	(1,562)	-	2,853
Net Cost of Operations	(2,745)	(88,007)	(1)	(90,751)
Net Change in Cumulative Results of Operations	(75)	62,983	-	62,908
Cumulative Results of Operations: Ending	**$ (1,802)**	**$ 18,841**	**$ -**	**$ 17,039**
NET POSITION	**$ (911)**	**$ 149,814**	**$ -**	**$ 148,903**

The accompanying notes are an integral part of these statements.

(Continued)

Department of Homeland Security
Consolidated Statements of Changes in Net Position
For the Year Ended September 30, 2021
(In Millions)

	2021			
	Combined Funds from Dedicated Collections (Note 22)	Combined All Other Funds	Eliminations	Consolidated Total
Unexpended Appropriations				
Beginning Balance	$ -	$ 94,375	$ -	$ 94,375
Appropriations Received	-	124,461	-	124,461
Appropriations Transferred In/(Out)	-	1	-	1
Other Adjustments	-	(635)	-	(635)
Appropriations Used	-	(85,765)	-	(85,765)
Net Change in Unexpended Appropriations	-	38,062	-	38,062
Total Unexpended Appropriations: Ending	**$ -**	**$ 132,437**	**$ -**	**$ 132,437**
Cumulative Results of Operations				
Beginning Balance	(2,598)	(42,199)	-	(44,797)
Other Adjustments	(1)	-	-	(1)
Appropriations Used	-	85,765	-	85,765
Non-Exchange Revenue (Note 32)	1,878	1	-	1,879
Donations and Forfeitures of Cash and Cash Equivalents	3	-	-	3
Transfers In/(Out) without Reimbursement	(4,287)	3,507	-	(780)
Donations and Forfeitures of Property	41	-	-	41
Imputed Financing	261	1,626	10	1,877
Other	3,340	(1,653)	-	1,687
Net Cost of Operations	(364)	(91,189)	(10)	(91,543)
Net Change in Cumulative Results of Operations	871	(1,943)	-	(1,072)
Cumulative Results of Operations: Ending	**$ (1,727)**	**$ (44,142)**	**$ -**	**$ (45,869)**
NET POSITION	**$ (1,727)**	**$ 88,295**	**$ -**	**$ 86,568**

The accompanying notes are an integral part of these statements.

Department of Homeland Security
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2022 and 2021
(In Millions)

	2022		2021	
	Budgetary	Non-Budgetary Credit Reform Financing Accounts	Budgetary	Non-Budgetary Credit Reform Financing Accounts
BUDGETARY RESOURCES				
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 27)	65,695	10	46,955	-
Appropriations (discretionary and mandatory)	97,949	-	142,442	-
Borrowing Authority (discretionary and mandatory) (Note 23)	-	4	-	32
Spending Authority from Offsetting Collections (discretionary and mandatory)	11,096	1	9,437	123
TOTAL BUDGETARY RESOURCES	**$ 174,740**	**$ 15**	**$ 198,834**	**$ 155**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments (total)	$ 133,184	$ 15	$ 142,017	$ 155
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	36,635	-	52,137	-
Exempt from Apportionment, Unexpired Accounts	7	-	7	-
Unapportioned, Unexpired Accounts	2,597	-	2,504	-
Unexpired Unobligated Balance, End of Year	39,239	-	54,648	-
Expired Unobligated Balance, End of Year	2,317	-	2,169	-
Unobligated Balance, End of Year (total)	41,556	-	56,817	-
TOTAL BUDGETARY RESOURCES	**$ 174,740**	**$ 15**	**$ 198,834**	**$ 155**
OUTLAYS, NET AND DISBURSEMENTS, NET				
Outlays, Net (total) (discretionary and mandatory)	100,447	-	110,229	-
Distributed Offsetting Receipts (-)	(13,397)	-	(12,137)	-
AGENCY OUTLAYS, NET (discretionary and mandatory)	**$ 87,050**	**$ -**	**$ 98,092**	**$ -**
Disbursements, Net (total) (mandatory)		$ (93)		$ 22

The accompanying notes are an integral part of these statements.

Department of Homeland Security
Consolidated Statements of Custodial Activity
For the Years Ended September 30, 2022 and 2021
(In Millions)

	2022	2021
Revenue Activity (Note 28)		
Sources of Cash Collections:		
Duties	$ 104,624	$ 85,466
Excise Taxes	4,629	4,773
User Fees	2,002	1,671
Fines and Penalties	112	117
Interest	77	55
Miscellaneous	175	62
Total Cash Collections	111,619	92,144
Accrual Adjustments, Net	307	1,249
Total Custodial Revenue	**111,926**	**93,393**
Disposition of Collections		
Transferred to Federal Entities:		
Treasury General Fund Accounts	70,319	56,992
U.S. Department of Agriculture	31,791	25,959
U.S. Army Corps of Engineers	1,905	1,557
Other Federal Agencies	76	82
Transferred to Non-Federal Entities	399	29
(Increase)/Decrease in Amounts Yet to be Transferred	615	1,405
Refunds and Drawbacks (Note 28)	6,821	7,369
Total Disposition of Collections	**111,926**	**93,393**
NET CUSTODIAL ACTIVITY	**$ -**	**$ -**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

1. Summary of Significant Accounting Policies

A. Reporting Entity

The Department was established by the Homeland Security Act of 2002 (P.L. 107-296), dated November 25, 2002, as an executive department of the U.S. Federal Government. The Department leads efforts to achieve a safe, secure, and resilient homeland by countering terrorism and enhancing our security; securing and managing our borders; enforcing and administering our immigration laws; protecting our cybernetworks and critical infrastructure; and ensuring resilience from disasters. In addition, the Department contributes in many ways to elements of broader United States national and economic security while also working to mature and strengthen the Department and the homeland security enterprise. The Department includes the following financial reporting Components[3]:

- **U.S. Customs and Border Protection (CBP)**
- **Cybersecurity and Infrastructure Security Agency (CISA)**
- **Federal Emergency Management Agency (FEMA)**
- **U.S. Immigration and Customs Enforcement (ICE)**
- **Transportation Security Administration (TSA)**
- **U.S. Coast Guard (USCG)**
- **U.S. Citizenship and Immigration Services (USCIS)**
- **U.S. Secret Service (USSS)**
- **Departmental Operations and Other Support Components**, including the Management Directorate (MGMT), the Office of the Secretary, the Office of Inspector General (OIG), Countering Weapons of Mass Destruction Office (CWMD), the Office of Intelligence and Analysis (I&A), the Office of Operations Coordination (OPS), Science and Technology Directorate (S&T), and the Federal Law Enforcement Training Centers (FLETC).

B. Basis of Presentation

These financial statements are prepared to report the consolidated financial position, net cost of operations, changes in net position, custodial activity, and combined budgetary resources of the Department pursuant to the Government Management Reform Act of 1994 and the Chief Financial Officers Act of 1990, as amended by the Reports Consolidation Act of 2000 and the DHS Financial Accountability Act of 2004.

The Department's financial statements have been prepared from the accounting records of the Department based on U.S. generally accepted accounting principles (GAAP) and OMB Circular A-136, *Financial Reporting Requirements*, as amended. GAAP for federal entities are the standards prescribed by the Federal Accounting Standards Advisory Board, the official accounting standards-setting body of the Federal Government.

The Department's financial statements reflect the reporting of departmental activities, including appropriations received to conduct operations and revenue generated from operations. The financial statements also reflect the reporting of certain non-entity (custodial) functions performed by the Department on behalf of the Federal Government. Accounting standards

[3] Financial reporting Components are to be distinguished from direct report Components described in the Management's Discussion and Analysis, Our Organization.

require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Intragovernmental assets and liabilities are derived from activity with other federal entities. All other assets and liabilities result from activities with parties outside the Federal Government, such as domestic and foreign persons, organizations, or governments. Intragovernmental earned revenue includes collections or revenue accruals from other federal entities, and intragovernmental costs are payments or expense accruals to other federal entities.

Transactions and balances among the Department's Components have been eliminated in the consolidated presentation of the Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, and the Statements of Custodial Activity. Intradepartmental activity reported in a fund from dedicated collection is often offset with activity in other funds. Beginning in FY 2022, the Department presents information for funds from dedicated collections and all other funds on the Balance Sheets and Statements of Changes in Net Position on a consolidated basis. Prior to FY 2022, information for funds from dedicated collections and all other funds on the Balance Sheets and Statements of Changes in Net Position were presented on a combined basis. For FY 2022 presentation of Statements of Changes in Net Position, transactions and balances between funds from dedicated collections are eliminated in the consolidated Funds from Dedicated Collections column and the transactions and balances between funds from other than dedicated collections are eliminated in the consolidated Funds from Other than Dedicated Collections column. The Eliminations column reflects transactions between funds from dedicated collections and funds from other than dedicated collections. The Statements of Budgetary Resources are reported on a combined basis; therefore, intradepartmental balances have not been eliminated.

While these financial statements have been prepared from the books and records of the Department in accordance with the formats prescribed by OMB, these financial statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

These financial statements should be read with the realization that they are for a component of the Federal Government, a sovereign entity, whose liabilities not covered by budgetary resources cannot be liquidated without the enactment of an appropriation, and that the payment of all liabilities other than for contracts, can be abrogated by the Federal Government acting in its capacity as a sovereign entity.

C. Basis of Accounting

Transactions are recorded on an accrual and a budgetary basis of accounting. Under the accrual basis, revenue is recognized when earned, and expenses are recognized when a liability is incurred, regardless of when cash is exchanged. Budgetary accounting facilitates compliance with legal constraints and the controls over the use of federal funds. The balances and activity of budgetary accounts are used to prepare the Statements of Budgetary Resources. The Statements of Custodial Activity are reported using the modified cash basis. With this basis, revenue from cash collections is reported separately from receivable accruals, and cash disbursements are reported separately from payable accruals.

D. Use of Estimates

Preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of consolidated financial statements, and the reported amounts of revenue, claims, and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include: the year-end accruals of accounts and grants payable; environmental liabilities; deferred revenue; National Flood Insurance Program (NFIP) insurance liability; actuarial liabilities related to workers' compensation; taxes, allowance for doubtful accounts, duties and trade receivables, including supplemental duty bills, and fines, penalties, and forfeitures; actuarial liabilities related to military and other pension, retirement, and post-retirement benefits; and the funeral assistance program.

E. Entity and Non-Entity Assets

Entity assets are assets the Department has the authority to use in its operations. The authority to use funds in an entity's operations means either Department management has the authority to decide how funds are used or management is legally obligated to use funds to meet entity obligations (e.g., salaries and benefits).

Non-entity assets are assets held by the Department but not available for use by the Department. An example of a non-entity asset is the portion of Fund Balance with Treasury that consists of certain special and deposit funds, permanent and indefinite appropriations, and miscellaneous receipts. Non-entity assets are offset by corresponding liabilities.

For additional information, see Note 2, Non-Entity Assets.

F. Fund Balance with Treasury

Fund Balance with Treasury represents the aggregate amount of the Department's accounts with the Department of the Treasury (Treasury) available to pay current liabilities and finance authorized purchases, except as restricted by law. The Department's Fund Balance with Treasury balances are primarily appropriated, revolving, trust, deposit, receipt, and special fund amounts remaining as of the end of the fiscal year.

For additional information regarding the Budgetary Status, see Note 3, Fund Balance with Treasury.

G. Cash and Other Monetary Assets

The Department's cash and other monetary assets primarily consist of undeposited collections, imprest funds, cash used in undercover operations, cash held as evidence, cash held by insurance companies, and seized cash and monetary instruments. The Department maintains cash in commercial bank accounts.

Insurance companies receive and process certain receipts and disbursements on behalf of FEMA. Insurance companies hold cash from flood insurance premiums to be remitted to Treasury, as well as insurance claim payments to be distributed to the insured.

For additional information, see Note 4, Cash and Other Monetary Assets.

H. Investments, Net

Investments consist of Federal Government nonmarketable market-based Treasury securities and are reported at cost or amortized cost net of premiums or discounts. Premiums or discounts are amortized into interest income over the terms of the investment using the effective interest method.

No provision is made for unrealized gains or losses on these securities because it is the Department's intent to hold these investments to maturity.

For additional information, see Note 5, Investments, Net.

I. Receivables, Net

Accounts receivable represent amounts due to the Department from other federal agencies and the public. In general, intragovernmental accounts receivable arise from the provision of goods and services to other federal agencies.

Accounts receivable due from the public typically result from various immigration and user fees, premiums and policy fees from insurance companies and policyholders, breached bonds, reimbursable services, oil spill cost recoveries, security fees, loans, grant programs and contracts.

Accounts receivable are presented net of an allowance for doubtful accounts, which is based on analyses of debtors' ability to pay, specific identification of probable losses, aging analysis of past-due receivables, or historical collection experience.

Taxes, duties, and trade receivables include supplemental duty bills, user fees, fines and penalties, refunds and drawback overpayments, and interest associated with import/export activity, which have been established as specifically identifiable, legally enforceable claims which remain uncollected as of year-end. This balance excludes amounts referred to Treasury because they are considered 100% uncollectible, as all collection efforts have been exhausted on these receivables prior to referral.

For additional information, see Note 6, Accounts Receivable, Net; Note 7, Taxes Receivable, Net; and Note 22, Funds from Dedicated Collections.

J. Advances and Prepayments

Intragovernmental advances, presented as a component of other assets in the accompanying Balance Sheets, consist primarily of advances for support of border security, as well as disaster recovery and assistance to other federal agencies.

Advances and prepayments to the public, presented as a component of other assets in the accompanying Balance Sheets, consist primarily of disaster recovery and assistance grants to states, allowances and commission expenses to insurance companies, and other grant activity.

The allowances and commission expenses are amortized over the life of the policy. Disaster recovery and assistance grant advances are expensed as they are used by the recipients. Advances are made within the amount of the total grant obligation.

For additional information, see Note 13, Other Assets.

K. Loans Receivable, Net

Direct loans are loans issued by the Department to local governments. FEMA, the only DHS Component with loan activity, operates the Community Disaster Loan Program to support local governments that have suffered a substantial loss of tax and other revenue as a result of a major disaster and demonstrate a need for federal financial assistance in order to perform their municipal operating functions. Under the program, FEMA transacts direct loans to local governments that meet statutorily set eligibility criteria. Loans are accounted for as receivables as funds are disbursed.

All of the Department's loans are post-1991 obligated direct loans, and the resulting receivables are governed by the *Federal Credit Reform Act of 1990* (FCRA) (P.L. 101-508). Under FCRA, for direct loans disbursed during a fiscal year, the corresponding receivable is adjusted for subsidy costs. Subsidy costs are estimated long-term costs to the Federal Government for its loan programs. The subsidy cost is equal to the present value of the estimated cash outflows over the life of the loans minus the present value of the estimated cash inflows, discounted at the applicable Treasury interest rate. Administrative costs such as salaries and contractual fees are not included. Subsidy costs can arise from interest rate differentials, interest subsidies, delinquencies and defaults, and other cash flows. The Department calculates the subsidy costs based on a subsidy calculator model created by OMB.

Loans receivable are recorded at the present value of the estimated net cash flows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recorded in the allowance for subsidy, which is estimated and adjusted annually, as of year-end. Loans receivable, net, or the value of assets related to direct loans, is not the same as the expected proceeds from selling the loans. Interest receivable is the total interest that has accrued on each of the outstanding loans, less any cancellations that may have been recorded due to the FEMA cancellation policy as described in 44 Code of Federal Regulations (CFR) Section 206.366.

For additional information, see Note 8, Loans Receivable, Net.

L. Inventory and Related Property, Net

Operating Materials and Supplies (OM&S) held for use and repair represent the largest portion of DHS inventory and related property. OM&S consist primarily of goods, including reparable spare parts, consumed during the maintenance of assets used to perform DHS missions, including vessels, small boats, electronic systems, and aircraft.

OM&S managed by the USCG inventory control points consist of special purpose craft, electronic (Eflex) equipment, chemical biological radiological nuclear explosive (CBRNE) equipment, and ordnance items that are valued at historical cost using a moving average cost and accounted for using the consumption method. OM&S reparable items that are in a “held for repair” status are recorded at historical cost with an allowance for the cost of the repair.

OM&S held at CBP sites consist of aircraft parts, vessel parts, and border security parts to be used in CBP’s operations. Manned aircraft and border security parts and materials are recorded at average unit cost. Unmanned aircraft parts and vessel parts are recorded using the first-in/first-out valuation method. Both methods approximate actual acquisition costs. OM&S reparable items that are in a “held for repair” status are recorded using the direct method for the cost of repairs.

Inventory is tangible personal property held for sale or used in the process of production for sale. Inventory includes items such as fuel and subsistence. Inventories on hand at year-end are stated at cost using standard price/specific identification, first-in/first-out, or moving average cost methods, which approximates historical cost. Revenue on inventory sales and associated cost of goods sold are recorded when merchandise is sold to the end user.

Critical materials are stockpiled and held due to statutory requirements for use in national emergencies. The Department’s stockpile materials held by FEMA include goods that would be used to respond to national disasters (e.g., water, meals, cots, blankets, tarps, and blue roof sheeting). Stockpile materials at year-end are stated at historical cost using the weighted average method.

For additional information, see Note 9, Inventory and Related Property, Net.

M. Seized and Forfeited Property

Seized property is reported in two categories: nonprohibited and prohibited.

Nonprohibited seized property includes items that are not inherently illegal to possess or own, such as monetary instruments, real property, and tangible personal property of others. Nonprohibited seized and forfeited property is reported by the Treasury Forfeiture Fund.

Prohibited seized property includes illegal drugs, contraband, and counterfeit items that cannot legally enter into the commerce of the United States. Prohibited seized property results primarily from criminal investigations and passenger/cargo processing. Prohibited seized property is not considered an asset of the Department and is not reported as such in the Department's financial statements. However, the Department has a stewardship responsibility until the disposition of the seized items is determined (i.e., judicially or administratively forfeited or returned to the entity from which it was seized).

Forfeited property is seized property for which the title has passed to the Federal Government. Prohibited forfeited items such as counterfeit goods, narcotics, or firearms are held by the Department until disposed of or destroyed.

For additional information, see Note 10, Seized and Forfeited Property.

N. General Property, Plant, and Equipment, Net

The Department's Property, Plant, and Equipment (PP&E) consists of aircraft, vessels, vehicles, land, structures, facilities, leasehold improvements, software, information technology, and other equipment—including small boats, security equipment, industrial equipment, and communications gear. PP&E is generally recorded at historical cost. The Department capitalizes PP&E acquisitions when the cost equals or exceeds an established threshold and has a useful life of two years or more. Land is not depreciated.

Costs for construction projects are recorded as construction-in-progress until the asset is placed in service. Costs are valued at actual (direct) costs plus applied overhead and other indirect costs. At year-end, a portion of the construction-in-progress balance may be estimated to accrue amounts for work completed but not yet recorded. The Department owns some of the buildings in which Components operate. The majority of other buildings are provided by the General Services Administration (GSA), which charges rent equivalent to the commercial rental rates for similar properties.

Internal-use software includes purchased commercial off-the-shelf (COTS) software, contractor-developed software, and internally developed software. For COTS software, the capitalized costs are equal to the amount paid to the vendor for the software. For contractor-developed software, the capitalized costs include the amount paid to a contractor to design, program, install, and implement the software. For internally developed software, capitalized costs include the full costs (direct and indirect) incurred during the software development phase. Costs incurred during the preliminary design and post-implementation/operational phases are expensed in the period incurred.

In FY 2021, DHS increased its capitalization threshold from $200,000 to $500,000 for equipment, capital leases, buildings and other structures, leasehold improvements, and improvements to land acquired on or after October 1, 2020. DHS policy is to continue using legacy capitalization thresholds and Component-specific policies for assets acquired prior to October 1, 2020. The schedule below shows a summary of the capitalization thresholds and estimated useful life in accordance with DHS-wide policy. Actual capitalization thresholds and service lives used by DHS Components may vary as long as the threshold does not exceed the DHS capitalization threshold. Bulk purchases are subject to a $2 million capitalization threshold. Capital improvements extending the service life of assets are not included in these ranges.

Asset Description	Capitalization Threshold	Useful Life
Land	Zero	Not Applicable
Improvements to Land	$500,000	2 years to 50 years
Buildings, Other Structures and Facilities	$500,000	10 years to 50 years
Equipment	$500,000	5 years to 30 years
Capital Leases	$500,000	2 years to 20 years
Leasehold Improvements	$500,000	2 years to 50 years
Internal Use Software	$750,000	2 years to 13 years

The Department begins to recognize depreciation expense once the asset has been placed in service. Depreciation is calculated on a straight-line method for all asset classes over their estimated useful lives. Leasehold improvements are depreciated over the shorter of the term of the remaining portion of the lease or the useful life of the improvement. Buildings and equipment acquired under capital leases are amortized over the lease term. Amortization of capitalized software is calculated using the straight-line method and begins on the date of acquisition if purchased, or when the module or component has been placed in use (i.e., successfully installed and tested) if contractor or internally developed. There are no restrictions on the use or convertibility of general PP&E.

A description of DHS's policies for land are located in the Required Supplementary Information (RSI) in accordance with Statement of Federal Financial Accounting Standards (SFFAS) No. 59, *Accounting and Reporting of Government Land*.

For additional information, see Note 11, General Property, Plant, and Equipment, Net, and Note 19, Leases.

O. Stewardship Property, Plant, and Equipment

Stewardship PP&E includes heritage assets that generally are not included in general PP&E presented on the Balance Sheet. Heritage assets are unique due to their historical or natural significance; cultural, educational, or artistic importance; or significant architectural characteristics. In general, heritage assets are expected to be preserved indefinitely.

These heritage assets consist of documents, historical artifacts, immigration and naturalization files, artwork, buildings, and structures. The cost of improving, reconstructing, or renovating heritage assets is recognized as an expense in the period incurred. Similarly, the cost to acquire or construct a heritage asset is recognized as an expense in the period incurred.

Heritage assets can serve two purposes: a heritage function and a general government operational function. If a heritage asset serves both purposes, but is predominantly used for general government operations, the heritage asset is considered a multi-use heritage asset, which is depreciated and included in general PP&E on the Balance Sheet. Due to their nature, heritage assets not used for general government operational functions are not depreciated because matching costs with specific periods would not be meaningful. The Department depreciates its multi-use heritage assets over their useful life. The Department's multi-use heritage assets consist of buildings and structures, memorials, and recreation areas.

For additional information, see Note 12, Stewardship Property, Plant, and Equipment.

P. Liabilities

Liabilities represent the probable and measurable future outflow or other use of resources as a result of past transactions or events. Liabilities covered by budgetary resources are those liabilities for which Congress has appropriated funds or for which funding is otherwise available to pay amounts due. Liabilities not covered by budgetary or other resources represent amounts owed in excess of available congressionally appropriated funds or other amounts, where there is no certainty that the appropriations will be enacted. Liabilities not requiring budgetary resources are liabilities that have not in the past required and will not in the future require the use of budgetary resources. The Federal Government, acting in its sovereign capacity, can annul liabilities of the Department arising from any transaction or event other than contracts or other instances where its sovereign immunity has been waived (e.g., refund statutes).

Q. Contingent Liabilities

The Department accrues contingent liabilities where a loss is determined to be probable and the amount can be reasonably estimated. The Department discloses contingent liabilities where the conditions for liability recognition have not been met and the likelihood of unfavorable outcome is more than remote. Contingent liabilities considered remote are generally not disclosed unless they involve guarantees, in which case the nature of the guarantee is disclosed.

For additional information, see Note 21, Commitments and Contingent Liabilities.

Environmental Cleanup Costs. Environmental liabilities consist of environmental remediation, cleanup, and decommissioning. The Department is responsible for remediating its sites with environmental contamination and is party to various administrative proceedings, legal actions, and tort claims that may result in settlements or decisions adverse to the Federal Government. The liability for environmental remediation is an estimate of costs necessary to bring a known contaminated asset into compliance with applicable environmental standards. Accruals for environmental cleanup costs are the costs of removing, containing, and/or disposing of hazardous wastes or materials that, because of quantity, concentration, or physical or chemical characteristics, may pose a substantial present or potential hazard to human health or the environment.

For all PP&E in service after September 30, 1997, the Department recognizes the estimated total cleanup costs associated with the PP&E when the cleanup costs are probable and reasonably estimable. The estimate may be subsequently adjusted for material changes due to inflation/deflation or changes in regulations, cleanup plans, or technology. The applicable costs of decommissioning the Department's existing and future vessels are considered cleanup costs.

For additional information, see Note 17, Environmental and Disposal Liabilities.

R. Liabilities for Grants and Cooperative Agreements

The Department awards grants and cooperative agreements to state and local governments, universities, nonprofit organizations, and private-sector companies to build their capacity to respond to disasters and emergencies; conduct research into preparedness; enhance and ensure the security of passenger and cargo transportation by air, land, or sea; and support other Department-related activities. The Department estimates the year-end grant and cooperative agreement accrual for unreported and unpaid recipient expenditures using historical disbursement data in compliance with Federal Financial Accounting Technical Release 12, *Accrual Estimates for Grant Programs*. Grants and cooperative agreement liabilities are recorded as grants payable to the public and reported as Other Liabilities in the accompanying Balance Sheets. As grantee expenditure in a given year may vary greatly depending on occurrence of disasters and the expiration dates of awards for the numerous non-disaster grant programs, the estimate may significantly vary year-over-year.

S. Insurance Liabilities

Insurance liabilities are primarily the result of the Department's sale or continuation-in-force of flood insurance policies within the NFIP, which is managed by FEMA. NFIP is an exchange transaction insurance, and DHS discloses Insurance Liabilities in accordance with SFFAS No. 51, *Insurance Programs*.

The NFIP insurance liability represents an estimate based on the loss and loss adjustment expense factors inherent to the NFIP Insurance Underwriting Operations, including trends in claim severity and frequency. These estimates are routinely reviewed, and adjustments are made as deemed necessary. The estimate is driven primarily by flooding activity in the U.S. and can significantly vary year over year depending on timing and severity of flooding activity.

The *Biggert-Waters Flood Insurance Reform Act of 2012* (P.L. 112-141) and the *Homeowner Flood Insurance Affordability Act of 2014* (P.L. 113-89) amended the *National Flood Insurance Act of 1968* to establish a National Flood Insurance Reserve Fund to meet the expected future obligations of the NFIP. The acts authorized FEMA to secure reinsurance coverage from private reinsurance and capital markets to maintain the financial ability of the program to pay claims from major flooding events. The reinsurance agreement places the NFIP in a better position to manage losses incurred that result from major flooding events.

As technology and FEMA's understanding of flood risk have evolved over time, in FY 2022, FEMA began the transition to a new pricing methodology, termed Risk Rating 2.0. Risk Rating 2.0 allows FEMA to calculate premiums more equitably across all policyholders based on the value of their home and individual property's flood risk. FEMA implemented the new rates in two phases. Phase I, which began on October 1, 2021, allowed existing NFIP policyholders to take advantage of decreases at the time their policy renewed, and new policies were subject to the new pricing methodology. The new policies will be paying their full risk rate. Phase II, which began on April 1, 2022, subjected all renewing policies to new pricing plan at the time of renewal. Renewing policies with increasing premiums will be subject to the annual cap increase, which is 18% for most policyholders.

Subsidized rates are used to provide affordable insurance on construction or substantial improvements started on or before December 31, 1974, or before the effective date of the initial Flood Insurance Rate Map (i.e., an official map of a community on which NFIP has delineated both the special hazard areas and the nonsubsidized premium zones applicable to the community). Prior to FY 2022 and the transition to Risk Rating 2.0, FEMA's subsidized rates are charged on a countrywide basis for certain classifications of the insured. These subsidized rates produce a premium less than the loss and loss adjustment expenses expected to be incurred in a historical average loss year.

For additional NFIP information, see Note 15, Federal Debt and Interest Payable; Note 18, Other Liabilities; Note 20, Insurance Liabilities; Note 22, Funds from Dedicated Collections; and Note 23, Available Borrowing Authority.

T. Debt and Borrowing Authority

Debt is reported within Intragovernmental Liabilities and results from Treasury loans and related interest payable to fund NFIP and Disaster Assistance Direct Loan Program (DADLP) operations of FEMA. Most of this debt is not covered by current budgetary resources. Premiums collected by FEMA for the NFIP are not sufficient to cover the debt repayments (see Note 1.S., Insurance Liabilities). Given the current premium rate structure, FEMA will not be able to generate sufficient resources from premiums to pay its debt in full.

Borrowing authority, to the extent of existing obligations, is in budgetary status for use by FEMA for insurance claims and community disaster loans (CDLs). Borrowing authority is converted to cash and transferred to the Fund Balance with Treasury when needed for these purposes. Insurance claims and CDLs have indefinite borrowing authority. Indefinite borrowing authority represents the balance of borrowing authority which is the amount equal to those unpaid obligations covered by borrowing authority at the close of the fiscal year.

For more information, see Note 15, Federal Debt and Interest Payable, and Note 23, Available Borrowing Authority.

U. Accrued Payroll and Benefits

Accrued Payroll. Accrued payroll consists of salaries, wages, and other compensation earned by employees but not disbursed as of September 30. The liability is estimated for reporting purposes based on historical pay information.

Leave Program. Earned annual and other vested compensatory leave is accrued as it is earned and reported on the Balance Sheet. The liability is reduced as leave is taken. Each year, the balances in the accrued leave accounts are adjusted to reflect the liability at current pay rates and leave balances. Sick leave and other types of nonvested leave are not earned benefits. Accordingly, nonvested leave is expensed when used.

Federal Employees Compensation Act. The *Federal Employees Compensation Act* (FECA) (P.L. 103-3) provides income and medical cost protection to covered federal civilian employees injured on the job, to employees who have incurred work-related occupational diseases, and to beneficiaries of employees whose deaths are attributable to job-related injuries or occupational diseases. The FECA program is administered by the Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the Department for these paid claims.

The FECA liability consists of two elements. The first element, accrued FECA liability, is based on claims paid by DOL but not yet reimbursed by the Department. The Department reimburses DOL for claims as funds are appropriated for this purpose. In general, there is a two-year period between payment by DOL and reimbursement to DOL by the Department. As a result, the Department recognizes an intragovernmental liability for the claims paid by DOL and to be reimbursed by the Department.

The second element, actuarial FECA liability, is the estimated liability for future benefit payments and is recorded as a component of federal employee and veteran benefits. The actuarial FECA liability includes the expected liability for death, disability, medical, and miscellaneous costs for approved compensation cases. DOL determines the actuarial FECA liability annually, as of September 30, using an actuarial method that considers historical benefit payment patterns, wage inflation factors, medical inflation factors, and other variables. The projected annual benefit payments are discounted to present value using the OMB economic assumptions for ten-year Treasury notes and bonds. The actuarial FECA liability is not covered by budgetary resources and will require future funding.

For additional information regarding unfunded FECA liability, payroll, and leave, see Note 18, Other Liabilities. For more information on the actuarial FECA liability, see Note 14, Liabilities Not Covered by Budgetary Resources, and Note 16, Federal Employee and Veteran Benefits Payable.

V. Federal Employee and Veteran Benefits

The Department's federal employee and veteran benefits consist of civilian employee retirement plans, the USCG's Military Retirement System (MRS), the USCG Military Health System (MHS), the USSS's Uniformed Division and Special Agent Pension, and other retirement benefits (ORB) and other post-employment benefits (OPEB). The Department recognizes the full annual cost of its civilian employees' pension benefits; however, the assets of the plan and liability associated with pension costs are recognized by OPM rather than the Department. Accordingly, the Department does not display gains and losses from changes in long-term assumptions used to measure civilian pension liabilities on the Statement of Net Cost.

Civilian Pension, Other Retirement Benefits, and Other Post-Employment Benefits. Most of DHS employees hired after December 31, 1983 are covered by the Federal Employees Retirement System (FERS) which consists of a basic annuity plan, the Thrift Savings Plan (TSP), and Social Security. Employees hired between January 1, 1984 and December 31, 2012 are covered by the FERS basic annuity benefit. For the FERS basic annuity benefit, the Department contributes 18.4% of base pay for regular FERS employees and 37.6% for law enforcement agents. Employees hired between January 1, 2013 and December 31, 2013 are covered by the FERS revised annuity benefit; employees hired after December 31, 2013 are covered by the FERS further revised annuity benefit. For the FERS revised annuity benefit and the FERS further revised annuity benefit, the Department contributes 16.6% of base pay for regular FERS employees and 35.8% for law enforcement agents. In addition, the Department automatically contributes to the TSP a minimum of one percent of base pay and matches employee contributions up to an additional four percent of base pay. The Department also contributes the employer's Social Security matching share for FERS participants. DHS employees hired prior to January 1, 1984 participate in the Civil Service Retirement System (CSRS) to which the Department contributes 7% of base pay for regular CSRS employees and 7.5% for law enforcement agents.

Similar to FERS and CSRS, OPM reports the liability for future payments to retired employees who participate in the Federal Employees Health Benefits Program and Federal Employees Group Life Insurance Program. The Department reports both the full annual cost of providing these ORB for its retired employees and reporting contributions made for active employees. In addition, the Department recognizes the cost for OPEB, including all types of benefits provided to former or inactive (but not retired) employees, their beneficiaries, and covered dependents.

The difference between the full annual cost of FERS, CSRS retirement, ORB, and OPEB and the amount paid by the Department is recorded as an imputed cost and offsetting imputed financing source in the accompanying financial statements.

The Department applies SFFAS No. 33, *Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation* Dates, in selecting the discount rate and valuation date used in estimating actuarial liabilities for the MRS, the MHS, and the Uniformed Division and Special Agent Pension. Gains and losses from changes in long-term assumptions used to measure these liabilities are reported as a separate line item on the Statement of Net Cost.

Military Retirement System. The MRS is a defined benefit plan that includes pension benefits, disability benefits, and survivor benefits and covers all retired active duty and reserve military members of the USCG. The plan is a pay-as-you-go system funded through annual appropriations. Under the *National Defense Authorization Act (NDAA) for FY 2016* (P.L. 114-92), members entering service after December 31, 2017 will be enrolled in the new modernized retirement system, also referred to as the Blended Retirement System (BRS). BRS changes the pension formula by reducing the percentage per year of service, and entitles members to Thrift Savings Plan contributions, as well as additional compensation in exchange for a commitment for additional years of service (after serving for 12 years). A service point is awarded for every day of active service rendered, including monthly drill activities, as well as other categories (e.g. 15 points are awarded annually for Reserve participation). Members who joined USCG after January 1, 2006, and reservists with fewer than 4,320 points as of December 31, 2017, could choose either BRS or the legacy retirement system; any election to opt-in to BRS was required to be made during calendar year 2018 and is irrevocable. Reservists who joined on or after January 1, 2018 are automatically enrolled in the BRS.

The actuarial accrued liability is the portion of the present value of the future benefits expected to be paid that is attributed to past service (service by participants rendered prior to the date of determination). The remaining portion of that present value is attributed to future service (service by participants rendered on or after the date of determination) and is the present value of the future employer normal costs. The normal cost (current period expense) and the attribution of the present value of the future benefits between past service and future service are determined using the individual entry age normal actuarial cost method.

Prior to September 30, 2022, USCG was considered both the administrative and employer entity for the MRS. As the administrative and employer entity, USCG reported an actuarial accrued liability and recognized all components of cost. The NDAA for FY 2021 (P.L. 116-283) included a major change for the USCG, authorizing the payment of USCG's MRS retirement benefits from the Department of Defense (DoD) Military Retirement Fund (MRF) by October 1, 2022. The actuarial accrued liability was transferred to DoD and USCG is no longer the administrative entity as of September 30, 2022. Beginning in FY 2023, USCG will recognize a pension expense equal to the normal cost payment contributions it makes to the MRF, i.e., the service cost for its employees for the fiscal year.

Military Health System. There are two categories of military healthcare benefits, but only one generates a liability for the USCG retirees and beneficiaries. The first category of military healthcare liability is for the Medicare-eligible USCG military retirees and beneficiaries. The DoD is the administrative entity for the Medicare-Eligible Retiree Health Care Fund (MERHCF) and, in accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, is required to recognize the liability on the MERHCF's financial statements. The USCG makes annual payments to fund benefits for the current active duty members and their spouses who will receive benefits when they reach Medicare-eligibility. The USCG receives per-member amounts (reserve and active duty member amounts separately) to be contributed to the MERHCF from the DoD Board of Actuaries office and pays its share, depending on its demography. Because the DoD reports the entire liability for MERHCF, USCG is only responsible for the annual per-member amounts.

The second category of military healthcare liability is for retirees and beneficiaries not yet eligible for Medicare. The MHS is a post-retirement medical benefit plan that covers all active component and reserve component members of the USCG. The USCG is the administrative entity for MHS, and in accordance with SFFAS No. 5, recognizes the liability which is reported in DHS financial statements. As with the MRS, the actuarial accrued liability for MHS is the portion of the present value of the future benefits expected to be paid that is attributed to past service (service by participants rendered prior to the date of determination). Benefits are funded on a pay-as-you-go basis through annual appropriations.

Uniformed Division and Special Agent Pension. The District of Columbia (DC) Police Officers' and Firefighters' Retirement Plan (the DC Pension Plan) is a defined benefit plan that covers USSS Uniformed Division and Special Agents hired as civilians prior to January 1, 1984, and eligible for transfer to the DC Pension Plan. Uniformed Division and Special Agents hired after that date are covered as law enforcement agents by FERS basic annuity benefit, FERS revised annuity benefit, or FERS further revised annuity benefit, as appropriate. The DC Pension Plan makes benefit payments to retirees or their beneficiaries. USSS receives permanent, indefinite appropriations each year to pay the excess of benefit payments over salary deductions. USSS calculates pension liability using a discount rate assumption for present value of future benefits in accordance with SFFAS No. 5 and SFFAS No. 33. The unfunded accrued liability is actuarially determined by subtracting the present value of future employer/employee contributions, as well as any plan assets, from the present value of future cost of benefits. SFFAS No. 5 permits the use of actuarial cost methods other than the aggregate entry age normal actuarial cost method if the difference is not material.

The discount rates used to measure the MRS and MHS actuarial liabilities for USCG and the USSS actuarial liability are based on the ten-year average historical rates of return on marketable Treasury securities as of June 30 of the fiscal year. The rates used in this average are the rates for securities that will mature on the dates on which future benefit payments are expected to be made.

For more information on MRS, MHS, Uniformed Division and Special Agent Pension, and the actuarial assumptions used to compute the accrued pension and healthcare liabilities, see Note 16, Federal Employee and Veteran Benefits Payable.

W. Funds from Dedicated Collections

Funds from dedicated collections are financed by specifically identified revenue, provided to the government by non-federal sources, often supplemented by other financing sources, which remain available over time. These specifically identified revenue and other financing sources are required by statute to be used for designated activities, benefits, or purposes and must be accounted for separately from the Federal Government’s general revenue.

Non-exchange revenue and other financing sources from funds from dedicated collections, including net cost of operations, are shown separately on the Statements of Changes in Net Position. The portion of cumulative results of operations attributable to funds from dedicated collections is shown separately on both the Statements of Changes in Net Position and the Balance Sheets.

For additional information, see Note 22, Funds from Dedicated Collections.

X. Revenue and Financing Sources

Appropriations. The Department receives the majority of funding to support its programs through congressional appropriations. The Department receives annual, multi-year, and no-year appropriations that may be used, within statutory limits, for operating and capital expenditures. Additional funding is obtained through exchange revenue, non-exchange revenue (including donations from the public), and transfers-in from other federal entities.

The Department also has permanent indefinite appropriations that result from permanent public laws, which authorize the Department to retain certain receipts. The amount appropriated depends upon the amount of the receipts rather than on a specific amount. The Department also has a permanent indefinite appropriation but does not retain the receipts. Specifically, amounts received and not issued as refunds to importers are returned to Treasury at the end of the fiscal year.

Appropriations are recognized as financing sources when related expenses are incurred, or assets are purchased.

Appropriations Received on the Statement of Changes in Net Position differs from that reported on the Combined Statement of Budgetary Resources because Appropriations Received on the Statement of Changes in Net Position do not include receipts from dedicated collections. Receipts from dedicated collections are accounted for as either exchange or non-exchange revenue.

Exchange and Non-Exchange Revenue. Exchange revenue is recognized when earned and is derived from transactions where both the government and the other party receive value (i.e., goods have been delivered or services have been rendered). Exchange revenue prices are recognized using full cost or market pricing guidance in OMB Circular No. A-25, *User Charges,* except when prices are set by law or executive order. Higher prices based on full cost or market price might reduce the quantity of goods or services demanded and, therefore, the difference between revenue received and such higher prices does not necessarily provide an indication of revenue foregone. DHS exchange revenue includes, but is not limited to: immigration fees; NFIP insurance premiums; Student Exchange Visa Program fees; and aviation security fees. Reimbursable exchange revenue includes but is not limited to: services provided to the government of Puerto Rico for the collection of duties, taxes, and fees; services for personnel; medical, housing, and various types of maritime support; the Federal Protective Service Guard personnel; and oil spill cleanup costs.

Revenue from reimbursable agreements is recognized when the goods or services are provided by the Department. Reimbursable work between federal agencies is generally subject to the Economy Act (31 United States Code (U.S.C.) 1535).

The majority of DHS non-exchange revenue is derived from customs duties, custodial collections of user fees, taxes, fines and penalties, and interest on the fines and penalties net of refunds and drawbacks related to these collections. Non-exchange revenue from user fees results from the government's sovereign power to demand revenue and is recognized as earned. Examples of non-exchange revenue from user fees include the collection of fees by CBP on incoming private vessels, private aircraft, and commercial vehicles. Non-exchange revenue also arises from transfers-in with and without financing sources and donations from the public. Other financing sources, such as donations and transfers of assets without reimbursements, are recognized on the Statements of Changes in Net Position during the period in which the donations and transfers occurred.

Deferred revenue is recorded when the Department receives payment for goods or services which have not been fully rendered. Deferred revenue is reported as a liability on the Balance Sheet until earned. USCIS fees are related to adjudication of applications and petitions for immigration and naturalization services that are used to provide special benefits to recipients and pay the regulatory costs from the adjudication process. USCIS requires advance payments of the fees for adjudication of applications or petitions for immigration and naturalization benefits. FEMA's deferred revenue relates to other NFIP unearned revenue including the federal policy fee, reserve fund assessment, and HFIAA surcharges.

Inter-Entity Cost. Certain goods and services are received from other federal entities at no cost or at a cost less than the full cost to the providing federal entity. Consistent with accounting standards, certain costs of the providing entity that are not fully reimbursed are recognized as imputed cost and are offset by imputed revenue. Prices for goods and services sold to other Federal Government agencies are generally limited to the recovery of direct cost. Such imputed costs and revenues relate to business-type activities (if applicable), employee benefits, and claims to be settled by the Treasury Judgment Fund. However, unreimbursed costs of goods and services other than those identified above are not included in our financial statements.

Imputed Financing Sources. In certain instances, operating costs of the Department are paid out of funds appropriated to other federal agencies. For example, OPM, by law, pays certain costs of retirement programs, and certain legal judgments against DHS are paid from a judgment fund maintained by the Treasury. When costs that are identifiable to DHS and directly attributable to DHS operations are paid by other agencies, the Department recognizes these amounts as operating expenses. The Department also recognizes an imputed financing source on the Statements of Changes in Net Position to indicate the funding of DHS operations by other federal agencies.

Custodial Activity. Non-exchange and non-entity revenue, disbursements, and refunds and drawbacks are reported on the Statement of Custodial Activity using a modified cash basis. Non-entity revenue reported on the Department's Statement of Custodial Activity include duties, excise taxes, and various non-exchange fees collected by CBP that are subsequently remitted to the Treasury general fund or to other federal agencies. Duties, user fees, fines, and penalties are assessed pursuant to the provisions of 19 U.S.C.; nonimmigrant petition fees and interest under 8 U.S.C.; and excise taxes are assessed under 26 U.S.C.

CBP assesses duties, taxes, and fees on goods and merchandise brought into the United States from foreign countries. The custodial revenue is recorded at the time of collection. These revenue collections primarily result from current fiscal year activities. CBP records an equal and offsetting liability due to the Treasury general fund for amounts recognized as non-entity tax and trade receivables. Non-entity tax and trade accounts receivables consist of duties, excise taxes, user fees, fines and penalties, refunds and drawbacks overpayments, and interest associated with import/export activity, that have been established as specifically identifiable, legally enforceable claims that remain uncollected as of year-end. CBP accrues an estimate of duties, taxes, and fees related to entry summaries filed by the importer and received by CBP prior to year-end where receipt of payment is anticipated subsequent to year-end. The portions of the fees that are subsequently remitted to other federal agencies are recorded as custodial revenue at the time of collection. Non-entity receivables are presented net of amounts deemed uncollectible.

CBP tracks and enforces payment of estimated duties, taxes, and fees receivable by establishing a liquidated damages case that generally results in fines and penalties receivable. A fine or penalty, including interest on past-due balances, is established when a violation of import/export law is discovered. An allowance for doubtful collections is established for substantially all accrued fines and penalties and related interest. The amount is based on a statistical sample to assess historical collectability of these receivables. Statutes and regulations allow importers to dispute the assessment of duties, taxes, and fees. Receivables related to disputed assessments are not recorded until the protest period expires or a protest decision is rendered in CBP's favor.

Refunds and drawback of duties, taxes, and fees are recognized when payment is made. Generally, a permanent, indefinite appropriation is used to fund the disbursement of refunds and drawbacks. Disbursements are recorded as a decrease in the amount transferred to federal entities as reported on the Statements of Custodial Activity. The liability for refunds and drawbacks consists of amounts owed for refunds of duty and other trade related activity and drawback claims. CBP accrues a monthly liability for refunds and drawback claims approved at month-end but paid subsequent to month-end.

An accrual adjustment is recorded on the Statements of Custodial Activity to adjust cash collections and refund disbursements with the net increase or decrease of accrued non-entity accounts receivables, net of uncollectible amounts, and refunds payable at year-end. For additional information, see Note 7, Taxes Receivable, Net, and Note 28, Custodial Revenue.

Y. Taxes

The Department, as a federal agency, is not subject to federal, state, or local income taxes. Therefore, no provision for income taxes has been recorded in the accompanying financial statements.

Z. Reclassifications

The presentation of the FY 2021 Balance Sheet was modified to be consistent with the FY 2022 presentation. In addition, certain FY 2021 balances were reclassified to conform to the FY 2022 presentation in accordance with OMB Circular A-136 for Note 16, Federal Employee and Veteran Benefits Payable, and Note 18, Other Liabilities.

The FY 2021 Note 31, COVID-19 Activity, disclosure was reclassified to present COVID-19 Activity by funding source as required by OMB Circular A-136, and also to present a new line per OMB Circular A-136, "Recissions, Recoveries, Other Changes and Outlays, Net."

2. *Non-Entity Assets*

Non-Entity Assets at September 30 consisted of the following (in millions):

	2022	2021
Intragovernmental:		
Fund Balance with Treasury	$ 3,988	$ 3,450
Total Intragovernmental	3,988	3,450
With the Public:		
Cash and Other Monetary Assets	13	13
Accounts Receivable, Net	25	20
Taxes Receivable, Net	8,633	8,093
Total With the Public	8,671	8,126
Total Non-Entity Assets	12,659	11,576
Total Entity Assets	207,144	205,562
Total Assets	**$ 219,803**	**$ 217,138**

Non-entity Fund Balance with Treasury consists of certain special and deposit funds, permanent and indefinite appropriations, and miscellaneous receipts. Non-entity assets (also discussed in Note 4, Cash and Other Monetary Assets, Note 6, Accounts Receivable, Net, and Note 7, Taxes Receivable, Net) are offset by corresponding liabilities at September 30, 2022 and 2021. Taxes, duties, and trade receivables from the public represent amounts due from importers for goods and merchandise imported to the United States.

3. *Fund Balance with Treasury*

Status of Fund Balance with Treasury

The Status of Fund Balance with Treasury at September 30 consisted of the following (in millions):

	2022	2021
Budgetary Status		
Unobligated Balances:		
Available	$ 36,642	$ 52,144
Unavailable	4,914	4,673
Obligated Balance Not Yet Disbursed	116,080	103,804
Total Budgetary Status	157,636	160,621
Reconciling Adjustments:		
Receipt, Clearing, and Deposit Funds	3,190	3,348
Borrowing Authority (Note 23)	(9)	(15)
Investments	(13,313)	(11,345)
Receivable Transfers and Imprest Funds	(370)	(329)
Authority Unavailable for Obligation	9,135	8,425
Offsetting Collections Previously or Temporarily Precluded from Obligation	30	33
Sport Fish Restoration and Boating Trust Fund; Oil Spill Liability Trust Fund	1,789	1,728
Temporary Reduction of Budget Authority	461	447
Temporary Reduction of Specific Invested Treasury Account Symbol	(6)	(6)
Receipts and Appropriations Temporarily Precluded from Obligation	216	137
Total Fund Balance with Treasury	**$ 158,759**	**$ 163,044**

The Disaster Relief Fund (DRF) is an appropriation against which FEMA can direct, coordinate, manage, and fund eligible response and recovery efforts associated with domestic major disasters and emergencies that overwhelm State resources pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act. The DRF represents approximately 43% of the unobligated balances available, and 55% of the Total Fund Balance with Treasury at September 30, 2022; and 65% of the unobligated balances available, and 61% of the Total Fund Balance with Treasury at September 30, 2021.

The Unobligated Balance available in the Subsequent Periods include amounts apportioned for future fiscal years that are available for obligation in the following subsequent periods (in millions):

FY 2023	$ 6,895
FY 2024	96
FY 2025	91

Portions of the Unobligated Balances Available, Unavailable, and Obligated Balance Not Yet Disbursed contain CBP's user fees restricted by law in its use to offset costs incurred by CBP.

Portions of the Unobligated Balance Unavailable include amounts appropriated in prior fiscal years that are not available to fund new obligations, including expired funds. However, the amounts can be used for upward and downward adjustments for existing obligations in future years. The Obligated Balance Not Yet Disbursed represents amounts designated for payment of goods and services ordered but not received or goods and services received but for which payment has not yet been made.

Since the following line items do not post to Fund Balance with Treasury and budgetary status accounts simultaneously, certain adjustments are required to reconcile the budgetary status to non-budgetary Fund Balance with Treasury as reported in the accompanying Balance Sheets:

- Receipt, clearing, and deposit funds represent amounts on deposit with Treasury that have no budget status at September 30, 2022 and 2021.
- Borrowing authority, to the extent of existing obligations, is in budgetary status for use by FEMA for NFIP purposes and CDLs, and transfers have been made to the Fund Balance with Treasury account for these purposes. For additional information, see Note 23, Available Borrowing Authority.
- Budgetary resources have investments included; however, the money has been moved from the Fund Balance with Treasury asset account to Investments.
- Receivable transfers of currently invested balances increase the budget authority at the time the transfer is realized; however, obligations may be incurred before the actual transfer of funds.
- Imprest funds represent funds moved from Fund Balance with Treasury to Cash and Other Monetary Assets with no change in the budgetary status.
- For authority unavailable for obligations, authorizing statute may specify that obligations are not available until a specified time in the future or until specific legal requirements are met.
- Offsetting collections previously or temporarily precluded from obligation are offsetting collections that become unavailable for obligation until specific legal requirements are met.
- Sport Fish Restoration and Boating Trust Fund (SFRBTF) and Oil Spill Liability Trust Fund (OSLTF) are Treasury-managed funds. These funds receive revenue transferred from custodial activities of the Treasury, which are deposited in a Treasury account. For more information, see Note 22, Funds from Dedicated Collections.
- Temporary reduction of budget authority includes new budget authority or prior-year balance that have been temporarily reduced by statute in special and nonrevolving trust funds associated with receipt accounts designated by the Treasury as available.
- Temporary reduction of specific invested Treasury account symbols includes reductions of amounts appropriated from specific invested Treasury account symbols in the current year due to OMB sequestered amounts.

- Receipts and appropriations temporarily precluded from obligation are budget authority that becomes available for obligation from appropriations (derived from special or trust non-revolving fund receipts) and borrowing authority previously precluded from obligation.

4. Cash and Other Monetary Assets

Cash and Other Monetary Assets at September 30 consisted of the following (in millions):

	2022	2021
Total Cash and Other Monetary Assets	**$ 26**	**$ 64**

DHS cash includes cash held by others, imprest funds, undeposited collections, such as seized funds, and the net balances maintained by insurance companies for flood insurance activity. Restricted non-entity cash and other monetary assets were $13 million at September 30, 2022 and 2021, respectively (see Note 2, Non-Entity Assets). Restricted non-entity cash consists of undeposited collections that can be distributed to the Treasury General Fund, other federal agencies, or other governments.

5. Investments, Net

Investments, Net at September 30, 2022, consisted of the following (in millions):

Type of Investment:	Amortization Method	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental Securities and Investments:						
OSLTF	Effective interest method	$ 8,668	$ (58)	$ 15	$ 8,625	$ 8,340
SFRBTF	Effective interest method	2,379	(28)	4	2,355	2,310
General Gift Fund	Effective interest method	2	-	-	2	2
National Flood Insurance Reserve Fund	Effective interest method	2,473	(51)	3	2,425	2,295
Total Nonmarketable, Market-Based		13,522	(137)	22	13,407	12,947
Total Intragovernmental Securities and Investments, Net		**$ 13,522**	**$ (137)**	**$ 22**	**$ 13,407**	

Investments at September 30, 2021, consisted of the following (in millions):

Type of Investment:	Amortization Method	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net	Market Value Disclosure
Intragovernmental Securities:						
OSLTF	Effective interest method	$ 7,833	$ 18	$ 15	$ 7,866	$ 7,912
SFRBTF	Effective interest method	2,224	10	5	2,239	2,235
General Gift Fund	Effective interest method	2	-	-	2	2
National Flood Insurance Reserve Fund	Effective interest method	1,342	(8)	2	1,336	1,335
Total Nonmarketable, Market-Based		11,401	20	22	11,443	11,484
Total Intragovernmental Securities and Investments, Net		**$ 11,401**	**$ 20**	**$ 22**	**$ 11,443**	

The Federal Government does not set aside assets to pay future benefits or other expenditures associated with funds from dedicated collections: OSLTF, SFRBTF and General Gift Fund at USCG, and National Flood Insurance Reserve Fund at FEMA. The cash receipts collected from the public for a fund from dedicated collections are deposited in the Treasury, which uses the cash for general Federal Government purposes. Treasury securities are issued to the USCG and FEMA as evidence of its receipts. Treasury securities associated with funds from dedicated collections are an asset to the USCG and FEMA, respectively, and a liability to the Treasury. Treasury securities are eliminated in consolidation for the U.S. Government-Wide financial statements.

Treasury securities provide the USCG and FEMA with ability to draw upon the Treasury to make future benefit payments or other expenditures. When the USCG and FEMA redeem the Treasury securities to make expenditures, the U.S. Treasury will finance those expenditures in the same manner that it finances all other expenditures. For additional information, see Note 22, Funds from Dedicated Collections.

6. Accounts Receivable, Net

Accounts Receivable, Net, at September 30 consisted of the following (in millions):

	2022	2021
Intragovernmental	$ 684	$ 727
With the Public:		
Accounts Receivable, Net	1,660	1,901
Allowance for Doubtful Accounts	(199)	(229)
Total with the Public	1,461	1,672
Accounts Receivable, Net	**$ 2,145**	**$ 2,399**

As of September 30, 2022, and 2021, total restricted non-entity accounts receivable were $25 and $20 million, respectively (see Note 2, Non-Entity Assets). Interest is accrued on uncollectible accounts receivable until the interest payment requirement is officially waived by the entity or the related debt is written off.

Accounts receivable, net include amounts related to criminal restitution owed to the government. In FY 2022, accounts receivable, net included $40 million of gross receivables related to criminal restitution orders, of which $4 million is determined to be collectible. CBP also has criminal restitution orders most of which are related to, and reported as part of, taxes and duties receivable due to their custodial nature (See Note 7, Taxes Receivable, Net). Gross receivables and net collectible amounts related to CBP's criminal restitution orders are $196 million and $18 million, respectively.

In FY 2021, accounts receivable, net, included $24 million of gross receivables related to criminal restitution orders, of which $1 million was determined to be collectible. Gross receivables and net collectible amounts related to CBP's criminal restitution orders were $206 million and $7 million, respectively.

7. Taxes Receivable, Net

Taxes Receivable, Net consisted of the following (in millions):

As of September 30, 2022:	Gross Receivables	Allowance	Total Net Receivables
Duties	$ 7,649	$ (240)	$ 7,409
Antidumping and Countervailing Duties	3,410	(2,964)	446
Excise Taxes	255	(12)	243
User Fees	127	(2)	125
Fines/Penalties	1,037	(777)	260
Interest Receivable	1,864	(1,714)	150
Total Taxes Receivable, Net	**$ 14,342**	**$ (5,709)**	**$ 8,633**

As of September 30, 2021:	Gross Receivables	Allowance	Total Net Receivables
Duties	$ 7,673	$ (306)	$ 7,367
Antidumping and Countervailing Duties	3,397	(3,172)	225
Excise Taxes	269	(12)	257
User Fees	115	(1)	114
Fines/Penalties	874	(806)	68
Interest Receivable	1,825	(1,763)	62
Total Taxes Receivable, Net	**$ 14,153**	**$ (6,060)**	**$ 8,093**

CBP assesses duties, taxes, and fees on goods and merchandise brought into the United States from foreign countries. Antidumping duties are assessed when it is determined that a class or kind of foreign merchandise is being released into the U.S. economy at less than its fair value to the detriment of a U.S. industry. Countervailing duties are collected when it is determined that a foreign government is providing a subsidy to its local industries to manufacture, produce, or export a class or kind of merchandise for import into the U.S. commerce to the detriment of a U.S. industry.

When a violation of import/export law is discovered, a fine or penalty may be imposed. If imposed, CBP assesses liquidated damages or a penalty for these cases up to the maximum extent of the law. After receiving the notice of assessment, the importer, surety, or other party has 60 days to either file a petition requesting a review of the assessment or pay the assessed amount. Once a petition is received, CBP investigates the circumstances as required by its mitigation guidelines and directives. Until this process has been completed, the Department records an allowance, net of interest, on fines and penalties, based on historical experience of fines and penalties mitigation and collection. The allowance was approximately 75% and 92% at September 30, 2022 and 2021. Duties and taxes receivables are non-entity assets for which there is an offsetting liability due to the general fund (see Note 18, Other Liabilities).

CBP assesses interest when taxes, duties, and trade receivables remain unpaid after the original due date. The interest is calculated using the rate published on the CBP website and in the Federal Register quarterly. Interest accruals are calculated using the same methodology as the underlying receivable accrual and include an allowance for amounts deemed potentially uncollectible.

8. Loans Receivable, Net

The Department's loan program consists of CDLs administered by FEMA. CDLs may be authorized to local governments that have suffered a substantial loss of tax and other revenue as a result of a major disaster and have demonstrated a need for federal financial assistance in order to perform their municipal operating functions.

On an annual basis, using the Treasury five-year curve rate, a subsidy estimate is calculated to determine the subsidy rate to be used in order to cover the subsidized portion of future disbursements. The subsidy estimate calculation is based on the re-payment period extended through an initial five-year term plus the five-year extension, the historical average cancellation rate, and the Moody's default rating for municipalities.

The subsidy estimate is revised on an annual basis, also known as a re-estimate, which updates for actual performance and/or estimated changes in future cash flows of the cohort. Legislation also plays a significant role in the subsidy cost of a cohort. New legislation that alters the baseline cash flow estimate for a loan or group of loans always results in a modification. A modification means a government action that may change the cost by altering the terms of the existing contract and changes the estimated cost of an outstanding direct loan.

The CDLs are established at the current Treasury rate for a term of five years. A standard CDL has a maximum amount of $5 million. The CDL amount cannot exceed 25% of the annual operating budget of the local government for the fiscal year in which the major disaster occurred, unless the loss of tax and other revenue for the local government is at least 75% of the annual operating budget. In this case, the CDL amount cannot exceed 50% of the annual operating budget. These CDLs can be cancelled by FEMA upon request from local government, if the local government meets the eligibility requirements in 44 CFR section 206.366, *Emergency and Management Assistance, Loan Cancellation*.

In FY 2018, Congress passed the Additional Supplemental Appropriations for *Disaster Relief Requirements Act, 2017* (P.L. 115-72) which provided $4.9 billion to DADLP for local governments affected by Hurricanes Harvey, Irma, and Maria. Of the $4.9 billion, 1.5% may be used for Section 417 administrative expenses, $150 million for Section 319 Advance of Non-Federal Share subsidy, $1 million for Section 319 administrative expenses, and the remainder for Section 417 subsidy. P.L. 115-72 specifies that a territory or possession, and instrumentalities and local governments thereof, of the United States shall be deemed a local government. Loan sizing may be based on projected loss of tax and other revenues and on projected cash outlays not previously budgeted for a period not to exceed 180 days from date of disaster, may exceed $5 million cap, and local governments may receive more than one loan. Language also specifies that loans may be cancelled in whole or in part at the discretion of Secretary of Homeland Security and Secretary of the Treasury.

Additionally, Congress passed the *Bipartisan Budget Act of 2018* (P.L. 115-123) which provided another $150 million to the DADLP for Section 319 Advance of Non-Federal Share subsidy, of which $1 million may be used Section 319 administrative expenses. P.L. 115-123 also amended the 180 days provision in P.L. 115-72 and inserted 365 days.

Congress passed the *Consolidated Appropriations Act of 2021* (P.L. 116-260) authorizing loans issued for 2018 disaster declarations to exceed $5 million and the loan sizing may be based on the projected loss of tax and other revenues and on projected cash outlays not previously budgeted for a period not to exceed one year beginning on the date that the major disaster occurred.

A. Summary of Direct Loans to Non-Federal Borrowers at September 30 (in millions):

	2022	2021
	Loans Receivable, Net	Loans Receivable, Net
Community Disaster Loans	$ 1	$ 8

An analysis of loans receivable and the nature and amounts of the subsidy and administrative costs associated with the direct loans is provided in the following sections.

B. Direct Loans Obligated (in millions):

Community Disaster Loans	Loans Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost (Present Value)	Value of Assets Related to Direct Loans
2022	$ 38	$ -	$ (37)	$ 1
2021	$ 833	$ 38	$ (863)	$ 8

C. Total Amount of Direct Loans Disbursed (in millions):

	2022	2021
Community Disaster Loans	$ 38	$ 187

D. Subsidy Expense for Direct Loans by Program and Component (in millions):

Subsidy Expense for New Direct Loans Disbursed as of September 30:

Community Disaster Loans	Interest Differential	Defaults	Other	Total
2022	$ 1	$ -	$ 29	$ 30
2021	$ 7	$ 1	$ 146	$ 154

The Other amount represents increased disbursement activity associated with P.L.115-72 which provided FEMA authority to lend to those areas affected by Hurricanes Harvey, Irma, and Maria as discussed above.

Direct Loan Modifications and Re-estimates:

Community Disaster Loans	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
2022	$ 78	$ -	$ (62)	$ 16
2021	$ -	$ -	$ 85	$ 85

Total Direct Loan Subsidy Expense:

	2022	2021
Community Disaster Loans	$ 46	$ 239

E. Direct Loan Subsidy Rates at September 30 (in millions):

The direct loan subsidy rates, by program, are as follows:

	2022 Community Disaster Loans	2021 Community Disaster Loans
Interest Subsidy Cost	0.59%	1.94%
Default Costs	0.51%	0.58%
Other	76.64%	77.88%
Total	77.74%	80.40%

The subsidy rates disclosed pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year(s) cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

Default costs include the projected default amounts based on Moody's default curve for years six to ten.

The Other line represents the subsidy rates for direct loans that are partially cancelled or cancelled in full if specified conditions are met. Historically, a high percentage of the borrowers have met the conditions for cancellation, thus resulting in a high direct loan subsidy rate. The other subsidy cost increase is due to a higher amount of cancellations on projected cash flows.

F. Schedule for Reconciling Subsidy Cost Allowance Balances at September 30 (in millions):

	2022	2021
Beginning balance of the subsidy cost allowance	$ 863	$ 609
Add subsidy expense for direct loans disbursed during the reporting years by Component:		
Interest rate differential costs	1	7
Other subsidy costs	29	147
Adjustments:		
Loan Modifications	78	-
Loans written off	(871)	(1)
Subsidy allowance amortization	(1)	16
Ending balance of the subsidy cost allowance before re-estimates	99	778
Add subsidy re-estimate by Component		
Technical/default re-estimate	(62)	85
Ending balance of the subsidy cost allowance	**$ 37**	**$ 863**

G. Administrative Expenses at September 30 (in millions):

	2022	2021
Community Disaster Loans	**$ 3**	**$ 2**

H. Loans Receivable at September 30 (in millions):

	2022
Beginning balance of Loans Receivable, Net	**$ 8**
Loan disbursements	38
Loans written off	(871)
Subsidy expense	(30)
Upward reestimate	(7)
Downward reestimate	69
Subsidy allowance	871
Loan modifications	(78)
Other non-cash reconciling items	1
Ending balance of Loans Receivable, Net	**$ 1**

$

9. Inventory and Related Property, Net

Inventory and Related Property, Net at September 30 consisted of the following (in millions):

	2022	2021
OM&S		
Items Held for Use	$ 1,493	$ 1,581
Items Held for Future Use	80	72
Items Held for Repair	1,330	1,198
Less: Allowance for Losses	(448)	(391)
Total OM&S, Net	2,455	2,460
Inventory		
Inventory Purchased for Resale	50	32
Less: Allowance for Losses	(7)	(7)
Total Inventory, Net	43	25
Stockpile Materials Held in Reserve	99	46
Total Inventory and Related Property, Net	**$ 2,597**	**$ 2,531**

10. *Seized and Forfeited Property*

Prohibited seized property item counts as of September 30 and seizure and forfeiture activity for FY 2022 and 2021 are as follows:

For the Fiscal Year Ended September 30, 2022:

Seized Property:	Beginning Balance	New Seizures	Remissions and Adjustments	New Forfeitures	Ending Balance
Illegal Drugs (in kilograms):					
Marijuana	-	185,695	(1,889)	(183,806)	-
Cocaine	-	109,604	(1,450)	(108,154)	-
Heroin	-	1,103	(3)	(1,100)	-
Methamphetamine	-	94,864	(10,384)	(84,480)	-
Khat	-	79,010	-	(79,010)	-
Synthetic Marijuana	-	1,081	-	(1,081)	-
Fentanyl	-	8,495	(11)	(8,484)	-
Other Drugs	29,598	22,999	333	(25,774)	27,156
Firearms and Explosives (in number of case line items)	2,779	4,358	(1,977)	(2,136)	3,024
Counterfeit Currency (US/Foreign, in number of items)	1,664,666	2,257,348	-	-	3,922,014
Counterfeit Goods (in number of case line items)	41,817	105,714	(6,358)	(104,346)	36,827

Forfeited Property:	Beginning Balance	New Forfeitures	Transfers and Adjustments	Destroyed	Ending Balance
Illegal Drugs (in kilograms):					
Marijuana	42,090	183,806	(149,591)	(60,481)	15,824
Cocaine	37,923	108,154	(82,305)	(32,794)	30,978
Heroin	4,763	1,100	(452)	(2,986)	2,425
Methamphetamine	109,834	84,480	(1,543)	(108,047)	84,724
Khat	617	79,010	1,595	(78,157)	3,065
Synthetic Marijuana	235	1,081	93	(149)	1,260
Fentanyl	6,591	8,484	(1,473)	(5,748)	7,854
Other Drugs	5,607	25,774	564	(27,368)	4,577
Firearms and Explosives (in number of case line items)	1,715	2,136	(1,672)	(8)	2,171
Counterfeit Goods (in number of case line items)	36,944	104,346	808	(115,194)	26,904

For the Fiscal Year Ended September 30, 2021:

Seized Property:	Beginning Balance	New Seizures	Remissions and Adjustments	New Forfeitures	Ending Balance
Illegal Drugs (in kilograms):					
Marijuana	-	172,963	47	(173,010)	-
Cocaine	-	134,466	(45)	(134,421)	-
Heroin	-	2,823	(20)	(2,803)	-
Methamphetamine	-	100,810	(420)	(100,390)	-
Khat	-	92,125	-	(92,125)	-
Synthetic Marijuana	-	442	(9)	(433)	-
Fentanyl	-	5,879	(3)	(5,876)	-
Other Drugs	1,963	94,669	(614)	(66,420)	29,598
Firearms and Explosives (in number of case line items)	2,277	4,025	(1,669)	(1,854)	2,779
Counterfeit Currency (US/Foreign, in number of items)	2,849,481	129,571	(1,314,386)	-	1,664,666
Counterfeit Goods (in number of case line items)	40,817	103,950	(5,672)	(97,278)	41,817

Forfeited Property:	Beginning Balance	New Forfeitures	Transfers and Adjustments	Destroyed	Ending Balance
Illegal Drugs (in kilograms):					
Marijuana	88,813	173,010	(77,851)	(141,882)	42,090
Cocaine	33,753	134,421	(104,715)	(25,536)	37,923
Heroin	4,852	2,803	(344)	(2,548)	4,763
Methamphetamine	55,313	100,390	33,519	(79,388)	109,834
Khat	5,896	92,125	8,135	(105,539)	617
Synthetic Marijuana	971	433	(10)	(1,159)	235
Fentanyl	3,436	5,876	(371)	(2,350)	6,591
Other Drugs	48,572	66,420	(86,424)	(22,961)	5,607
Firearms and Explosives (in number of case line items)	1,436	1,854	(1,564)	(11)	1,715
Counterfeit Goods (in number of case line items)	23,485	97,278	309	(84,128)	36,944

This schedule is presented for prohibited (non-valued) seized and forfeited property. These items are retained and ultimately destroyed by CBP and USSS and are not transferred to the Treasury's forfeiture fund or other federal agencies.

Illegal drugs consist of tested and verified controlled substances as defined per the Controlled Substances Act. Illegal drugs are presented in kilograms, and a portion of the weight includes packaging, which often cannot be reasonably separated from the weight of the drugs since the packaging must be maintained for evidentiary purposes. Schedule I and II drugs are presented as summarily forfeited[4]. Other drugs include insignificant amounts of controlled substances that do not warrant being isolated to an individual category.

The ending balance for firearms includes only those seized items that can actually be used as firearms. Firearms are presented in number of case line items, which represent different types of firearms seized as part of a case. Counterfeit goods include clothing, footwear, jewelry, electronic equipment, movies, media, identification documents, and other items. Counterfeit goods are presented in number of case line items. USCG and ICE also seize and take temporary possession of small boats, equipment, general property, firearms, contraband, and illegal drugs. CBP maintains the seized property on behalf of USCG and ICE, and transfers nonprohibited seized property to the Treasury forfeiture fund.

Remissions occur when CBP returns property back to the violator. Adjustments are caused by changes during the year to the beginning balances due to changes in legal status or property types. For example, a case considered forfeited could be re-opened and changed to seized status or a drug property type may change on a case. Transfers occur when CBP conveys property to other federal, state, and local law enforcement agencies for prosecution, destruction, or donation.

USSS counterfeit currency includes notes received from external sources or seized during investigations. Counterfeit currency is presented in number of notes, and represents notes maintained in USSS, including items that are pending destruction. All items are maintained in a secured location until the items reach their eligible destruction date. Counterfeit currency ending balances decrease when notes are destroyed, or when a counterfeit note is reclassified as an educational note.

[4] Summarily forfeited refers to when a drug is seized and processed, it is immediately forfeited to the government not requiring further administrative or judicial action.

11. General Property, Plant, and Equipment, Net

General PP&E, Net consisted of the following (in millions):

As of September 30, 2022:	Useful Life	Cost	Accumulated Depreciation/ Amortization	Total Net Book Value
Land and Land Rights	N/A	$ 341	N/A	$ 341
Improvements to Land	2-50 yrs	4,952	1,416	3,536
Construction in Progress	N/A	9,585	N/A	9,585
Buildings, Other Structures and Facilities	10-50 yrs	9,270	5,262	4,008
Equipment:				
Information Technology Equipment	5 yrs	812	651	161
Aircraft	20 yrs	7,073	3,902	3,171
Vessels	5-30 yrs	12,022	5,226	6,796
Vehicles	5-15 yrs	975	823	152
Other Equipment	5-15 yrs	8,240	5,997	2,243
Assets Under Capital Lease	2-20 yrs	69	66	3
Leasehold Improvements	2-50 yrs	3,210	2,190	1,020
Internal Use Software	2-13 yrs	5,910	4,565	1,345
Internal Use Software - in Development	N/A	393	N/A	393
Total General Property, Plant, and Equipment, Net		**$ 62,852**	**$ 30,098**	**$ 32,754**

As of September 30, 2021:	Useful Life	Cost	Accumulated Depreciation/ Amortization	Total Net Book Value
Land and Land Rights	N/A	$ 322	N/A	$ 322
Improvements to Land	2-50 yrs	2,445	1,088	1,357
Construction in Progress	N/A	6,649	N/A	6,649
Buildings, Other Structures and Facilities	10-50 yrs	9,065	5,010	4,055
Equipment:				
Information Technology Equipment	5 yrs	739	619	120
Aircraft	20 yrs	6,829	3,668	3,161
Vessels	5-30 yrs	11,896	4,891	7,005
Vehicles	5-15 yrs	1,189	960	229
Other Equipment	5-15 yrs	7,866	5,641	2,225
Assets Under Capital Lease	2-20 yrs	69	64	5
Leasehold Improvements	2-50 yrs	3,050	2,008	1,042
Internal Use Software	2-13 yrs	5,489	4,147	1,342
Internal Use Software - in Development	N/A	381	N/A	381
Total General Property, Plant, and Equipment, Net		**$ 55,989**	**$ 28,096**	**$ 27,893**

Total PP&E and Accumulated Depreciation Reconciliation:

	FY 2022 Net PP&E	FY 2021 Net PP&E
Beginning Balance of Year	**$ 27,893**	**$ 26,561**
Capitalized Acquisitions	3,199	3,445
Dispositions	(82)	(190)
Transfers in/out without reimbursement	4,064	193
Revaluations	(1)	(56)
Less: Depreciation Expense	(2,471)	(2,087)
Donations	39	39
Other	113	(12)
Balance at End of Year	**$ 32,754**	**$ 27,893**

12. *Stewardship Property, Plant, and Equipment*

DHS's Stewardship PP&E is comprised of items held by DHS. These heritage assets are in the United States and the Commonwealth of Puerto Rico. Collection-type heritage assets are presented in either number of collections or number of individual items, while non-collection-type and multi-use heritage assets are presented in number of individual units. Heritage assets as of September 30 consisted of the following:

2022	Beginning Balance	Additions	Withdrawals	Total
Collection-type Assets				
CBP	2	-	-	2
MGMT	1	-	-	1
S&T	1	-	-	1
TSA	10	-	-	10
USCG	9	-	-	9
USCIS	5	-	-	5
USSS	2	-	-	2
Non-Collection-type Assets				
FLETC	1	-	-	1
S&T	50	-	-	50
USCG	68	-	-	68
Multi-use Heritage Assets				
CBP	4	-	-	4
FEMA	1	-	-	1
ICE	1	-	-	1
S&T	3	-	-	3
USCG	96	-	(1)	95
Total Stewardship PP&E	254	-	(1)	253

2021	Beginning Balance	Additions	Withdrawals	Total
Collection-type Assets				
CBP	2	-	-	2
MGMT	1	-	-	1
S&T	1	-	-	1
TSA	10	-	-	10
USCG	9	-	-	9
USCIS	5	-	-	5
USSS	2	-	-	2
Non-Collection-type Assets				
FLETC	1	-	-	1
S&T	1	49	-	50
USCG	69	-	(1)	68
Multi-use Heritage Assets				
CBP	4	-	-	4
FEMA	1	-	-	1
ICE	1	-	-	1
S&T	-	3	-	3
USCG	96	-	-	96
Total Stewardship PP&E	203	52	(1)	254

The Department's Stewardship PP&E consists of documents, historical artifacts, immigration and naturalization files, artwork, buildings, and structures, which are unique due to historical, cultural, artistic, or architectural significance, and are used to preserve and provide an education on the Department's history and tradition. Generally, these heritage assets are not included in general PP&E presented on the Balance Sheet. Components define collection-type assets as either individual items, or an aggregate of items grouped by location or category, depending on mission, types of assets, materiality considerations, and how the Component manages the assets. Additions are derived from many sources, including gifts from current or former personnel or the general public, bequests, and transfers from other federal agencies. As assessments are made of heritage assets, individual items are withdrawn from a collection when they have deteriorated through damage due to moving and transportation, storage or display, or environmental degradation. Individual items are also withdrawn when curatorial staff determines that an artifact does not meet the needs of the collection, or the characteristics of a heritage asset.

Collection-type Heritage Assets. The Department classifies items maintained for exhibition or display as collection-type heritage assets. As the lead agency ensuring a safe, secure, and resilient homeland, the Department uses this property for the purpose of educating individuals about its history, mission, values, and culture.

CBP collection-type heritage assets are categorized and grouped into two collections: archival materials and artifacts. Archival materials include port records, CBP regulations, and ledgers of Collectors of Customs. Artifacts include antique scales, pictures of Customs inspectors, tools used to sample imported commodities such as wood bales and bulk grain, and Customs uniforms, badges, and stamps.

MGMT has one collection-type heritage asset, a portion of one of the beams from the World Trade Center, which was received from TSA. It is kept at the DHS Headquarters Gallery at St. Elizabeths to educate visitors about why DHS and TSA were established.

S&T maintains one collection-type heritage asset—the fourth-order Fresnel lens from the historic Plum Island lighthouse. The lens was an integral part of the Plum Island lighthouse, which is listed in the National Register of Historic Places. The lens is on loan for display at the East End Seaport Maritime Museum in Greenport, New York.

TSA collection-type heritage assets include five architectural or building artifacts, and five aviation security technology items. The architectural or building artifacts include a collection of concrete pieces that belonged to the western wall of the Pentagon, a collection of subway rails from the Port Authority Trans-Hudson subway station located below the World Trade Center, and three individual artifacts related to both the steel structure and facade of the World Trade Center Towers that were destroyed by the terrorist attacks of September 11, 2001. The five aviation security technology items include two walk-through metal detectors, two X-ray machines, and an explosives trace detection portal machine. These items are preserved as aviation security technology equipment that was used to screen the individuals who carried out the September 11, 2001 terrorist attacks.

USCG collection-type heritage assets are defined by groups of items categorized as artifacts, artwork, and display models, located at USCG Headquarters, the USCG Academy, and all other locations, such as field units. Each location's collection is considered one asset. Artifacts include ships' equipment (sextants, bells, binnacles, etc.), decommissioned aids-to-navigation and communication equipment (buoy bells, lighthouse lenses, lanterns, etc.), personal-use items (uniforms and related accessories), and ordnance (cannons, rifles, and Lyle guns). Artwork consists of the USCG's collection of World War II combat art, as well as modern art depicting both historical and modern USCG activities. Display models are mostly of USCG vessels and aircraft. These are often builders' models acquired by the USCG as part of the contracts with the ship or aircraft builders.

USCIS collection-type heritage assets consist of an archive of five collections of immigration and naturalization files that can be used to trace family lineages. USCIS has established the USCIS Genealogy Program to allow the public access to the records on a fee-for-service basis. Archived records available through the USCIS Genealogy Program include naturalization certificate files, alien registration forms, visa files, registry files, as well as alien files numbered below eight million and documents dated prior to May 1951.

USSS collection-type heritage assets are categorized into a collection of historical artifacts—including records, photographs, documents, and other items pertaining to the history of the USSS—and a collection of historical vehicles pertaining to the history of presidential transportation. Historical artifacts are maintained, stored, or displayed in the USSS archives and in the Secret Service Exhibit Hall. The vehicles are displayed at the James J. Rowley Training Center in Laurel, Maryland, or on loan to Presidential libraries. These items are used to educate employees and their guests about the USSS's integrated missions of investigations and protection.

Non-Collection-type Heritage Assets. The Department also maintains non-collection-type heritage assets that are unique for historical or natural significance, as well cultural, educational, or artistic importance.

FLETC non-collection-type heritage assets consist of a memorial associated with the World Trade Center located in Glynco, Georgia. The memorial integrates a piece of steel from the World Trade Center's steel structure into the overall design. The memorial is the primary site for student graduations from the FLETC, and also a venue for various special events, linking the FLETC mission and training efforts to this past tragedy.

S&T non-collection-type heritage assets consist of the Plum Island Lighthouse and Fort Terry Historic District, located on Plum Island, in Suffolk County, New York. The Plum Island Lighthouse and Fort Terry Historic District are listed on the National Register of Historic Places.

USCG non-collection-type heritage assets include buildings, structures, sunken vessels, and aircraft. Buildings and structures such as lighthouses and monuments are classified as non-collection-type heritage assets in accordance with SFFAS No. 29, *Heritage Assets and Stewardship Land*. Sunken vessels and aircraft are classified as non-collection-type heritage assets, as stipulated in the property clause of the U.S. Constitution, Articles 95 and 96 of the International Law of the Sea Convention, Sunken Military Craft Act, and the sovereign immunity provisions of admiralty law. Despite the passage of time or the physical condition of these assets, they remain government-owned until the Congress of the United States formally declares them abandoned. The USCG desires to retain custody of these assets to safeguard the remains of crew members lost at sea, to prevent the unauthorized handling of explosives or ordnance that may be aboard, and to preserve culturally valuable artifacts of the USCG.

Multi-Use Heritage Assets. When heritage assets are functioning in operational status, the Department classifies these as multi-use heritage assets in accordance with SFFAS No. 6, *Accounting for Property, Plant and Equipment*. All multi-use heritage assets are reflected on the Balance Sheet as general PP&E and are depreciated over their useful life. Some examples are historic lighthouses and buildings still in use. Deferred maintenance and condition information for heritage assets and general PP&E are presented in the required supplementary information.

When multi-use heritage assets are no longer needed for operational purposes, they are reclassified as collection-type or non-collection-type heritage assets, or transferred to other government agencies or public entities.

CBP has four multi-use heritage assets located in Puerto Rico, which consist of customs houses that facilitate the collection of revenue for the Department.

FEMA has one multi-use heritage asset, the National Emergency Training Center, which is used by the Emergency Management Institute and the U.S. Fire Administration's National Fire Academy for training in Emmitsburg, Maryland.

ICE has one multi-use heritage asset, a property consisting of 3.2 acres located along the southern coastline of the island of Oahu, in Honolulu, Hawaii. The ICE Honolulu Facility is a historic site included in the National Register of Historic Places.

S&T has three multi-use heritage assets which consist of the motor pool, duty officer's quarters, and the fire station, located in the Plum Island Fort Terry Historic District, Suffolk County, New York.

USCG possesses a wide range of multi-use heritage assets, such as buildings, structures, and lighthouses that have historical and cultural significance.

13. Other Assets

Other Assets at September 30 consisted of the following (in millions):

	2022	2021
Intragovernmental:		
Advances and Prepayments	$ 587	$ 739
Total Intragovernmental	**587**	**739**
With the Public:		
Advances and Prepayments	892	922
Other Assets	2	2
Total With the Public	**894**	**924**
Total Other Assets	**$ 1,481**	**$ 1,663**

14. Liabilities Not Covered by Budgetary Resources

Liabilities Not Covered by Budgetary Resources at September 30 consisted of the following (in millions):

	2022	2021
Intragovernmental:		
Debt (Note 15)	$ 20,525	$ 20,525
Accrued FECA Liability (Note 18)	353	404
Other	144	171
Total Intragovernmental	21,022	21,100
With the Public:		
Federal Employee and Veteran Benefits Payable:		
Accrued Payroll and Benefits	2,181	2,044
Actuarial FECA Liability (Note 16)	2,396	2,532
Military Service and Other Retirement Benefits (Note 16)	12,284	70,941
Actuarial Liabilities for Federal Insurance and Guarantee Programs	672	-
Environmental and Disposal Liabilities (Note 17)	807	627
Contingent Legal Liabilities (Note 21)	254	419
Capital Lease Liability (Note 19)	4	8
Other (Note 18)	32	59
Total With the Public	18,630	76,630
Total Liabilities Not Covered by Budgetary Resources	39,652	97,730
Total Liabilities Not Requiring Budgetary Resources	9,176	8,532
Liabilities Covered by Budgetary Resources	22,072	24,308
Total Liabilities	**$ 70,900**	**$ 130,570**

The Department anticipates the portion of Liabilities Not Covered by Budgetary Resources listed above will be funded from future budgetary resources when required. Total Liabilities Not Requiring Budgetary Resources represents liabilities for clearing accounts, non-fiduciary deposit funds, and custodial collections, including amounts due to the general fund. The remaining liabilities are substantially covered by current budgetary resources.

15. Federal Debt and Interest Payable

Debt at September 30 and activity for fiscal years ended FY 2022 and 2021 consisted of the following (in millions):

Debt to the Treasury General Fund:	2022	2021
NFIP:		
Beginning Balance	$ 20,525	$ 20,525
New Borrowing	-	-
Interest Payable	-	-
Repayments	-	-
Ending Balance	**20,525**	**20,525**
DADLP (Credit Reform):		
Beginning Balance	93	71
New Borrowing	9	37
Interest Payable	-	-
Repayments	(94)	(15)
Ending Balance	**8**	**93**
Total Debt	**$ 20,533**	**$ 20,618**

The Department's intragovernmental debt is owed to Treasury and consists of borrowings to finance FEMA's NFIP and DADLP.

NFIP debt normally has a three-year term unless Treasury grants an exception for a greater term such as ten years. Interest rates are obtained from Treasury and range by cohort year from 0.125% to 2.375% as of September 30, 2022 and 2021. Interest is paid semi-annually on March 31 and September 30. The total interest paid for the year was $300 million and $357 million as of September 30, 2022 and 2021, respectively. Interest is accrued based on the debt balances reported. Principal repayments are permitted any time during the term of the debt. At maturity, the debt may be repaid or refinanced. The debt and interest payments are financed by the flood premiums from policyholders. Given the current rate structure, FEMA will not be able to pay its debt from the premium revenue alone; therefore, FEMA does not anticipate repaying the debt in full.

In accordance with the requirements established by the Biggert-Waters Flood Insurance Reform Act of 2012, FEMA reports on the status of the debt; interest paid since 2005, and principal repayments to OMB and Congress on a quarterly basis. These requirements established a quarterly reporting requirement for the Reserve Ratio Requirement. There is a separate report for debt, interest, and principal repayments, where reports are due on a semi-annual basis.

Under Credit Reform, the unsubsidized portion of debt is borrowed from Treasury. The repayment terms of FEMA's borrowing are based on the life of each cohort of debt. Proceeds from collections of principal and interest from the borrowers are used to repay Treasury. In addition, an annual re-estimate is performed to determine any change from the original subsidy rate. If an upward re-estimate is determined to be necessary, these funds are available through permanent indefinite authority, which is to be approved by OMB. Once these funds are appropriated, the original borrowings are repaid to Treasury. The weighted average interest rates for FY 2022 and FY 2021 were 1.09% and 1.99%, respectively. For additional information, see Note 23, Available Borrowing Authority.

16. Federal Employee and Veteran Benefits Payable

Accrued liability for military service and other retirement and employment benefits at September 30 consisted of the following (in millions):

	2022	2021
USCG Military Retirement and Healthcare Benefits	$ 7,914	$ 66,464
USSS Uniformed Division and Special Agent Pension	4,370	4,477
Actuarial FECA Liability	2,396	2,532
Unfunded Leave	2,180	2,042
Other	80	55
Total Federal Employee and Veteran Benefits Payable	**$ 16,940**	**$ 75,570**

A. Reconciliation of Beginning and Ending Liability Balances for Pensions and ORB

The reconciliation of beginning and ending liability balances for pensions and ORB for the year ended September 30 consisted of the following (in millions):

For the Year Ended September 30, 2022:	USCG Military Retirement System	USCG Military Health System	USSS Uniformed Division and Special Agent Pension	Total
Beginning Liability Balance:	$ 58,639	$ 7,825	$ 4,477	$ 70,941
Expenses:				
Normal Cost	1,894	404	-	2,298
Interest on the Liability Balance	1,786	216	105	2,107
Actuarial Losses/(Gains):				
From Experience	1,565	52	(8)	1,609
From Assumption Changes	1,415	(297)	63	1,181
Other	-	-	2	2
Total Expense	6,660	375	162	7,197
Less: Amounts Paid	1,686	286	269	2,241
Less: Transfer to DoD	63,613	-	-	63,613
Ending Liability Balance	**$ -**	**$ 7,914**	**$ 4,370**	**$ 12,284**

For the Year Ended September 30, 2021:	USCG Military Retirement System	USCG Military Health System	USSS Uniformed Division and Special Agent Pension	Total
Beginning Liability Balance:	$ 55,439	$ 7,380	$ 4,500	$ 67,319
Expenses:				
Normal Cost	1,786	405	-	2,191
Interest on the Liability Balance	1,703	221	111	2,035
Actuarial Losses/(Gains):				
From Experience	(83)	(34)	58	(59)
From Assumption Changes	1,377	121	75	1,573
Other	-	-	1	1
Total Expense	4,783	713	245	5,741
Less Amounts Paid	1,583	268	268	2,119
Ending Liability Balance	**$ 58,639**	**$ 7,825**	**$ 4,477**	**$ 70,941**

USCG Military Retirement System and Military Health System. The USCG's military service members (both current active component and reserve component) participate in the MRS. The USCG receives an annual "Retired Pay" appropriation to fund MRS benefits. The retirement system allows voluntary retirement with retired pay and benefits for active component members upon credit of at least 20 years of active service at any age. Reserve component members may retire after 20 years of creditable service with retired pay and health benefits beginning at age 60. Reserve component members may qualify for retired pay at an earlier age (but not earlier than age 50) if they perform certain active service after January 28, 2008.

The NDAA for FY 2021 (P.L. 116-283) was enacted in 2021 and included a major change for the USCG, authorizing the payment of USCG's MRS retirement benefits from the DoD Military Retirement Fund by October 1, 2022. The MRS actuarial accrued liability valued at $63,613 million, as of September 30, 2022, was transferred to DoD and USCG is no longer the administrative entity as of September 30, 2022. Beginning in FY 2023, USCG will recognize a pension expense equal to the normal cost payment contributions it makes to the military retirement fund (i.e., the service cost for its employees for the fiscal year).

The USCG's MHS is a post-retirement medical benefit plan that covers all active component and reserve component members of the USCG. The accrued MHS liability is for the healthcare of non-Medicare eligible retirees and beneficiaries. The DoD MERHCF, finances and manages the healthcare benefits for the Medicare-eligible beneficiaries of all DoD and non-DoD uniformed services.

Actuarial accrued liabilities represent retired pay for retirees and healthcare benefits for non-Medicare eligible retirees/survivors. The present value of future benefits is the actuarial present value of the future payments that are expected to be paid under the retirement plan's provisions. Credited service is the years of service from active duty base date (or constructive date in the case of active duty reservists) to date of retirement measured in years and completed months.

The actuarial accrued liability is the portion of the present value of the future benefits expected to be paid that is attributed to past service (service by participants rendered prior to the date of determination). USCG plan participants may retire after 20 years of active service at any age with annual benefits equal to 2.5% of retired base pay for each year of creditable active service under the legacy retirement program; the formula is 2% for those covered under BRS. All members joining the military after 2017 are enrolled in BRS. Most others are enrolled in the legacy program, other than those with an option to choose between the legacy and BRS programs. The retired pay base means the highest 36 months of basic pay earned (or that would have been earned if on active duty).

If a USCG member is disabled, the member is entitled to disability benefits, provided (1) the disability is at least 30% under a Department of Veterans Affairs (VA) Schedule of Rating Disability and (2) the disability results from injuries or illnesses incurred in the line of duty. Disability retired pay is equal to the basic pay (as of the separation date) multiplied by the larger of the VA disability rating or 2.5% times the years of creditable service (2% for members covered under the BRS).

In FY 2022, several changes were made to the USCG actuarial assumptions, prior to the transfer of the military retirement system liability to DoD. The major changes include (1) decrease of the current discount rate from 2.95% to 2.85% resulting in a liability increase of $1.14 billion and (2) use of updated DoD Mortality Tables for retirees and Mortality Improvement rates, resulting in a liability increase of $380 million.

The significant actuarial assumptions used to compute the accrued pension as of September 30, 2022 prior to the transfer to DoD and the healthcare liability at September 30, 2022, are as follows:

1. For active duty members and reserves, USCG uses the DoD assumption; an 80% male/20% female blend of the MP-2021 Mortality Improvement Scale developed by the Society of Actuaries. For military retirees and annuitants, USCG uses the DoD Mortality Improvement tables.
2. Disability, withdrawal, and retirement tables reflecting actual USCG experience were developed based on a USCG experience study dated April 28, 2020.
3. Cost of living increases for the retirement plan are 2.16%, based on a ten-year average of the Treasury Breakeven Inflation yield curve, which combines other Treasury rates to estimate the rate of inflation.
4. Healthcare cost increase assumptions are based on the annual liability report provided by DoD and vary, depending on the year and type of care.
5. The discount rate percent is determined in accordance with SFFAS No. 33 and is calculated independently for pensions and healthcare. The current discount rate is 2.85% for the retirement system and 2.75% for the health system.
6. Rates of salary increases are determined similarly to Cost of Living increases and are equal to 2.16%. This is in addition to assumed Merit Pay increases that reflect longevity increases, promotions, and advancements.
7. Post-Retirement health benefit assumptions include a single equivalent medical cost trend rate of 3.59% and an ultimate medical trend rate of 3.6% after 25 years.
8. The FY 2022 valuation was prepared as of September 30, 2021 using economic assumptions based on a ten-year average to include the ending discount rate at June 30, 2022, including a general salary increase assumption that was modified to not fall below the assumed annual cost of living assumption. Results were projected to the end of the fiscal year, September 30, 2022, using 10-year average discount rates at June 30, 2022.

Comparatively, the significant actuarial assumptions used to compute the accrued pension and healthcare liability at September 30, 2021, were as follows:

1. For active duty members and reserves, USCG uses the DoD assumption; an 80% male/20% female blend of the MP-2020 Mortality Improvement Scale developed by the Society of Actuaries. For military retirees and annuitants, USCG uses the DoD Mortality Improvement tables. Disability, withdrawal, and retirement tables reflecting actual USCG experience were developed based on a USCG experience study dated April 28, 2020.
2. Cost of living increases for the retirement plan are 2.17%, based on a ten-year average of the Treasury Breakeven Inflation yield curve, which combines other Treasury rates to estimate the rate of inflation.
3. Healthcare cost increase assumptions are based on the annual liability report provided by DoD and vary, depending on the year and type of care.
4. The discount rate percent is determined in accordance with SFFAS No. 33 and is calculated independently for pensions and healthcare. The current discount rate is 2.95% for the retirement system and 2.85% for the health system.
5. Rates of salary increases are determined similarly to Cost of Living increases and are equal to 2.17%. This is in addition to assumed Merit Pay increases that reflect longevity increases, promotions, and advancements. The Merit Pay Table was modified in 2020, using actual USCG experience over the past six years.
6. Post-Retirement health benefit assumptions include a single equivalent medical cost trend rate of 3.88% and an ultimate medical trend rate of 3.60% after 25 years.
7. The FY 2021 valuation was prepared as of September 30, 2020 using economic assumptions based on a ten-year average to include the ending discount rate at June 30, 2021, including a general salary increase assumption that was modified to not fall below the assumed annual cost of living assumption. Results were projected to the end of the fiscal year, September 30, 2021, to include the ending discount rate at September 30, 2021.

USSS Uniformed Division and Special Agent Pension. Special agents and other USSS personnel in certain job series hired as civilians before January 1, 1984, are eligible to transfer to the District of Columbia Police Officers' and Firefighters' Retirement Plan (DC Pension Plan) after completion of ten years of USSS employment and ten years of protection-related experience. This plan also includes beneficiaries and dependents. All uniformed USSS officers who were hired before January 1, 1984, are automatically covered under this retirement system. Participants in the Uniformed Division and Special Agent Pension Plan make contributions of 7% of base pay with no matching contribution made by USSS. Annuitants of this plan receive benefit payments directly from the DC Pension Plan. The benefits for this plan are not currently prefunded and the USSS has no segregated plan assets. Each year's contribution equals the benefits paid from the plan. USSS reimburses the District of Columbia for the difference between benefits provided to the annuitants and payroll contributions received from current employees. This liability is presented as a component of the liability for Federal Employee and Veteran Benefits Payable in the accompanying Balance Sheet. SFFAS No. 5 requires the administrative entity (administrator) to report the actuarial liability. However, USSS records a liability because the administrator (the DC Pension Plan) is not a federal entity and as such the liability for future funding would not otherwise be recorded in the government-wide consolidated financial statements.

The primary actuarial assumptions used to determine the liability at September 30, 2022, are as follows:

1. The mortality assumption is based on the OPM non-U.S. Postal Service (USPS) mortality tables projected using the OPM projection scale. There are separate healthy and disabled annuitant tables.
2. The equalization pay is equal to the greater of:
   - The average of the last ten equalization pays for each category (General Service (GS), Uniformed Division (UD), and Senior Executive Service (SES)), or
   - Consumer Price Index assumption as determined by the Treasury Breakeven Inflation (TBI) yield curve.
3. All annuitants were coded as GS, UD, or SES. The average equalization pay over the last ten years was 1.73% for the GS group, 1.85% for the UD group, and 2.25% for the SES group. The ten-year average equalization pays for GS and UD groups are less than the Consumer Price Index (CPI) assumption derived from a ten-year average (same period as the discount rate) of the TBI curve of 2.03%. The equalization pay assumption increased from 2.02% for all GS and UD annuitants to 2.03%. Since the ten-year average of the equalization pays for the SES group is greater than the TBI curve, their COLA assumption was set to equal to 2.25%.
4. The assumption for future survivors' cost of living awards was based on the implicit ten-year average inflation assumption built into Treasury security prices plus the average number of survivor Cost of Living Allowance (COLA) awards over the last ten years. The implicit inflation from Treasury securities is derived from a ten-year average of the Treasury Breakeven Inflation (TBI) curve. Each time a three percent award is granted, an extra 100 basis points are added to the COLA award. Because there were six such awards over the last ten years, we added 60 basis points to the results. The basis point adjustment is reviewed annually based on the number of COLA awards over the past ten years. The increase in the implicit rate combined with two or more COLA awarded in the ten-year period ending June 30, 2022, resulted in the COLA assumption for survivors increasing from 2.42% last year to 2.63% this year.
5. The discount rate was changed from 2.47% to 2.39%. The methodology in calculating this rate uses a ten-year Treasury average ending June 30 of the fiscal year. This is consistent with DoD, OPM, and the USCG. The rounding of the discount rate is to the nearest 0.01%.
6. Rates of salary increases are no longer applicable because all plan participants have now retired.
7. 85% of participants are assumed to have a spouse eligible for death benefits at the time of the commencement of benefits. Females are assumed to be three years younger than male spouses.
8. The installment benefit payable upon the death of a retired participant is 40% basic pay for the highest amounts, adjusted for cost-of-living increases if death occurs after retirement.

Comparatively, the primary actuarial assumptions used to determine the liability at September 30, 2021, are as follows:

1. The mortality assumption is based on the OPM non-USPS mortality tables projected using the OPM projection scale. There are separate healthy and disabled annuitant tables.
2. The equalization pay is equal to the greater of
   - The average of the last ten equalization pays for each category (General Service (GS), Uniformed Division (UD), and Senior Executive Service (SES)), or

- Consumer Price Index assumption as determined by the Treasury Breakeven Inflation (TBI) yield curve.

3. All annuitants were coded as GS, UD, or SES. This year's valuation data was the first time that SES annuitants were identified in the data. The average equalization pay over the last ten years was 1.45% for the GS group, 1.54% for the UD group, and 1.97% for the SES group. The ten-year average equalization that pays for all three groups are less than the Consumer Price Index (CPI) assumption derived from a ten-year average (same period as the discount rate) of the TBI curve of 2.02%. The equalization pay assumption decreased from 2.07% for all annuitants to 2.02%.
4. The assumption for future survivors' cost of living awards was based on the implicit ten-year average inflation assumption built into Treasury security prices plus the average number of survivor Cost of Living Allowance (COLA) awards over the last ten years. The implicit inflation from Treasury securities is derived from a ten-year average of the Treasury Breakeven Inflation (TBI) curve. Each time a three percent award is granted, an extra 100 basis points are added to the COLA award. Because there were four such awards over the last ten years, we added 40 basis points to the results. The basis point adjustment is reviewed annually based on the number of COLA awards over the past ten years. The COLA for survivors is 2.42%.
5. The discount rate calculated in accordance with SFFAS No. 33 is 2.47%. The methodology in calculating this rate uses a ten-year Treasury average ending June 30 of the fiscal year. This is consistent with DoD, OPM, and the USCG. The rounding of the discount rate is to the nearest 0.01%.
6. Rates of salary increases are 0% annually because the vast majority of plan participants have already retired. All remaining active participants are assumed to retire immediately.
7. 85% of participants are assumed to have a spouse eligible for death benefits at the time of the commencement of benefits.
8. The installment benefit payable upon the death of a retired participant is 40% basic pay for the highest amounts, adjusted for cost-of-living increases if death occurs after retirement.

B. Actuarial FECA Liability

The actuarial FECA liability represents the estimated liability for future workers' compensation and includes the expected liability for death, disability, medical, and miscellaneous costs for approved cases. Future workers' compensation estimates for the future cost of approved compensation cases, which are generated from an application of actuarial procedures developed by DOL, were approximately $2,396 million and $2,532 million at September 30, 2022 and 2021, respectively.

17. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities at September 30, 2022 and 2021 are $808 million and $628 million, respectively. The Department is responsible for remediating its sites with environmental contamination and is party to various administrative proceedings, legal actions, and tort claims that may result in settlements or decisions adverse to the Federal Government. The source of remediation requirements to determine the environmental liability is based on compliance with federal, state, or local environmental laws and regulations. The major federal laws covering environmental response, cleanup, and monitoring are the *Comprehensive Environmental Response, Compensation and Liability Act of 1980* (P.L. 96-510) and the *Resource Conservation and Recovery Act* (P.L. 94-580).

The Department's environmental liabilities are related to light stations, lighthouses, long-range navigation, fuel storage tanks, underground storage tanks, buildings containing asbestos and/or lead-based paint, firing ranges, fuels, solvents, industrial chemicals, and other environmental cleanup associated with normal operations. Asbestos-related liabilities are those for the abatement of both friable and nonfriable asbestos.

Cost estimates for environmental and disposal liabilities are subject to revision as a result of changes in inflation, technology, environmental laws and regulations, and plans for disposal. The majority of the increase in FY 2022 relates to USCG vessels. Previously, USCG reported the liability using the cost to study the environmental issues presented by its vessels, some of which have asbestos-containing material, lead-based paint, and polychlorinated biphenyls. Having obtained sufficient information about those issues, USCG now reports the remediation costs.

Non-legal environmental and disposal contingencies are disclosed in Note 21, Commitments and Contingent Liabilities.

18. *Other Liabilities*

Other Liabilities consisted of the following (in millions):

As of September 30, 2022:	Current	Non-Current	Total
Intragovernmental:			
Advances from Others	$ 96	$ -	$ 96
Other Liabilities (Without Reciprocals)			
Employer Contributions and Payroll Taxes Payable	81	-	81
Other Unfunded Employment Related Liability	12	-	12
Liability for Clearing Accounts	(279)	-	(279)
Due to the General Fund (Note 14)	8,605	-	8,605
Due to Other than General Fund	317	-	317
Other Liabilities			
Other Liabilities Without Related Budgetary Obligations	88	53	141
Other Liabilities – Benefit Contributions Payable			
Employer Contributions and Payroll Taxes Payable	375	-	375
Other Post Employment Benefits Due and Payable	63	61	124
Accrued FECA Liability (Note 14)	149	204	353
Other Unfunded Employment Related Liability	6	-	6
Total Intragovernmental Other Liabilities	**$ 9,513**	**$ 318**	**$ 9,831**
With the Public:			
Accrued Liability for COVID-19 Funeral Assistance Program (See B. below)	$ 593	$ -	$ 593
Accrued Liability for Lost Wages Assistance Program (See B. below)	43	-	43
Accrued Funded Payroll and Leave (See B. below)	1,407	-	1,407
Deferred Revenue and Advances from Others (See B. below)	3,541	730	4,271
Contingent Legal Liabilities (Note 21)	206	60	266
Capital Lease Liability (Note 19)	4	-	4
Refunds and Drawbacks	830	-	830

	Current	Non-Current	Total
Contract Holdbacks	38	9	47
Other Liabilities with Related Budgetary Obligations	1,080	-	1,080
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	896	1,648	2,544
Liability for Clearing Accounts	(98)	-	(98)
Custodial Liability	272	-	272
Other Liabilities without Related Budgetary Obligations	42	46	88
Total Other Liabilities With the Public	**$ 8,854**	**$ 2,493**	**$ 11,347**
Total Other Liabilities	**$ 18,367**	**$ 2,811**	**$ 21,178**

As of September 30, 2021:	**Current**	**Non-Current**	**Total**
Intragovernmental:			
Advances from Others	$ 123	$ -	$ 123
Other Liabilities (Without Reciprocals)			
Employer Contributions and Payroll Taxes Payable	83	-	83
Other Unfunded Employment Related Liability	10	-	10
Liability for Clearing Accounts	(47)	-	(47)
Due to the General Fund (Note 14)	8,052	-	8,052
Due to Other than General Fund	145	-	145
Other Liabilities			
Other Liabilities Without Related Budgetary Obligations	172	-	172
Other Liabilities – Benefit Contributions Payable			
Employer Contributions and Payroll Taxes Payable	332	-	332
Other Post Employment Benefits Due and Payable	66	-	66
Accrued FECA Liability (Note 14)	153	251	404
Other Unfunded Employment Related Liability	3	-	3
Total Intragovernmental Other Liabilities	**$ 9,092**	**$ 251**	**$ 9,343**

With the Public:			
Accrued Liability for COVID-19 Funeral Assistance Program (See B. below)	$ 3,217	$ -	$ 3,217
Accrued Liability for Lost Wages Assistance Program (See B. below)	1,575	-	1,575
Accrued Funded Payroll and Leave (See B. below)	1,525	-	1,525
Deferred Revenue and Advances from Others (See B. below)	3,318	619	3,937
Contingent Legal Liabilities (Note 21)	281	140	421
Capital Lease Liability (Note 19)	6	2	8
Refunds and Drawbacks	663	-	663
Contract Holdbacks	30	21	51
Other Liabilities with Related Budgetary Obligations	1,161	-	1,161
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	747	1,672	2,419
Liability for Clearing Accounts	(10)	-	(10)
Custodial Liability	397	-	397
Other Liabilities without Related Budgetary Obligations	105	72	177
Total Other Liabilities with the Public	**$ 13,015**	**$ 2,526**	**$ 15,541**
Total Other Liabilities	**$ 22,107**	**$ 2,777**	**$ 24,884**

A. Intragovernmental Other Liabilities

Due to the General Fund. Amounts due to the Treasury general fund primarily represent duty, tax, and fees collected by CBP to be remitted to various general fund accounts maintained by Treasury.

Workers' Compensation. Claims incurred for the benefit of Department employees under FECA are administered by DOL and are ultimately paid by the Department. The accrued FECA liability represents money owed for current claims. Reimbursement to DOL for payments made occurs approximately two years subsequent to the actual disbursement. Budgetary resources for this intragovernmental liability are made available to the Department as part of its annual appropriation from Congress in the year in which the reimbursement takes place. Workers' compensation expense was $216 million and $207 million, respectively, for the fiscal years ended September 30, 2022 and 2021.

B. Other Liabilities with the Public

Accrued liabilities for COVID-19 Funeral Assistance Program. This liability represents unpaid claims for reimbursement related to FEMA's funeral assistance program that reimburses an individual or household that meets COVID-19 related funeral expenses under section 408(e)(1) of the Robert T. Stafford Disaster Relief Fund and Emergency Assistance Act (42 U.S.C. 5174 (e)(1)), for which the federal cost share shall be 100 percent. For additional information, see Note 31, COVID-19 Activity.

Accrued liabilities for Lost Wages Assistance Program. This liability represents unpaid obligations related to FEMA's Lost Wages Assistance Program. For additional information, see Note 31, COVID-19 Activity.

Accrued Funded Payroll and Leave. Accrued Funded Payroll and Leave at September 30 consisted of the following (in millions):

	2022	2021
Accrued Funded Payroll and Benefits	$ 1,334	$ 1,436
Other	73	89
Total Accrued Funded Payroll and Leave	**$ 1,407**	**$ 1,525**

Deferred Revenue and Advances from Others. Deferred Revenue and Advances from Others for the years ended September 30 consisted of the following (in millions):

	2022	2021
USCIS Application Fees	$ 3,479	$ 3,112
FEMA Unearned NFIP Fees	597	644
Advances from Others	195	181
Total Deferred Revenue and Advances from Others	**$ 4,271**	**$ 3,937**

USCIS' deferred revenue relates to fees received at the time of filing for applications or petitions for immigration and naturalization benefits that are recognized as revenue when the application or petition is adjudicated.

FEMA's deferred revenue relates to other NFIP unearned revenue including the federal policy fee, reserve fund assessment, and HFIAA surcharge. For further information, please see Note 20, Insurance Liabilities.

Other Liabilities. Other public liabilities consist primarily of immigration bonds, deposit, and suspense fund liability.

19. Leases

A. Operating Leases

The Department leases various facilities and equipment accounted for as operating leases. Leased items consist of offices, warehouses, vehicles, and other equipment. The majority of office space occupied by the Department is either owned by the Federal Government or is leased by GSA from commercial sources. The estimated future lease payments for non-cancellable operating leases are based on lease contract terms, considering payments made during the year ended September 30, 2022.

As of September 30, 2022, estimated future minimum lease commitments for non-cancellable operating leases were as follows (in millions):

	Land and Buildings		
	Federal	Non-Federal	Total
FY 2023	$ 506	$ 28	$ 534
FY 2024	479	26	505
FY 2025	458	21	479
FY 2026	427	17	444
FY 2027	401	13	414
After FY 2027	3,115	36	3,151
Total Future Minimum Lease Payments	**$ 5,386**	**$ 141**	**$ 5,527**

The Department also enters into cancellable lease agreements with GSA for which lease terms frequently exceed one year. The Department is not committed to continue paying rent to GSA beyond the period occupied, providing that proper advance notice to GSA is made, unless the space occupied is designated as unique to Department operations. However, the Department normally continues to occupy the leased space from GSA for an extended period of time with little variation from year to year. Lease charges are adjusted annually to reflect operating costs incurred by GSA.

B. Capital Leases

The Department maintains capital leases for buildings, commercial software license agreements, vehicles, and equipment. The liabilities associated with capital leases and software license agreements are presented as other liabilities in the accompanying financial statements based upon the present value of the future minimum lease payments.

Certain license agreements are cancellable depending on future funding. Substantially all of the net present value of capital lease obligations and software license agreements will be funded from future sources. All of the Department's capital leases are non-federal.

As of September 30, the summary of assets under capital lease was as follows (in millions):

	2022	2021
Land and Buildings	$ 68	$ 68
Software	-	-
Vehicles and Equipment	1	1
Accumulated Amortization	(66)	(64)
Assets under Capital Lease, Net	**$ 3**	**$ 5**

The estimated future lease payments for capital leases are based on lease contract terms. The estimated future minimum lease payments for non-Federal land and buildings were $4 million in FY 2023. With no imputed interest and executory costs, the total capital lease liability for non-Federal land and buildings was $4 million, as of September 30, 2022.

20. Insurance Liabilities

The insurance liability for unpaid losses and related loss adjustment expenses and amounts paid for the years ended September 30 consisted of the following (in millions):

	2022	2021
Beginning Balance	$ 1,255	$ 713
Incurred Claim Losses	3,384	1,743
Incurred Claim Loss Adjustment Expenses	188	172
Less Payments to Settle Claims		
Claim Losses	(1,499)	(1,236)
Loss Adjustment Expenses	(114)	(138)
Recoveries and Other Adjustments		
Claim Losses	13	1
Ending Balance	**3,227**	**1,255**
Liability for Unearned Insurance Premiums	**1,949**	**2,181**
Liability for Losses on Remaining Coverage	**672**	-
Total Insurance Liability	**$ 5,848**	**$ 3,436**

Insurance liabilities consist of NFIP claim activity. This claim activity represents an estimate of NFIP loss and loss adjustment expense factors inherent in the NFIP insurance underwriting operations experience and expectations. Estimation factors used by the insurance underwriting operations reflect current case basis estimates and give effect to estimates of trends in claim severity and frequency. These estimates are periodically reviewed, and adjustments, reflected in current operations, are made as necessary.

Incurred claim losses increase is largely the result of Hurricane Ian in Southwest Florida and the Carolinas in FY 2022.

Insurance liabilities are covered by a permanent and indefinite appropriation, which is available to pay all valid claims after adjudication. Accordingly, these insurance liabilities are covered by budgetary resources.

The total premiums collected as of September 30, 2022, and 2021, was $3,264 million and $3,519 million, respectively. The total amount of coverage provided through insurance in-force[5] as of September 30, 2022, and 2021, was $1,286,227 million and $1,341,305 million, respectively. However, it is unlikely that there would be flooding events across the United States requiring the entire insurance in force amount to be filed at one time.

In FY 2022, FEMA began the transition to Risk Rating 2.0, a new pricing methodology based on the flood risk of individual properties. As a result, FEMA is estimating a premium deficiency reserve for the unearned portion of premiums, also known as a deficiency in the unearned premium reserve (UPR), which in SFFAS 51 is termed a liability for loss on remaining coverage. The reason for the UPR deficiency is that policyholders with premium decreases will receive those decreases immediately, while those with premium increases will go up on a phased approach.

[5] "In-force" refers to arrangements that are unexpired as of a given date.

Policies are subject to statutory caps on how much a premium can increase year over year (there are multiple caps for different classes of policies, but the most common is an 18% annual cap). The full ultimate premium is calculated to cover expected losses, and until policyholders on a glide path reach that full premium, there will be an expected shortage, i.e., the liability for losses on remaining coverage will be non-zero. The liability for losses on remaining coverage as of September 30, 2022, and 2021, was $672 million and $0, respectively.

The amount recorded represents the full liability for losses on remaining coverage offset by two other sources of funds that can also be used to pay future claims. Those additional funds are the unearned Reserve Fund Assessment and the unearned HFIAA of 2014 surcharge.

21. Commitments and Contingent Liabilities

A. Contingent Legal Liabilities

The Department is a party in various administrative proceedings, legal actions, and tort claims that may ultimately result in settlements or decisions adverse to the Federal Government. These contingent liabilities arise in the normal course of operations, and their ultimate disposition is unknown.

In the opinion of the Department's management and legal counsel, based on information currently available, the expected outcome of legal actions, individually or in the aggregate, are summarized in the categories below (in millions):

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
As of September 30, 2022:			
Legal Contingencies			
Probable	$ 246	$ 246	$ 270
Reasonably Possible	-	2,080	3,199
Environmental Contingencies			
Probable	20	20	20
Reasonably Possible	-	-	-

	Accrued Liabilities	Estimated Range of Loss	
		Lower End	Upper End
As of September 30, 2021:			
Legal Contingencies			
Probable	$ 406	$ 406	$ 411
Reasonably Possible	-	1,373	2,513
Environmental Contingencies			
Probable	15	15	15
Reasonably Possible	-	28	354

The claims above generally relate to the *Federal Tort Claims Act* (28 U.S.C. 2671, et seq.), OSLTF, personnel grievances, and various customs laws and regulations. The total estimated contingent liability recorded in the accompanying financial statements as of September 30, 2022, and

2021, was $266 million and $421 million, respectively, of which $12 million and $2 million, respectively, was funded.

As of September 30, 2022, and 2021, legal claims exist for which the potential range of loss could not be determined; however, the total amount claimed is not material to the financial statements. In addition, other claims exist for which the amount claimed, and the potential range of loss could not be determined.

Certain legal claims to which DHS is a party are funded from the Judgment Fund, which is maintained by Treasury. Once the claim is either settled or a court judgment is assessed against DHS and the Judgement Fund is determined to be the appropriate source for the payment, the liability would be removed from the DHS financial statements and an "other financing source" amount (which represents the amount to be paid by the Judgment Fund) would be recognized. If the Judgment Fund is responsible for only a portion of the claim or settlement, the other financing source amount would reflect only that amount to be paid by the Judgment Fund on behalf of DHS.

B. Duty and Trade Refunds

There are various trade-related matters that fall under the jurisdiction of other federal agencies, such as the Department of Commerce, which may result in refunds of duties, taxes, and fees from CBP refunds and drawbacks. Until a decision is reached by the other federal agencies, CBP does not have sufficient information to estimate a contingent liability amount. All known duty and trade refunds as of September 30, 2022 and 2021 have been recorded.

C. Loaned Aircraft and Equipment

The Department is generally liable to DoD for damage or loss to aircraft on loan to CBP and vessels on loan to the USCG. As of September 30, 2022, CBP had 16 aircraft on loan from DoD with a total replacement value of up to $23 million per aircraft. As of September 30, 2022, the USCG had four vessels on loan from DoD with a total replacement value of $48 million.

D. Other Contractual Arrangements

In addition to future lease commitments disclosed in Note 19, the Department is committed under contractual agreements for goods and services that have been ordered but not yet received (undelivered orders) at fiscal year-end. Aggregate undelivered orders for all Department activities are disclosed in Note 26. In accordance with federal law, the Department is required to automatically cancel obligated and unobligated balances of appropriated funds five years after a fund expires. Obligations that have not been paid at the time an appropriation is cancelled may be paid from an unexpired appropriation that is available for the same general purpose. As of September 30, 2022, and 2021, the Department estimates total payments related to cancelled appropriations to be $277 million and $245 million, respectively, of which $146 million and $221 million, respectively, may require future funding.

TSA maintains one letter of intent (LOI) for modifications to airport facilities in which TSA uses cost-sharing agreements with the airports to modify the facilities for checked baggage screening projects. An LOI, though not a binding commitment of federal funding, represents TSA's intent to provide the agreed-upon funds in future years if the agency receives sufficient appropriations to cover the agreement. TSA employs other transaction agreements (OTAs) to fund the installation of integrated and non-integrated Explosive Detection Systems (EDS) and explosive trace detection equipment as well as improvements to be made to the existing systems in the baggage handling areas. These OTAs establish the respective cost-sharing obligations and other responsibilities of TSA and the specific entity (board, port, or authority) conducting the installations or improvements. Beginning in FY 2020 (P.L. 116-93), TSA's appropriation language no longer requires TSA to set aside specific authorized funding amounts for LOIs. TSA did not fund any new LOIs and did not increase any funding for the existing LOI in FY 2021 or FY 2022. As of September 30, 2022, and 2021, TSA received invoices or documentation for costs incurred totaling $58 million and $48, respectively, for unpaid invoices.

Under section 1604(b)(2) of the 9/11 Act, TSA is required to give funding consideration to airports that incurred eligible costs for in-line baggage screening systems but were not recipients of funding agreements. TSA began reviewing claims from at least 16 airports for reimbursement of costs incurred for in-line baggage systems installed prior to FY 2008 and identified up to $218 million of potential costs eligible for reimbursement. Beginning in FY 2018, Congress has included Enacted Appropriations for funding for Airport Reimbursement. In FY 2022 and 2021, Congress appropriated $30 million, to begin reimbursing airports for these costs, leaving a future funded liability of $28 and $58 million, respectively, for reimbursing airports for eligible costs.

On September 30, 2022, Congress passed Division G of Public Law 117-180, *Hermit's Peak/Calf Canyon Fire Assistance Act* (HPCCFA). This fire, which resulted in the loss of federal, state, local, tribal, and private property in New Mexico in 2022, was the result of an out-of-control prescribed burn initiated by the Department of Agriculture, U.S. Forest Service. The HPCCFA authorizes an expedited claims payment process for individuals injured/impacted by the Hermit's Peak/Calf Canyon Fire and authorizes FEMA to administer and pay claims under that process, subject to the availability of appropriations. Section 136 of Public Law 117-180 also appropriates $2.5 billion in no-year money to carry out the new FEMA claims settlement authority authorized by the HPCCFA, less expenses for OIG oversight and other administrative expense.

For individuals to be eligible for payment, they must meet the eligibility requirements set forth in the Act and file a claim with FEMA. The Act requires FEMA to promulgate regulations on the claims process before anyone can file a claim. As of September 30, 2022, those regulations have not been finalized and published; therefore, no claims have been filed. As a result, a liability related to the Hermit's Peak/Calf Canyon Fire is not sufficiently estimable at this time and based on information currently available, the liability has not been accrued in DHS FY 2022 financial statements.

22. Funds from Dedicated Collections

SFFAS No. 27, *Identifying and Reporting Earmarked Funds*, as amended by SFFAS No. 43, *Funds from Dedicated Collections: Amending Statement of Federal Financial Accounting Standards 27,* defines the following three criteria for determining a fund from dedicated collections: 1) a statute committing the Federal Government to use specifically identified revenue and/or other financing sources that are originally provided to the Federal Government by a non-federal source only for designated activities, benefits, or purposes; 2) explicit authority for the fund to retain revenue and/or other financing sources not used in the current period for future use to finance the designated activities, benefits, or purposes; and 3) a requirement to account for and report on the receipt, use, and retention of the revenue and/or other financing sources that distinguished the fund from the Federal Government's general revenue.

A fund from dedicated collection may contain non-federal sources of revenue and other financing sources that are material to the reporting entity provided it meets the criteria reported above.

Intradepartmental activity reported in a fund from dedicated collection is often offset with activity in other funds. Accordingly, the Department presents information for funds from dedicated collections and all other funds in the Balance Sheets and Statements of Changes in Net Position on a consolidated basis. Each fund is reported on a combined basis with the elimination of intradepartmental activity between dedicated collections and all other funds as presented in the Statements of Changes of Net Position.

Funds from dedicated collections consisted of the following (in millions):

Funds from Dedicated Collections (in millions)

	Customs User Fees	Sport Fish Restoration and Boating Trust Fund	Immigration Examination Fees	National Flood Insurance Program	Oil Spill Liability Trust Fund	Aviation Security Capital Fund	All Other Funds from Dedicated Collections	Combined Funds from Dedicated Collections	Eliminations between FFDC	Consolidated Funds from Dedicated Collections
Balance Sheet as of September 30, 2022										
ASSETS										
Intragovernmental:										
Fund Balance with Treasury	$ 510	$ (8)	$ 3,759	$ 8,299	$ 35	$ 1,107	$ 1,487	$ 15,189	$ -	$ 15,189
Investments, Net	-	2,355	-	2,425	8,625	-	2	13,407	-	13,407
Accounts Receivable, Net	-	187	1	-	180	-	5	373	185	188
Other Assets	-	-	26	2	5	-	8	41	-	41
Total Intragovernmental Assets	**$ 510**	**$ 2,534**	**$ 3,786**	**$ 10,726**	**$ 8,845**	**$ 1,107**	**$ 1,502**	**$ 29,010**	**$ 185**	**$ 28,825**
With the Public:										
Cash and other monetary assets	-	-	43	(35)	-	-	4	12	-	12
Accounts Receivable, Net	549	-	-	2	693	-	106	1,350	-	1,350
General Property, Plant, and Equipment, Net	-	-	1,034	4	-	377	14	1,429	-	1,429
Other Assets	-	-	37	546	-	-	4	587	-	587
Total With the Public	**$ 549**	**$ -**	**$ 1,114**	**$ 517**	**$ 693**	**$ 377**	**$ 128**	**$ 3,378**	**$ -**	**$ 3,378**
Total Assets	**$ 1,059**	**$ 2,534**	**$ 4,900**	**$ 11,243**	**$ 9,538**	**$ 1,484**	**$ 1,630**	**$ 32,388**	**$ 185**	**$ 32,203**
LIABILITIES										
Intragovernmental:										
Accounts Payable	$ -	$ 1,609	$ 79	$ 1	$ 226	$ -	$ 15	$ 1,930	$ 180	$ 1,750
Debt	-	-	-	20,525	-	-	-	20,525	-	20,525
Other Liabilities	14	-	40	2	4	-	40	100	5	95
Total Intragovernmental Liabilities	**$ 14**	**$ 1,609**	**$ 119**	**$ 20,528**	**$ 230**	**$ -**	**$ 55**	**$ 22,555**	**$ 185**	**$ 22,370**
With the Public:										
Accounts Payable	-	5	97	186	4	172	40	504	-	504
Federal Employee and Veteran Benefits Payable	-	-	249	-	-	-	2	251	-	251
Insurance and Guarantee Program Liabilities	-	-	-	5,848	-	-	-	5,848	-	5,848
Other Liabilities	2	(28)	3,632	457	7	50	21	4,141	-	4,141
Total With the Public	**$ 2**	**$ (23)**	**$ 3,978**	**$ 6,491**	**$ 11**	**$ 222**	**$ 63**	**$ 10,744**	**$ -**	**$ 10,744**
Total Liabilities	**$ 16**	**$ 1,586**	**$ 4,097**	**$ 27,019**	**$ 241**	**$ 222**	**$ 118**	**$ 33,299**	**$ 185**	**$ 33,114**

	Customs User Fees	Sport Fish Restoration and Boating Trust Fund	Immigration Examination Fees	National Flood Insurance Program	Oil Spill Liability Trust Fund	Aviation Security Capital Fund	All Other Funds from Dedicated Collections	Combined Funds from Dedicated Collections	Eliminations between FFDC	Consolidated Funds from Dedicated Collections
NET POSITION										
Unexpended Appropriations	$ -	$ -	$ 193	$ 698	$ -	$ -	$ -	$ 891	$ -	$ 891
Cumulative Results of Operations	1,043	948	610	(16,474)	9,297	1,262	1,512	(1,802)	-	(1,802)
Total Liabilities and Net Position	**$1,059**	**$ 2,534**	**$ 4,900**	**$ 11,243**	**$ 9,538**	**$ 1,484**	**$ 1,630**	**$ 32,388**	**$ 185**	**$ 32,203**

Statement of Net Cost for the Year Ended September 30, 2022

	Customs User Fees	Sport Fish Restoration and Boating Trust Fund	Immigration Examination Fees	National Flood Insurance Program	Oil Spill Liability Trust Fund	Aviation Security Capital Fund	All Other Funds from Dedicated Collections	Combined Funds from Dedicated Collections	Eliminations between FFDC	Consolidated Funds from Dedicated Collections
Gross Program Costs	$ 583	$ 96	$ 4,448	$ 6,346	$ 80	$ 186	$ 1,356	$ 13,095	$ 1	$ 13,094
Less: Earned Revenue	-	-	(4,533)	(4,668)	86	(250)	(985)	(10,350)	(1)	(10,349)
Net Cost of Operations	**$ 583**	**$ 96**	**$ (85)**	**$ 1,678**	**$ 166**	**$ (64)**	**$ 371**	**$ 2,745**	**$ -**	**$ 2,745**

Statement of Changes in Net Position for the Year Ended September 30, 2022

	Customs User Fees	Sport Fish Restoration and Boating Trust Fund	Immigration Examination Fees	National Flood Insurance Program	Oil Spill Liability Trust Fund	Aviation Security Capital Fund	All Other Funds from Dedicated Collections	Combined Funds from Dedicated Collections	Eliminations between FFDC	Consolidated Funds from Dedicated Collections
Unexpended Appropriations										
Beginning Balance	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Appropriations Received	-	-	193	700	-	-	-	893	-	893
Transfers and Adjustments	-	-	-	(2)	-	-	-	(2)	-	(2)
Total Unexpended Appropriations: Ending	**$ -**	**$ -**	**$ 193**	**$ 698**	**$ -**	**$ -**	**$ -**	**$ 891**	**$ -**	**$ 891**

	Customs User Fees	Sport Fish Restoration and Boating Trust Fund	Immigration Examination Fees	National Flood Insurance Program	Oil Spill Liability Trust Fund	Aviation Security Capital Fund	All Other Funds from Dedicated Collections	Combined Funds from Dedicated Collections	Eliminations between FFDC	Consolidated Funds from Dedicated Collections
Cumulative Results of Operations										
Beginning Balance	$ 739	$ 882	$ 266	$ (14,807)	$ 8,806	$ 1,117	$ 1,270	$ (1,727)	$ -	$ (1,727)
Other than Intra-governmental Non-Exchange Revenue										
Excise Tax and Customs Duties	-	541	-	-	(98)	-	-	443	-	443
Other Taxes and Receipts	703	-	-	4	117	-	442	1,266	-	1,266
Total Other than Intragovernmental Non-Exchange Revenue	703	541	-	4	19	-	442	1,709	-	1,709
Intragovernmental Non-Exchange Revenue	-	204	-	-	755	-	1	960	1	959
Donations and Forfeitures of Cash and Property	-	-	-	-	-	41	4	45	-	45
Transfers In/(Out) without Reimbursement	(3,465)	(583)	(3)	-	(117)	40	(602)	(4,730)	-	(4,730)
Imputed Financing	-	-	262	7	-	-	3	272	-	272
Other	3,649	-	-	-	-	-	765	4,414	(1)	4,415
Net Cost of Operations	(583)	(96)	85	(1,678)	(166)	64	(371)	(2,745)	-	(2,745)
Net Change in Cumulative Results of Operations	304	66	344	(1,667)	491	145	242	(75)	-	(75)
Cumulative Results of Operations: Ending	**1,043**	**948**	**610**	**(16,474)**	**9,297**	**1,262**	**1,512**	**(1,802)**	**-**	**(1,802)**
Net Position, End of Period	**$ 1,043**	**$ 948**	**$ 803**	**$ (15,776)**	**$ 9,297**	**$ 1,262**	**$ 1,512**	**$ (911)**	**$ -**	**$ (911)**

Customs User Fees

Enacted in 1986, the *Consolidated Omnibus Budget Reconciliation Act (COBRA)* (P.L. 99-272) required CBP to collect user fees for certain services. The law initially established processing fees for air and sea passengers, commercial trucks, rail cars, private vessels and aircraft, commercial vessels, dutiable mail packages, and CBP broker permits. An additional fee category was added later that year for processing barges and bulk carriers for Canada and Mexico. These fees for certain customs services are provided by 19 U.S.C. 58c. These fees are deposited into Customs User Fees accounts (Treasury Appropriation Fund Symbol (TAFS) 705695.30 and 70X5695).

In addition to the collection of user fees, other changes in CBP procedures were implemented because of the COBRA statute. Most importantly, provisions were included for providing non-reimbursable inspectional overtime services and paying for excess preclearance costs from COBRA user fee collections.

The *Customs and Trade Act of 1990* amended COBRA to provide for the hiring of inspection personnel, the purchasing of equipment, and the covering of related expenses with any surplus monies available after overtime and excess preclearance costs are satisfied. Expenditures from the surplus can only be used to enhance the service provided to those functions for which fees are collected.

The *Miscellaneous Trade and Technical Corrections Act of 1999* (P.L. 106-36) also amended COBRA and made miscellaneous and technical changes to various trade laws.

Section 892 of the *American Jobs Creation Act of 2004* (P.L. 108–357) amended 19 U.S.C. 58c to renew the fees provided under COBRA, which would have otherwise expired March 1, 2005, and to allow the Secretary of the Treasury to increase such fees by an amount not to exceed ten percent in the period beginning fiscal year 2006. The ten percent increase took effect in FY 2007. See 72 Fed. Reg. 3730 (Jan. 26, 2007).

Section 601 of the *United States-Colombia Trade Promotion Agreement Implementation Act of 2011* (P.L. 112-42) lifted the exemption that excluded air and sea passengers from Canada, Mexico, the Caribbean, and adjacent islands, from having to pay the COBRA air, sea, and cruise vessel passenger fees. Thus, only arriving passengers whose journeys originated in a territory or possession of the United States, or originated in the United States and were limited to territories and possessions of the United States, are exempt from the customs user fees prescribed by 19 U.S.C. 58c(a)(5). These free trade agreements are referred to as COBRA FTA. While most COBRA fees are mandatory (with permanent authorization to use the fees), COBRA FTA revenues are discretionary and must be authorized through annual appropriations acts. This distinction can impact how and when the fees are available to CBP.

The *Trade Preference Extension Act of 2015* (P.L. 114-27) was signed into law to extend the charging of COBRA user fees through 2025. The *Fixing America's Surface Transportation Act* (FAST Act, P.L. 114-94) was also signed into law in the same year. Section 32201 of the FAST Act amended section 13031 of COBRA by requiring certain COBRA user fees and corresponding limitations to be adjusted by the Secretary of the Treasury to reflect certain increases in inflation. Increases first took effect in FY 2018 and continued in subsequent years.

Sport Fish Restoration and Boating Trust Fund

Section 1016 of the *Deficit Reduction Act of 1984* (P.L. 98-369) established the Aquatic Resources Trust Fund, which was composed of two accounts, the Boating Safety Account and the Sport Fish Restoration Account.

In 2005, the *Safe, Accountable, Flexible, Efficient Transportation Equity Act: A Legacy for Users* (P.L. 109-59) amended the *Deficit Reduction Act of 1984* by combining the Boating Safety and the Sport Fish Restoration accounts as the SFRBTF. The *Safe, Accountable, Flexible, Efficient Transportation Equity Act* was later amended by the *Sportfishing and Recreational Boating Safety Amendments Act of 2005* (P.L. 109-74).

The SFRBTF is a Treasury-managed fund and provides funding to states and other entities to promote boating safety and conservation of U.S. recreational waters. The most recent reauthorization was in 2021 via H.R. 5434, the *Surface Transportation Extension Act of 2021*.

This fund receives revenue transferred from custodial activities of the Treasury, which is deposited in a Treasury account. The revenue is derived from a number of sources, including motorboat fuel tax, excise taxes on sport fishing equipment, and import duties on fishing tackle and yachts. Three agencies share in the available portion of the revenue: Fish and Wildlife Service in the Department of Interior (TAFS 14X8151); the U.S. Army Corps of Engineers (TAFS 96X8333); and the USCG (TAFS 70X8149 and TAFS 70X8147).

Immigration Examination Fees

In 1988, Congress established the Immigration Examination Fee Account (IEFA), and the fees deposited into the IEFA have been the primary source of funding for providing immigration and naturalization benefits and other benefits as directed by Congress. The *Immigration and Nationality Act* (INA) (P.L. 82-414, Section 286(m)) provides for the collection of fees at a level that will ensure recovery of the costs of providing adjudication and naturalization services, including the costs of providing similar services without charge to asylum applicants and other immigrants. The INA also states that the fees may recover administrative costs.

Enacted on September 30, 2021, P.L. 117-43, the *Extending Government Funding and Delivering Emergency Assistance Act*, Division C Title V, appropriated $193 million to remain available until expended, for expenses in support of Operation Allies Welcome. These appropriated funds are reported with funds from dedicated collections.

The primary sources of revenue are the application and petition fees that are collected during the course of the fiscal year and deposited into the IEFA (TAFS 70X5088). In addition, USCIS provides specific services to other federal, state, and local agencies, such as the provision of immigration status information under the Systematic Alien Verification for Entitlements program for use in adjudicating aliens' eligibility for public benefits. These services result in the collection of revenue from intragovernmental activities.

National Flood Insurance Program

The NFIP was established by the *National Flood Insurance Act of 1968* (P.L. 90-448). The purpose of NFIP is to better indemnify individuals for flood losses through insurance, reduce future flood damages through state and community floodplain management regulations, and reduce federal expenditures for disaster assistance and flood control.

The *Flood Disaster Protection Act of 1973* (P.L. 93-234) expanded the authority of FEMA and its use of the NFIP to grant premium subsidies as an additional incentive to encourage widespread state, community, and property owner acceptance of the program requirements.

The *National Flood Insurance Reform Act of 1994* (P.L. 103-325) reinforced the objective of using insurance as the preferred mechanism for disaster assistance by expanding mandatory flood insurance purchase requirements and by prohibiting further flood disaster assistance to participants who received flood disaster assistance that was conditional on first having obtained flood insurance and subsequently failed to obtain and maintain flood insurance.

The *Bunning-Bereuter-Blumenauer Flood Insurance Reform Act of 2004* (P.L. 108-264) provides additional tools for addressing the impact of repetitive loss properties on the National Flood Insurance Fund.

The *Biggert-Waters Flood Insurance Reform Act of 2012* (P.L. 112-141) and the *Homeowner Flood Insurance Affordability Act of 2014* (P.L. 113-89) amended the *National Flood Insurance Act of 1968* to establish a National Flood Insurance Reserve Fund to meet the expected future obligations of the NFIP. The acts authorized FEMA to secure reinsurance coverage from private reinsurance and capital markets to maintain the financial ability of the program to pay claims from major flooding events.

Although P.L. 117-103 Division O Title I enacted on March 15, 2022 continues to extend the NFIP as is through September 30, 2022, it has been almost 10 years since the last reauthorization made programmatic changes.

Enacted on November 15, 2021, P.L. 117-58, the *Infrastructure Investment and Jobs Act*, Division J Title V, appropriated $3.5 billion to remain available until expended for flood mitigation assistance. $700 million shall be made available per year over the next five fiscal years. These appropriated funds are reported with Funds from Dedicated Collections.

Under the NFIP, the Department pays claims to policyholders who experience flood damage. The write your own (WYO) companies that participate in the program have authority to use departmental funds (revenue and other financing sources) to respond to the obligations to the policyholders. Congress has mandated that the premium collections be used to pay claims and commissions and taxes of agents, insurance operations, interest on the debt, and for flood mitigation assistance actions.

The NFIP requires all partners (WYO companies) in the program to submit financial statements and statistical data to the third-party service providers on a monthly basis. This information is reconciled, and the WYO companies are required to correct any variances.

The NFIP's primary source of revenue comes from premiums collected to insure policyholders' property. These resources are inflows to the Government, not intragovernmental resources. When claims exceed revenue, FEMA has borrowing authority that can be accessed to satisfy outstanding claims. The following TAFS are part of the NFIP: 70X4236 and 70X5701.

Oil Spill Liability Trust Fund

The OSLTF was originally established under section 9509 of the *Internal Revenue Code of 1986. The Oil Pollution Act of 1990* (OPA) (P.L. 101-380*)* authorized the use of the money and the collection of revenue necessary for its maintenance.

OPA defined fund uses include removal costs incurred by the USCG, the Environmental Protection Agency, state access for removal activities; payments to federal, state, and Indian tribe trustees to conduct natural resource damage assessments and restorations; payment of claims for uncompensated removal costs and damages; costs and expenses reasonably necessary for the implementation of OPA (subject to congressional appropriations); and other specific appropriations by Congress.

The OSLTF includes two major funds managed by the USCG: the Principal Fund (TAFS 70X8185) and the Payment of Claims (TAFS 70X8312). All revenue is deposited directly into the Principal Fund. The recurring and nonrecurring revenue is derived from a number of sources, including barrel tax, interest from U.S. Treasury investments, cost recoveries, and fines and penalties. Additionally, two of the six expenditure accounts are managed by the USCG. These include Oil Spill Recovery (TAFS 70X8349) and Trust Fund Share of Expenses (TAFS 70_8314). Oil Spill

Recovery funds the activities overseen by federal on-scene coordinators in response to covered discharges and the activities of federal trustees to initiate natural resource damage assessments. This account annually receives a $50 million appropriation that remains available until expended. Trust Fund Share of Expenses receives annual appropriations from the OSLTF that are then distributed to the USCG Operations and Support; Procurement, Construction and Improvement; and Research and Development appropriations. By statute, the maximum amount that can be expended from the OSLTF with respect to any single incident shall not exceed $1,000 million, of which no more than $500 million may be spent on natural resource damage assessments. The maximum amount expended with respect to a single incident is net of amounts expended and amounts recovered.

On April 20, 2010, the offshore drilling platform, Deepwater Horizon, exploded and sank 52 miles southeast of Venice, Louisiana. An estimated 4.9 million barrels of oil leaked from the sunken platform's undersea ruptured pipe. The states of Louisiana, Mississippi, Alabama, Florida, and Texas were affected by the spill. On April 4, 2016, the U.S. District Court approved a settlement plan between the Department of Justice and British Petroleum (BP). The consent decree requires BP to pay a penalty to the U.S. Government under a 15-year payment plan that requires annual payments beginning on April 4, 2017. Of the total amount owed to the U.S. Government, the OSLTF will receive a total of $935 million plus interest. The final installment payment will be the accrued interest of $60 million. In addition, BP was assessed $374 million for unpaid costs and damages paid from the OSLTF through July 2, 2015, to be paid in annual installments over eight years beginning in 2016. No interest will be accrued on this amount.

Contingent Liabilities. The OSLTF, which is administered by the USCG National Pollution Funds Center (NPFC), may be available to pay claims for OPA specified costs and damages, not paid by the responsible party. Under OPA, claimants are required to present their claims first to the responsible parties; if the responsible party is not identified or denies the claims, the claimant may then file an action in court or file a claim against the OSLTF through the NPFC. For additional information, see Note 21, Commitments and Contingencies.

Aviation Security Capital Fund

In 2003, *Vision 100--Century of Aviation Reauthorization Act* (P.L. 108-176) established the Aviation Security Capital Fund (TAFS 70X5385 and 70C5385). The fund's revenue is derived from security service fees in accordance with 49 U.S.C. 44940(a)(1). Annually, the first $250 million derived from Aviation Security fees are deposited into this fund. TSA provides funding to airport sponsors for projects to (1) replace baggage conveyor systems related to aviation security, (2) reconfigure terminal baggage areas as needed to install EDS, (3) deploy EDS behind the ticket counter, in the baggage sorting area, or in line with the baggage handling system, and (4) make other airport security capital improvements.

All Other Funds from Dedicated Collections

The balances and activity reported for all other funds from dedicated collections result from the funds listed below. Information related to these funds can be located in the Department's appropriations legislation or the statutes referenced.

CBP

- 70X4363: Enhanced Inspectional Services; 127 Stat. 378
- 70_5087: Immigration User Fees; 116 Stat. 2135
- 70X5087: Immigration User Fees; 116 Stat. 2135

- 70X5089: Land Border Inspection Fees; 116 Stat. 2135
- 70X5451: Immigration Enforcement Account; 116 Stat. 2135
- 70X5543: International Registered Traveler Program Fund; 121 Stat. 2091-2092
- 70X5569: Asia-Pacific Economic Cooperation Business Travel Cards; 125 Stat. 551
- 70X5595: Electronic System for Travel Authorization (ESTA) Fees; P.L. 110-53, 121 Stat. 344; P.L. 111-145, 124 Stat. 56
- 70_5694: User Fees, Small Airports; 116 Stat. 2135
- 70X5694: User Fees, Small Airports; 116 Stat. 2135
- 70X5702: 9-11 Response and Biometric Exit Account; P.L. 114-113, Sec. 402(g)
- 70X8870: Harbor Maintenance Fee Collection; 116 Stat. 2135

FEMA

- 70_0715: Radiological Emergency Preparedness Program; 117 Stat. 516
- 70X0715: Radiological Emergency Preparedness Program; 117 Stat. 516

FLETC

- 70X8360: Gifts and Bequests; 116 Stat. 2135

ICE

- 70X5126: Breach Bond/Detention Fund; 116 Stat. 2135
- 70X5378: Student and Exchange Visitor Program; 110 Stat. 3009-706, Sec. (e)(4)(B)
- 70X5382: Immigration User Fee Account; 116 Stat. 2135
- 70X5542: Detention and Removal Operations; 8 U.S.C. 1356(m)-(n); P.L. 107-296, Sec. 476c

TSA

- 70X5390: Unclaimed Checkpoint Money; 118 Stat. 1317-1318, Sec.515(a)
- 70X5545: Airport Checkpoint Screening Fund; P.L. 110-161

USCG

- 70_5677: Abandoned Seafarers Fund; 128 Stat. 3051
- 70X5677: Abandoned Seafarers Fund; 128 Stat. 3051
- 70_5710: Coast Guard Housing Fund; 14 U.S.C. 687(c)
- 70X5710: Coast Guard Housing Fund; 14 U.S.C. 687(c)
- 70X8533: General Gift Fund; 116 Stat. 2135

USCIS

- 70X1910: Citizenship Gift and Bequest Account; 131 Stat. 422
- 70_5106: H-1 B Nonimmigrant Petitioner Account; 116 Stat. 2135
- 70X5106: H-1 B Nonimmigrant Petitioner Account; 116 Stat. 2135
- 70_5389: H-1B and L Fraud Prevention and Detection Account; 118 Stat. 3357, Sec. 426(b)(1)
- 70X5389: H-1B and L Fraud Prevention and Detection Account; 118 Stat. 3357, Sec. 426(b)(1)

Multiple Components

- 70X8244: Gifts and Donations; 116 Stat. 2135

23. Available Borrowing Authority

For the Years Ended September 30 (in millions):	2022	2021
Beginning Borrowing Authority	$ 15	$ 20
Current Year Borrowing Authority Realized	9,970	10,012
Decrease in Current Year Borrowing Authority Realized	(9,966)	(9,980)
Net Current Year Borrowing Authority Realized	4	32
Less: Borrowing Authority Converted to Cash	(9)	(37)
Less: Borrowing Authority Withdrawn	(1)	-
Ending Borrowing Authority	**$ 9**	**$ 15**

FEMA has borrowing authority to pay insurance claims as part of the NFIP and to finance CDLs under DADLP. Borrowing authority is budget authority enacted by law to permit an agency to borrow money and then obligate and disburse against amounts borrowed for a specified purpose. As of September 30, 2022, and 2021, net current year borrowing authority realized presented in the Statement of Budgetary Resources (SBR) totaled $4 million and $32 million, respectively.

FEMA is authorized to borrow from Treasury up to $30,425 million to fund the payment of flood insurance claims and claims-related expenses of the NFIP. Amounts borrowed at any time are not predetermined, and authority is used only as needed to pay existing obligations for claims and expenses. Insurance premiums collected are used to pay insurance claims and to repay borrowings. As of September 30, 2022, and 2021, FEMA had drawn from Treasury $20,525 million, leaving $9,900 million available to be borrowed.

FEMA also requests borrowing authority annually to cover the unsubsidized portion of loans made, finance downward re-estimates, modifications, modification adjustment transfers, and annual interest payment to Treasury at year-end. In FY 2022 and FY 2021, FEMA requested borrowing totaling $70 million and $112 million, respectively. As of September 30, 2022 and 2021, the ending available borrowing authority of $9 million and $15 million, respectively, was to cover current obligations for CDLs still disbursing.

24. Legal Arrangements Affecting the Use of Unobligated Balances

Unobligated balances whose period of availability has expired are not available to fund new obligations. Expired unobligated balances are available to pay for current period adjustments to obligations incurred prior to expiration. For a fixed appropriation account, the balance can be carried forward for five fiscal years after the period of availability ends. At the end of the fifth fiscal year, the account is closed, and any remaining balance is canceled and returned to Treasury. For a no-year account, the unobligated balance is carried forward indefinitely until specifically rescinded by law or the head of the agency concerned, or the President determines that the purposes for which the appropriation was made have been carried out and disbursements have not been made against the appropriation for two consecutive years.

Included in the cumulative results of operations and Fund Balance with Treasury are special funds of $1,598 million and $1,102 million at September 30, 2022, and 2021, respectively, that represents the Department's authority to assess and collect user fees relating to merchandise and passenger processing; to assess and collect fees associated with services performed at certain small airports or other facilities; to retain amounts needed to offset costs associated with collecting duties; and taxes and fees for the Government of Puerto Rico. These special fund balances are restricted by law in their use to offset specific costs incurred by the Department. Part of the passenger fees in the COBRA User Fees Account are restricted by law in their use to offset specific costs incurred by the Department.

The entity trust fund balances result from the Department's authority to use the proceeds from general order items sold at auction to offset specific costs incurred by the Department relating to their sale, to use available funds in the Salaries and Expense Trust Fund to offset specific costs for expanding border and port enforcement activities, and to use available funds from the Harbor Maintenance Fee Trust Fund to offset administrative expenses related to the collection of the Harbor Maintenance Fee.

25. Explanation of Differences between the Statement of Budgetary Resources and the Budget of the U.S. Government

The table below documents the material differences between the FY 2021 Statement of Budgetary Resources and the actual amounts reported for FY 2021 in the Budget of the U.S. Government. Since the FY 2022 financial statements will be reported prior to the release of the Budget of the U.S Government, DHS is reporting for FY 2021 only. Typically, the Budget of the U.S Government with the FY 2022 actual data is published in February of the subsequent year. Once published, the FY 2022 actual data will be available on the OMB website.

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
FY 2021 Actual Balances per the FY 2023 Budget of the U.S. Government (in millions)	**$ 188,874**	**$ 135,112**	**$ 12,137**	**$ 103,230**
Reconciling Items:				
Accounts that are expired that are not included in Budget of the U.S. Government	2,113	-	-	-
Distributed Offsetting Receipts not included in the Budget of the U.S. Government Net Outlays	-	-	-	(12,137)
Refunds and drawbacks not included in the Budget of the U.S. Government	7,077	7,077	-	6,966
Byrd Program (Continued Dumping and Subsidy Offset) not included in the Budget of the U.S. Government	162	58	-	58
Miscellaneous Differences	763	(75)	-	(25)
Per the 2021 Statement of Budgetary Resources	**$ 198,989**	**$ 142,172**	**$ 12,137**	**$ 98,092**

The Miscellaneous Differences amount includes adjustments to obligations reported on the Statement of Budgetary Resources but not included in the Budget of the U.S. Government. The SBR Net Outlays also includes the SBR line Disbursement, net amounts.

26. Undelivered Orders, End of Period

An unpaid undelivered order exists when a valid obligation has occurred, and funds have been reserved but the goods or services have not been received by the Department. A paid undelivered order exists when a valid obligation has occurred, and funds have been advanced, but the goods or services have not been received by the Department. Undelivered Orders consisted of the following (in millions):

As of September 30, 2022:	**Federal**	**Non-Federal**	**Total**
Undelivered Orders – Unpaid	$ 10,880	$ 95,426	$ 106,306
Undelivered Orders – Paid	$ 761	$ 824	$ 1,585

As of September 30, 2021:	**Federal**	**Non-Federal**	**Total**
Undelivered Orders – Unpaid	$ 10,938	$ 80,987	$ 91,925
Undelivered Orders – Paid	$ 849	$ 924	$ 1,773

27. Net Adjustments to Unobligated Balance, Brought Forward, October 1

For the Years Ended September 30 (in millions):	**2022**	**2021**
Unobligated Balance, Prior Year	$ 56,817	$ 36,106
Other Balances Withdrawn from Treasury	(676)	(575)
Recoveries of Prior Year Obligations	9,374	11,428
Other	190	(4)
Unobligated Balance from Prior Year Budget Authority, Net	**$ 65,705**	**$ 46,955**

The FEMA Disaster Relief program was the primary contributor to Recoveries of prior year obligations. DHS COVID-19 related recoveries and refunds totaled $2,164 million for FY 2022 and $5,404 million for FY 2021. For further information, please see Note 31, COVID-19 Activity.

28. Custodial Revenue

The Department collects revenue from a variety of duties, excise taxes, fines and penalties, and various other fees. Revenue collections primarily result from current fiscal year activity. Current Taxes, Duties, Trade Receivables, Net are collected within 90 days of the assessment. Therefore, the Department considers Tax Year to be same as the fiscal year when assessments are made. CBP assesses duties, taxes, and fees on goods and merchandise brought into the United States from foreign countries. CBP's mission requires the collection of non-exchange and exchange revenue for interest and Agricultural Quarantine Inspection fees collected on behalf of the U.S. Department of Agriculture. The majority of CBP's revenue is considered non-entity revenue and is reported on the Department's Statement of Custodial Activity and includes duties, excise taxes, and various other fees collected by CBP.

For additional information, see Note 1.X., Exchange and Non-Exchange Revenue.

The significant types of non-entity accounts receivable and custodial revenue as presented in the Statement of Custodial Activity are described below.

1. **Duties:** amounts collected on imported goods collected on behalf of the Federal Government.
2. **User fees:** amounts designed to maintain U.S. harbors and to defray the cost of other miscellaneous service programs.
3. **Excise taxes:** amounts collected on imported distilled spirits, wines, tobacco products, and other miscellaneous taxes collected on the behalf of the Federal Government.
4. **Fines and penalties:** amounts collected for violations of laws and regulations.

Custodial revenue collected from the public, broken out by revenue type and by tax year, were as follows for the fiscal year ended September 30, 2022 (in millions):

Custodial Revenue	2022	2021 and Prior Years	2022 Collections
Excise Tax	$ 4,489	$ 140	$ 4,629
Customs Duties	97,825	6,799	104,624
User Fees, Fines and Penalties, Interest, and Other Revenue	2,245	121	2,366
Total Amount of Federal Revenues Collected	**$ 104,559**	**$ 7,060**	**$ 111,619**

Custodial revenue collected from the public, broken out by revenue type and by tax year, were as follows for the fiscal year ended September 30, 2021 (in millions):

Custodial Revenue	2021	2020 and Prior Years	2021 Collections
Excise Tax	$ 4,423	$ 350	$ 4,773
Customs Duties	79,175	6,291	85,466
User Fees, Fines and Penalties, Interest, and Other Revenue	1,751	154	1,905
Total Amount of Federal Revenues Collected	**$ 85,349**	**$ 6,795**	**$ 92,144**

CBP's increase in custodial collections from the public is a result of an increase in duties collected based upon higher volume of entry summaries and user and ESTA fees related to increased international travel.

Refunds are amounts due to the importer/exporter as a result of overpayments of duties, taxes, fees, and interest. Refunds include drawback remittance paid when imported merchandise, for which duty was previously paid, is exported from the United States.

Tax disbursements from the refunds and drawbacks account, broken out by revenue type and by tax year, were as follows for the fiscal year ended September 30, 2022 (in millions):

Refunds/Payments	Tax Year				
	2022	2021	2020	Prior Years	2022 Refunds
Customs Duties	$ 3,149	$ 826	$ 627	$ 1,658	$ 6,260
Excise Tax	224	57	43	113	437
Fines, Penalties, Interest, and Other Revenue	64	16	12	32	124
Total Tax Refunds and Drawbacks Disbursed	**$ 3,437**	**$ 899**	**$ 682**	**$ 1,803**	**$ 6,821**

Tax disbursements from the refunds and drawbacks account, broken out by revenue type and by tax year, were as follows for the fiscal year ended September 30, 2021 (in millions):

Refunds/Payments	Tax Year				
	2021	2020	2019	Prior Years	2021 Refunds
Customs Duties	$ 2,554	$ 2,236	$ 1,354	$ 693	$ 6,837
Excise Tax	122	107	65	33	327
Fines, Penalties, Interest, and Other Revenue	76	67	41	21	205
Total Tax Refunds and Drawbacks Disbursed	**$ 2,752**	**$ 2,410**	**$ 1,460**	**$ 747**	**$ 7,369**

The disbursements include interest payments of $246 million and $219 million for the fiscal years ended September 30, 2022 and 2021, respectively.

The disbursement totals for refunds include antidumping and countervailing duties collected that are refunded pursuant to rulings by the Department of Commerce. These duties are refunded when the Department of Commerce issues a decision in favor of the foreign industry. See Note 18, Other Liabilities, for more information.

29. Reconciliation of the Net Cost to Net Outlays

The reconciliation of net outlays presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information.

The first section includes the total DHS Net Cost of Operations for the period ending September 30, 2022. Items include gross cost, earned revenue, net cost of operations before (gain)/loss on pension, ORB, or OPEB assumption changes, and (gain)/loss on pension, ORB, or OPEB changes. All section totals are added to the Net Cost of Operations.

The second section, Components of Net Operating Cost Not Part of the Budgetary Outlays, includes items such as property, plant and equipment depreciation expense, disposal, and revaluation. The cost of goods sold, applied overhead, cost capitalization offset, (gains)/losses on all other investments are also part of the calculation. The next subsection, Increase/(Decrease) in Assets Not Affecting Budget Outlays, consists of items such as accounts receivable, net and other assets. The subsection titled (Increase)/Decrease in Liabilities Not

Affecting Budget Outlays, consists of accounts payable, insurance and guarantee program liability (Non-FCRA)/loans payable, environmental and disposal liabilities, federal employee and veteran benefit payable, other liabilities, and imputed costs.

The third section, Components of the Budget Outlays That Are Not Part of Net Operating Cost, consists of the acquisition of capital assets, inventory, and other investment activity. Financing sources from donated revenue and transfers out/(in) without reimbursements are part of the calculated total.

The fourth section, Miscellaneous Items, consists of distributed offsetting receipts, custodial/non-exchange revenue, and other temporary timing differences.

As of September 30, 2022 (in millions):

	Intragovernmental	With the Public	Total
Net Cost of Operations	**$ 18,362**	**$ 72,389**	**$ 90,751**
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation Expense	-	(2,471)	(2,471)
Property, Plant, and Equipment Donations, Applied Overhead, Cost Capitalization Offset, Disposals, and Revaluations	(11)	4,144	4,133
Cost of Goods Sold	-	(247)	(247)
(Gains)/Losses on All Other Investments	-	(18)	(18)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	(143)	(337)	(480)
Other Assets	(154)	(143)	(297)
(Increase)/Decrease in Liabilities Not Affecting Budget Outlays:			
Accounts Payable	629	(161)	468
Insurance and Guarantee Program Liability (Non-FCRA)/Loans Payable	-	(2,412)	(2,412)
Environmental and Disposal Liabilities	-	(180)	(180)
Federal Employee and Veteran Benefits Payable[6]	-	58,630	58,630
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	261	4,039	4,300
Other Financing Sources:			
Imputed Costs	$ (1,976)	$ -	$ (1,976)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$ (1,394)**	**$ 60,844**	**$ 59,450**
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	$ 948	$ 2,251	$ 3,199
Acquisition of Inventory	58	338	396
Other Investment Activity	(1)	-	(1)
Financing Sources			
Donated Revenue	$ -	$ (4)	$ (4)

	Intragovernmental	With the Public	Total
Transfers Out/(In) Without Reimbursements[6]	(63,541)	(23)	(63,564)
Total Components of the Budget Outlays That Are Not Part of the Net Operating Costs	**$ (62,536)**	**$ 2,562**	**$ (59,974)**
Miscellaneous Items			
Distributed Offsetting Receipts	$ (184)	$ (5,312)	$ (5,496)
Custodial/Non-Exchange Revenue	6,274	254	6,528
Other Temporary Timing Differences	(556)	(3,652)	(4,208)
Appropriated Receipts for Trust/Special Funds	-	(1)	(1)
Total Miscellaneous Items	**$ 5,534**	**$ (8,711)**	**$ (3,177)**
Total Net Outlays	**$ (40,034)**	**$ 127,084**	**$ 87,050**

As of September 30, 2021 (in millions):

	Intragovernmental	With the Public	Total
Net Cost of Operations	**$ 19,081**	**$ 72,462**	**$ 91,543**
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation Expense	-	(2,087)	(2,087)
Property, Plant, and Equipment Donations, Applied Overhead, Cost Capitalization Offset, Disposals, and Revaluations	256	(282)	(26)
Cost of Goods Sold	-	(336)	(336)
(Gains)/Losses on All Other Investments	-	(16)	(16)
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	(773)	(51)	(824)
Other Assets	(117)	(153)	(270)
(Increase)/Decrease in Liabilities Not Affecting Budget Outlays:			
Accounts Payable	(634)	508	(126)
Insurance and Guarantee Program Liability (Non-FCRA)/Loans Payable	-	(606)	(606)
Environmental and Disposal Liabilities	-	(6)	(6)
Federal Employee and Veteran Benefits Payable	-	(3,735)	(3,735)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	88	8,782	8,870
Other Financing Sources:			
Imputed Costs	$ (1,877)	$ -	$ (1,877)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$ (3,057)**	**$ 2,018**	**$ (1,039)**

[6] These lines include the activity related to the transfer of USCG's Military Retirement System actuarial liability to DoD. While this activity represents balances from the Balance Sheet and Statement of Changes in Net Position, the transfer does not have any impact on Net Cost or Net Outlays.

Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	$ (263)	$ 3,708	$ 3,445
Acquisition of Inventory	80	425	505
Other Investment Activity	(1)	-	(1)
Financing Sources			
Donated Revenue	$ -	$ (3)	$ (3)
Transfers Out/(In) Without Reimbursements	182	(51)	131
Total Components of the Budget Outlays That Are Not Part of the Net Operating Costs	**$ (2)**	**$ 4,079**	**$ 4,077**
Miscellaneous Items			
Distributed Offsetting Receipts	$ (114)	$ -	$ (114)
Custodial/Non-Exchange Revenue	6,989	(3,630)	3,359
Other Temporary Timing Differences	(8)	274	266
Total Miscellaneous Items	**$ 6,867**	**$ (3,356)**	**$ 3,511**
Total Net Outlays	**$ 22,889**	**$ 75,203**	**$ 98,092**

30. Reclassification of Statement of Net Cost for Financial Reporting Compilation Process

To prepare the *Financial Report of the U.S. Government (Financial Report)*, the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost. Treasury eliminates intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the *Financial Report* statements. This note shows the Department's financial statements and the Department's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated *Financial Report* line items. A copy of the 2021 *Financial Report* can be found at the Reports, Statements, and Publications page within the Bureau of Fiscal Service website and a copy of the 2022 *Financial Report* will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the Federal Government.

The term "non-federal" is used in this note to refer to Federal Government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2022 (in millions)

FY 2022 DHS SNC		Line Items Used to Prepare FY 2022 Government-wide SNC					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**All Other Amounts (with Eliminations)**	**Eliminations Between Dedicated and All Other**	**Total**	**Reclassified Financial Statement Line**
Gross Costs	**$ 105,853**						***Non-Federal Costs***
		$ 9,764	$ -	$ 75,831	$ -	$ 85,595	Non-Federal Gross Cost
		-	-	26	-	26	General PP&E Partial Impairment Loss
		9,764	**-**	***75,857***	**-**	***85,621***	***Total Non-Federal Costs***
							Intragovernmental Costs
		575	-	6,687	-	7,262	Benefit Program Costs
		272	-	1,705	1	1,976	Imputed Costs
		2,078	1	7,735	556	9,256	Buy/Sell Costs
		300	-	2	-	302	Borrowing and Other Interest Expense
		106	-	1,330	-	1,436	Other Expenses (w/o Reciprocals)
		3,331	***1***	***17,459***	***557***	***20,232***	***Total Intragovernmental Costs***
Total Gross Costs	*105,853*	*13,095*	*1*	*93,316*	*557*	*105,853*	*Total Reclassified Gross Costs*
Earned Revenue	**(16,283)**	(10,265)	-	(4,148)	-	(14,413)	Non-Federal Earned Revenue
							Intragovernmental Revenue
		(62)	(1)	(2,341)	(556)	(1,846)	Buy/Sell Revenue
		(23)	-	-	-	(23)	Federal Securities Interest Revenue Including Associated Gains/Losses
		-	-	(1)	-	(1)	Borrowing and Other Interest Revenue
		(85)	***(1)***	***(2,342)***	***(556)***	***(1,870)***	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	*(16,283)*	*(10,350)*	*(1)*	*(6,490)*	*(556)*	*(16,283)*	*Total Reclassified Earned Revenue*
(Gain)/Loss-Pension/ORB/OPEB Assumptions	1,181	-	-	1,181	-	1,181	(Gain)/Loss on Changes in Actuarial Assumptions (Non-Federal)
Net Cost	**$ 90,751**	**$ 2,745**	**$ -**	**$ 88,007**	**$ 1**	**$ 90,751**	**Net Cost**

31. COVID-19 Activity

For the Years Ended September 30 (dollars in millions):	2022			2021		
COVID-19 Activity by Funding Source:	**DRF**	**DEF Code (N,V)**	**DHS All Other Appropriations**	**DRF**	**DEF Code (N,V)**	**DHS All Other Appropriations**
Budgetary Resources:						
Unobligated (and unexpired) Balance Carried Forward from PY	$ 33,985	$ 74	$ -	$ 15,792	$ 591	$ -
New Budget Authority	18,999	-	650	69,142	13	840
Rescissions/Other Changes to Budgetary Resources	2,140	21	3	5,362	35	7
Available Budgetary Resources	**$ 55,124**	**$ 95**	**$ 653**	**$ 90,296**	**$ 639**	**$ 847**
Status of Budgetary Resources						
Obligations Incurred:						
Individual Assistance Program						
Lost Wages Program	$ 21	$ -	$ -	$ 694	$ -	$ -
Funeral Assistance	(22)	-	-	4,857	-	-
Other Individual Assistance	1,002	-	-	235	-	-
FEMA Public Assistance	23,546	-	-	32,167	-	-
Other Programs	-	77	683	-	526	1,186
Total Obligations Incurred	**$ 24,547**	**$ 77**	**$ 683**	**$ 37,953**	**$ 526**	**$ 1,186**
Budgetary Resources: Ending Unobligated (and unexpired) Balance to be Carried Forward	**$ 15,833**	**$ -**	**$ -**	**$ 33,985**	**$ 74**	**$ - -**

For the Years Ended September 30 (dollars in millions):	2022			2021		
	DRF	DEF Code (N,V)	DHS All Other Appropriations	DRF	DEF Code (N,V)	DHS All Other Appropriations
Outlays, Net						
Individual Assistance Program						
Lost Wages Program	$ 34	$ -	$ -	$ 9,881	$ -	$ -
Funeral Assistance	869	-	-	1,247	-	-
Other Individual Assistance	1,159	-	-	218	-	-
FEMA Public Assistance	17,362	-	-	20,828	-	-
Other Programs	-	241	673	-	439	1,242
Outlays, Net (Total)	$ 19,424	$ 241	$ 673	$ 32,174	$ 439	$ 1,242

Most of DHS obligations incurred in response to COVID-19 were obligations within FEMA's Disaster Relief Fund (DRF). Pursuant to the Robert T. Stafford Disaster Relief and Emergency Assistance Act, the DRF is used to direct, coordinate, manage, and fund eligible response and recovery efforts associated with domestic major disasters and emergencies – including COVID-19 related activities - that overwhelm State resources. Budgetary resources available to the DRF consists of both normal annual appropriations and specific supplemental emergency appropriations which provide funding for all Stafford Act activities. These supplemental appropriations that provide additional funding to the DRF are generally not designated to be used for any specific disaster event but are available for response to all declared disasters that fall under the Stafford Act. Due to the nature of how resources are made available to the DRF and how they are expended, FEMA utilizes a First In – First Out (FIFO) methodology to report obligation and disbursement data for DEF Code information in its monthly Government-wide Treasury Account Symbol (GTAS) Adjusted Trial Balance submission for the DRF.

Budgetary resources available for FEMA's DRF include funding from the following COVID-19 supplemental appropriations:

- The "Coronavirus Aid, Relief, and Economic Security (CARES) Act" (P.L. 116-136), Emergency (Disaster Emergency Fund (DEF) Code N);
- The "American Rescue Plan Act (ARPA) of 2021" (P.L. 117-2), Nonemergency (DEF Code V); and
- The "Consolidated Appropriation Act (CAA), 2021" (PL 116-260), (Division M), (DEF Code U).

DEF Codes N and V column is presented separately to highlight budgetary resources and obligation activities pertaining specifically to the CARES Act and the ARPA of 2021 for DHS Components, including FEMA's non-DRF appropriations. DHS All Other Appropriations column presents budgetary resources and obligation activities from all other funding sources (e.g., annual and permanent appropriations) used to support COVID-19 activity for all DHS Components.

In FY 2021, DHS Components received $50,013 million in funding from the ARPA of 2021 with $50,000 million being appropriated to FEMA DRF and $13 million being directed to TSA for the Emergency TSA Employee Leave Fund to assist employees who were unable to work due to COVID-19. FEMA DRF carried over $15,792 million of funding from FY 2020 and received $19,142 million from the CAA, 2021 to carry out disaster relief activity, including COVID-19 related activity. For all appropriations other than DRF, DHS Components carried over $591 million of the remaining CARES Act funding from FY 2020 and CBP received $840 million from the CAA, 2021 to offset the decrease in Immigration User Fees collected because of the coronavirus pandemic. Total available budgetary resources for FY 2021 also included COVID-19 related recoveries of prior year obligations totaling $5,404 million, consisting of $5,362 million from FEMA DRF and $42 million from all other DHS Components.

In FY 2022, FEMA DRF carried over $33,985 million of funding from FY 2021 and received $18,999 million in funding, consisting of $18,799 million from the CAA, 2022 (P.L. 117-103) and $200 million from the Infrastructure Investment and Jobs Act (IIJA) 2022 (P.L. 117-58) to carry out disaster relief activity, including COVID-19 related activity. For all appropriations other than DRF, DHS Components carried over $70 million of remaining CARES Act funding, and $4 million of ARPA funding from FY 2021. CBP also received $650 million from the CAA, 2022 to offset the decrease in Immigration User Fees collected as a result of the coronavirus pandemic. Total available budgetary resources for FY 2022 also included COVID-19 related recoveries of prior year obligations totaling $2,164 million, consisting of $2,140 million from FEMA DRF and $24 million from all other DHS Components.

COVID-19 Programs & Activities Funded

The appropriations received from the CARES Act, ARPA, 2021, CAA, 2021, 2022 and other regular annual and multi-year appropriations were used to support the following DHS Components, programs, and activities:

For the Periods Ended September 30, 2022 and 2021

Component	Program	Activities
CBP	Medical support; COVID-19 test kits; detainee transport; decontamination transportation; and Consumables	Expand medical services contract; provide testing kits to frontline personnel and detainees; provide ground transportation; decontaminate vehicle assets; care and sustenance of detainees; temporary duty and overtime pay; and offset reduced fee collections.

Component	Program	Activities
CISA	National Infrastructure Simulation and Analysis Center (NISAC) Lab projects for modeling impact; teleconference lines for large critical functions, COVID emergency support function program analyst support, and critical function mapping and mission support	Supply chain risk analysis and communication; development of strategic risk assessments of the 55 National critical functions; development of analytical assessments on lessons learned for risk management efforts; COVID-19 Secretary's Advisory Group analytical support focused on expediting DHS's contribution to recovery and restoration; supply chain assessment and capability development; supply chain risk analysis and communication; support for the Supply Chain Stabilization Task Force; support for the implementation of the National Response Framework; COVID-19 business continuity analysis.
CWMD	Bio support; research and development; and maintenance of the Medical and Public Health Information Sharing Environment System (MPHISE)	Airport passenger COVID screening; Southwest border COVID testing; surface contamination studies; maintain the MPHISE to prevent, prepare for, and respond to coronavirus domestically.
FEMA	Mission support; disaster relief; firefighter grants; Emergency Management Performance Grants; and Emergency Food & Shelter Program	Provide individual assistance limited to the Crisis Counseling Program, Lost Wages Assistance Program[7], and Funeral Assistance Program[8]; provide public assistance for emergency protective measures, including direct federal assistance, and administrative expenses; expand access to vaccines and support vaccine distribution[9]; provide resources for Personal Protective Equipment, State and Local emergency operations centers, non-congregate sheltering, medical field stations, medical ships, personnel to support medical sites, National Guard deployments, Crisis Counseling, and State administrative expenses; and the Assistance to Firefighter Grants (AFG) program, which provides critically needed resources that equip personnel to respond to the COVID-19 public health emergency and support community resilience.

[7] The Presidential Memorandum issued on August 8, 2020 authorized the Acting Secretary of Homeland Security, acting through the FEMA Administrator to award grants to state and territory governments to administer supplemental payments for lost wages in accordance with section 408(e)(2) of the Stafford Act (42 U.S.C. 5174(e)(2)). The program provided $400 per week consisting of a $300 federal contribution and $100 state contribution per eligible claimant.

[8] The CAA, 2021 and ARPA, 2021 directed FEMA to provide financial assistance to individuals with funeral expenses incurred on or after January 20, 2020, as a result of COVID-19 under section 408(e)(1) of the Stafford Act (42 U.S.C. 5174(e)(1)). The federal share of the cost shall be 100 percent with a maximum of $9,000 per deceased individual and $35,500 per application.

[9] As the federal government worked to increase the supply of COVID-19 vaccines across the nation, FEMA took steps to build the national infrastructure to readily distribute vaccines. Vaccination centers are established by state, local, tribal or territorial partners and may receive any combination of federal equipment, funding and personnel. These locations may vary in size and number of vaccinations they can administer in a day.

Component	Program	Activities
ICE	Medical screening; hoteling cost; transportation cost; sanitation costs; and Dilley Quarantine Neighborhood	Medical screening for COVID-19 medical care of quarantined individuals at detention facilities; hoteling cost for individuals at three commercial hotels; transportation of COVID-19 positive ICE detainees from medical quarantine or treatment facilities; sanitation costs for ICE detention facilities quarantine areas, and intake and check-in locations, as well as transportation vehicles due to the exposure; and establishing a COVID-19 quarantine neighborhood at a family residential center to allow for improved isolation of unaccompanied children and family units.
FLETC	Personal protective equipment and cleaning supplies for the FLETC students and staff	Provide personal protective equipment and cleaning supplies for FLETC students and staff to make for a safe training and working environment.
MGMT	Personal protective equipment and cleaning related supplies for the DHS workforce	Provide personal protective equipment and cleaning related supplies for DHS to make it safe for DHS employees to work in buildings.
OIG	Oversight of CARES Act funding	Salaries and expenses to provide oversight of activities supported by CARES Act funding.
S&T	Bioagent threat assessment and defense; counterterrorism; probabilistic analysis for national threats, hazards and risks; and research on operational efficiency	Environmental and aerosol sampling; DNA synthesis and gene assembly to rapidly characterize novel sequences; economic modeling; incident response planning; research and development.
TSA	Cleaning and sanitization at domestic and international checkpoints and other airport common areas; paid leave; overtime and travel costs; and explosive detection materials	Enhanced sanitization of passenger checkpoint, checked baggage, and TSA facilities; overtime for Transportation Security Officers; travel for National Deployment Officers to airports hard hit with COVID illness; purchase of single-use explosives detection swabs to protect against COVID transmission; and provide employee paid COVID leave to employees (including leave covered through the American Rescue Plan).
USCG	Reservists' Activities and IT Improvements	Mobilize USCG Reservists to prevent, prepare for and respond to coronavirus domestically and internationally; and improve the capability and capacity of USCG information technology systems and infrastructure to prevent, prepare for, and respond to coronavirus outbreaks.
USCIS	Immigrant benefit and petitions applications processing	Process immigrant benefit requests at domestic and international field and asylum offices with additional precautions to prevent the spread of COVID-19, including providing services without charge to applicants or petitioners whose fees are waived or exempted.

Other COVID-19 Financial Statement Footnote Impacts

For more information regarding COVID-19's impact on the Department's assets, refer to Note 3, Fund Balance with Treasury. For information on the impact to the Department's liabilities, refer to Note 18, Other Liabilities. Also, for information on the impact to the Department's Budgetary Resources, refer to Note 24, Legal Arrangements Affecting the Use of Unobligated Balances, and Note 27, Net Adjustments to Unobligated Balances, Brought Forward, October 1.

32. Non-Custodial Non-Exchange Revenues

The majority of DHS non-custodial non-exchange revenues are collected by USCG and CBP. The USCG SFRBTF collects motorboat fuel taxes, excise taxes on sport fishing equipment, and import duties on fishing tackle and yachts. The USCG OSLTF collects taxes on oil, reimbursements from parties responsible for oil spills, fines, and penalties. Both trust funds collect interest revenue earned. The CBP Customs User Fees fund collects processing fees for air and sea passengers, commercial trucks, rail cars, private vessels and aircraft, commercial vessels, dutiable mail packages, and customs broker permits.

Non-custodial non-exchange revenues reported on the Consolidated Statements of Changes in Net Position were as follows for the fiscal year ended September 30, 2022 (in millions):

Non-Exchange Revenues	2022	2021	2022 Collections
Excise Taxes	$ 345	$ -	$ 345
Customs Duties	98	-	98
Federal Securities Interest Revenue	108	-	108
Other Taxes and Receipts	2,120	(1)	2,119
Total Amount of Federal Revenues Collected Less Refunds	**$ 2,671**	**$ (1)**	**$ 2,670**

Non-custodial non-exchange revenues reported on the Consolidated Statements of Changes in Net Position for fiscal year ended September 30, 2021 consisted entirely of the tax year 2021 collections (in millions):

Non-Exchange Revenues	2021	2021 Collections
Excise Taxes	$ 354	$ 354
Customs Duties	86	86
Federal Securities Interest Revenue	84	84
Other Taxes and Receipts	1,355	1,355
Total Amount of Federal Revenues Collected Less Refunds	**$ 1,879**	**$ 1,879**

Required Supplementary Information

Unaudited, see accompanying Independent Auditors' Report

1. Deferred Maintenance and Repairs

The Department presents deferred maintenance and repairs as of the end of the fiscal year in accordance with SFFAS No. 42, *Deferred Maintenance and Repairs: Amending Statements of Federal Financial Accounting Standards 6, 14, 29 and 32.* Maintenance and repairs are activities directed toward keeping fixed assets in an acceptable condition. Activities include preventive maintenance; replacement of parts, systems, or components; and other activities needed to preserve or maintain the asset. Deferred maintenance and repairs are activities that were not performed when they should have been, or that were scheduled to be performed but were delayed for a future period.

Deferred maintenance and repair amounts represent the cost to restore an asset's condition so that the asset provides acceptable services and achieves its expected life. Mission performance metrics reports, scorecards, and historical records are used as objective evidence of deficiencies in deferred maintenance and repairs. Project management reviews of the inputs are conducted to identify maintainability and reliability, labor costs, design costs, technical expertise required, organizational reparability, organizational spares availability, and opportunities to use spare parts from property that may be retired.

Defining and Implementing Maintenance and Repairs Policies. The Department measures deferred maintenance and repairs for each class of asset using condition assessments performed at least once every five years. These assessments include surveys, inspections, operating evaluations, regional strategic assessments, facility quality ratings, and consolidated support function plans. Deferred maintenance and repair procedures are performed for capital and non-capital accountable personal and real property, capitalized stewardship PP&E including multi-use heritage assets—such as buildings and structures, memorials, and recreational areas—as well as inactive and excess property that is not required to fulfill the Component missions or have been withdrawn from operational service. Most of these assets have been fully depreciated. The condition of the assets included in these assessments ranges from good to poor. Components identify maintenance not performed as scheduled and establish future performance dates.

The Department allows Components the flexibility to apply industry standard methods commensurate with each asset's condition and usage, unless more thorough procedures are mandated by federal, state, or local codes. Components estimate the cost to address deferred maintenance and repair deficiencies using construction, maintenance, and repair cost data available through the Components' real property structure.

Ranking and Prioritizing Maintenance and Repair Activities. The Department ranks and prioritizes deferred maintenance and repair activities based on mission criticality to the operations of the Department and legal requirements, as well as the condition of the asset. Deferred maintenance and repair projects are prioritized among other activities as part of the Department's five-year strategic plan and annual capital budgeting processes.

Factors Considered in Setting Acceptable Condition. Acceptable condition is primarily prescribed by the facility condition assessments or other similar methodology. The condition assessment process includes factors such as asset age, operating environment, inventory levels, threat vulnerability, and current condition as determined by physical inspection, operating environment, and maintenance and repair history of the asset under assessment. The Department also considers federal requirements (including OMB's Federal Real Property Profile), accessibility, mission criticality, and needs.

Heritage Assets Excluded under Deferred Maintenance and Repairs. The Department possesses certain types of heritage assets that are not reported in deferred maintenance and repairs. These heritage assets include artifacts, artwork, display models, and sunken vessels and aircraft that have deteriorated through damage due to moving and transportation, storage or display, or environmental degradation.

Significant Changes from Prior Year. As of September 30, 2022, $2,019 million in deferred maintenance and repairs was estimated to return real property assets to acceptable operating condition. This is an overall increase of $251 million.

Deferred maintenance and repairs for FY 2022, by asset class, consisted of (in millions):

	Ending	Beginning
Active:		
Buildings, Structures, and Facilities	$ 1,607	$ 1,498
Furniture, Fixtures, and Equipment	317	210
Other General PP&E	43	47
Heritage assets	46	8
Total Active	**$ 2,013**	**$ 1,763**
Inactive and Excess:		
Buildings, Structures, and Facilities	$ 4	$ 3
Heritage assets	2	2
Total Inactive and Excess	**$ 6**	**$ 5**
Total Deferred Maintenance	**$ 2,019**	**$ 1,768**

2. Combining Statement of Budgetary Resources

The principal Statement of Budgetary Resources combines the availability, status, and outlays of the Department's budgetary resources during FY 2022. The following table provides the Statement of Budgetary Resources disaggregated by DHS Components rather than by major budget account because the Department manages its budget at the Component level.

Combining Statement of Budgetary Resources by Sub-Organization Accounts

For the Year Ended September 30, 2022 (in millions)

	CBP	FEMA	ICE	TSA	USCG	USCIS	USSS	CISA	Dept Ops. and Others	TOTAL
BUDGETARY RESOURCES										
Unobligated Balance from Prior Year Budget Authority, Net (discretionary and mandatory) (Note 27)	$ 5,130	$ 49,208	$ 1,069	$ 902	$ 4,188	$ 1,823	$ 291	$ 579	$ 2,515	**$ 65,705**
Appropriations (discretionary and mandatory)	25,134	26,916	8,928	6,460	14,041	5,500	2,876	2,600	5,494	**97,949**
Borrowing Authority (discretionary and mandatory) (Note 23)	-	4	-	-	-	-	-	-	-	**4**
Spending Authority from Offsetting Collections (discretionary and mandatory)	1,907	3,580	216	2,562	587	77	25	3	2,140	**11,097**
TOTAL BUDGETARY RESOURCES	**$ 32,171**	**$ 79,708**	**$ 10,213**	**$ 9,924**	**$ 18,816**	**$ 7,400**	**$ 3,192**	**$ 3,182**	**$ 10,149**	**$ 174,755**
STATUS OF BUDGETARY RESOURCES										
New Obligations and Upward Adjustments (total)	$ 27,480	$ 54,764	$ 9,449	$ 9,069	$ 15,043	$ 4,969	$ 3,006	$ 2,936	$ 6,483	**$ 133,199**
Unobligated Balance, End of Year										
Apportioned, Unexpired Accounts	3,747	24,449	418	537	3,498	567	89	180	3,150	**36,635**
Exempt from Apportionment, Unexpired Accounts	2	-	-	-	4	-	1	-	-	**7**
Unapportioned, Unexpired Accounts	296	226	2	62	69	1,831	2	1	108	**2,597**
Unexpired Unobligated Balance, End of Year	4,045	24,675	420	599	3,571	2,398	92	181	3,258	**39,239**
Expired Unobligated Balance, End of Year	646	269	344	256	202	33	94	65	408	**2,317**
Unobligated Balance Brought Forward, End of Year	**4,691**	**24,944**	**764**	**855**	**3,773**	**2,431**	**186**	**246**	**3,666**	**41,556**
TOTAL BUDGETARY RESOURCES	**$ 32,171**	**$ 79,708**	**$ 10,213**	**$ 9,924**	**$ 18,816**	**$ 7,400**	**$ 3,192**	**$ 3,182**	**$ 10,149**	**$ 174,755**
OUTLAYS, NET AND DISBURSEMENTS, NET										
Outlays, Net (total) (discretionary and mandatory)	24,026	35,886	8,867	6,171	12,380	4,400	2,750	2,221	3,746	**100,447**
Distributed Offsetting Receipts (-)	(5,406)	(940)	(256)	(1,727)	432	(5,490)	(2)	-	(8)	**(13,397)**
Agency Outlays, Net (discretionary and mandatory)	**$ 18,620**	**$ 34,946**	**$ 8,611**	**$ 4,444**	**$ 12,812**	**$ (1,090)**	**$ 2,748**	**$ 2,221**	**$ 3,738**	**$ 87,050**
Disbursements, Net (total) (mandatory)	$ -	$ (93)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (93)

3. *Custodial Activity*

Substantially all duty, tax, and fee revenues collected by CBP are remitted to various general fund accounts maintained by Treasury and the U.S. Department of Agriculture. Treasury further distributes this revenue to other federal agencies in accordance with various laws and regulations. CBP transfers the remaining revenue (generally less than one percent of revenue collected) directly to either other federal or non-federal agencies. Refunds of revenue collected from import/export activities are recorded in separate accounts established for this purpose and are funded through permanent indefinite appropriations. These activities reflect the non-entity, or custodial, responsibilities that CBP, as an agency of the Federal Government, has been authorized by law to enforce.

CBP reviews selected documents to ensure all duties, taxes, and fees owed to the Federal Government are paid and to ensure all regulations are followed. If CBP determines duties, taxes, fees, fines, or penalties are due in addition to estimated amounts previously paid by the importer/violator, the importer/violator is notified of the additional amount due. CBP regulations allow the importer/violator to file a protest on the additional amount due for review by the Center Director. A protest allows the importer/violator the opportunity to submit additional documentation supporting the claim of a lower amount due or to cancel the additional amount due in its entirety. During this protest period, CBP does not have a legal right to the importer/violator's assets, and consequently CBP recognizes accounts receivable only when the protest period has expired, or an agreement is reached.

For FY 2022 and FY 2021, CBP had the legal right to collect $8,633 million and $8,093 million of receivables, respectively. In addition, there were $2,924 million and $3,821 million representing records still in the protest phase for both FY 2022 and FY 2021, respectively. CBP recognized $318 million and $461 million as write-offs, respectively, for assessments the Department had statutory authority to collect at September 30, 2022, and 2021, but have no future collection potential. Most of this amount represents duties, taxes, and fees.

4. Land

DHS has both general property, plant, and equipment and stewardship land.

DHS follows the *Federal Land Policy and Management Act of 1976* (P.L. 94-579), 43 U.S.C. Chapter 35: Federal Land Policy and Management, SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, SFFAS No. 29, *Heritage Assets and Stewardship Land*, and SFFAS No. 59, *Accounting and Reporting Government Land,* for the acquisition, maintenance, use, and disposal of General-PP&E and stewardship land. Stewardship land includes both public domain and acquired land and land rights owned by the DHS that is intended to be held indefinitely.

General Property, Plant, and Equipment Land as of September 30, 2022 consisted of the following:

Estimated Acreage by Predominant Use – General PP&E Land

	Conservation and Preservation	Operational	Total Estimated Acreage
Start of Prior Year	84	82,973	83,057
End of Prior Year/Start of Current Year	84	83,562	83,646
End of Current Year	84	84,564	84,648
Held for Disposal or Exchange			
End of Prior Year	-	7,042	7,042
End of Current Year	-	6,613	6,613

CBP currently holds land used in both operations and held in an administrative capacity. For border security operations, land has been acquired for border barriers, land ports of entry, and border patrol stations.

FEMA's Center for Domestic Preparedness (CDP), located in Alabama, is committed to having an emergency response community prepared for and capable of responding to hazardous events. The CDP identifies, develops, tests, and delivers training to state, local, and tribal emergency response providers. The CDP provides on-site and mobile training at the performance, management, and planning levels. This location also facilitates the delivery of training by the training partners of DHS.

ICE maintains a portfolio of federally owned land used to support the ICE missions to protect America from the cross-border crime and illegal immigration that threaten national security and public safety. The land and associated facilities are used by Enforcement and Removal Operations (ERO) entities to identify, arrest, transport, detain, and remove noncitizens in the U.S. illegally. Similarly, ICE-owned land and facilities to support Homeland Security Investigations (HSI) in conducting federal criminal investigations into the illegal cross-border movement of people, goods, money, technology, and other contraband throughout the U.S.

USCG's land holdings mainly support ports, waterways, and coastal security, aids to navigation, search and rescue, and eight other agency missions.

USSS owns federal land at the James J. Rowley Training Center that is used for various mission support and training purposes.

Stewardship Land as of September 30, 2022 consisted of the following:

Estimated Acreage by Predominant Use – Stewardship Land

	Conservation and Preservation	Operational	Total Estimated Acreage
Start of Prior Year	647	107	754
End of Prior Year/Start of Current Year	647	107	754
End of Current Year	647	107	754

FEMA's National Emergency Training Center (NETC) in Maryland offers educational resources. The NETC campus houses the U.S. Fire Administration and the National Fire Academy.

S&T's Plum Island Lighthouse and the Fort Terry Historic District are listed in the National Register of Historic Places.

For additional information on stewardship property, plant, and equipment, see Note 12, Stewardship Property, Plant, and Equipment.

Independent Auditor's Report

OFFICE OF INSPECTOR GENERAL

Independent Auditors' Report on the Department of Homeland Security's Consolidated Financial Statements for FYs 2022 and 2021 and Internal Control over Financial Reporting

Homeland Security

November 15, 2022

OIG-23-02

OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

November 15, 2022

MEMORANDUM FOR: The Honorable Alejandro Mayorkas
Secretary
Department of Homeland Security

FROM: Glenn Sklar GLENN E SKLAR Digitally signed by GLENN E SKLAR Date: 2022.11.15 12:39:06 -05'00'
Principal Deputy Inspector General

SUBJECT: *Independent Auditors' Report on the Department of Homeland Security's Consolidated Financial Statements for FYs 2022 and 2021 and Internal Control over Financial Reporting*

The attached report presents the results of an integrated audit of the Department of Homeland Security's consolidated financial statements for fiscal years 2022 and 2021 and internal control over financial reporting as of September 30, 2022. This audit is required by the *Chief Financial Officers Act of 1990,* as amended by the *Department of Homeland Security Financial Accountability Act* (October 16, 2004).

We contracted with the independent public accounting firm KPMG LLP (KPMG) to conduct the audit. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards, Office of Management and Budget audit guidance, and the GAO/CIGIE *Financial Audit Manual.*

The Department achieved an unmodified (clean) opinion on all financial statements. However, KPMG issued an adverse opinion on DHS' internal control over financial reporting because of material weaknesses in internal control. KPMG identified material weaknesses in internal control in four areas and significant deficiencies in two areas. KPMG also reported two instances of noncompliance with laws and regulations.

Below are the areas in which KPMG identified material weaknesses and significant deficiencies, and laws and regulations with which KPMG identified noncompliance.

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OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Material Weaknesses in Internal Control

- Information Technology Controls and Information Systems
- Financial Reporting
- Insurance Liabilities
- New System Obligations

Significant Deficiencies in Internal Control

- Custodial Activities: Seized and Forfeited Property
- Grants Management

Noncompliance with Laws and Regulations

- *Federal Managers' Financial Integrity Act of 1982* (FMFIA)
- *Federal Financial Management Improvement Act of 1996* (FFMIA)

Moving DHS' Financial Management Forward

This past fiscal year, the Department continued its commitment to identifying areas for improvement, developing and monitoring corrective actions, and establishing and maintaining effective internal control over financial reporting. Looking forward, to sustain a clean opinion on its financial statements and obtain a clean opinion on its internal control over financial reporting, the Department must continue remediation efforts and stay focused.

*****

KPMG is responsible for the attached Independent Auditors' Report dated November 14, 2022, and the conclusions expressed in the report. We do not express opinions on DHS' financial statements or internal control over financial reporting or conclusions on compliance and other matters.

Consistent with our responsibility under the *Inspector General Act of 1978, as amended*, we will provide copies of our report to congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact Bruce Miller, Deputy Inspector General for Audits, at (202) 981-6000.

Attachment

www.oig.dhs.gov 2

DHS OIG HIGHLIGHTS

Independent Auditors' Report on the Department of Homeland Security's Consolidated Financial Statements for FYs 2022 and 2021 and Internal Control over Financial Reporting

November 15, 2022

Why We Did This Audit

The *Chief Financial Officers Act of 1990* (Public Law 101-576) and the *Department of Homeland Security Financial Accountability Act* (Public Law 108-330) require us to conduct an annual audit of the Department of Homeland Security's consolidated financial statements and internal control over financial reporting.

What We Recommend

KPMG made 19 recommendations that, when implemented, may help improve the Department's internal control.

For Further Information:
Contact our Office of Public Affairs at (202) 981-6000, or email us at DHS-OIG.OfficePublicAffairs@oig.dhs.gov

What We Found

The independent public accounting firm KPMG LLP (KPMG) has issued an unmodified (clean) opinion on DHS' consolidated financial statements. KPMG noted that the financial statements present fairly, in all material respects, DHS' financial position as of September 30, 2022 and 2021.

KPMG issued an adverse opinion on DHS' internal control over financial reporting as of September 30, 2022. KPMG's report identified material weaknesses in internal control in four areas and other significant deficiencies in two areas. KPMG also reported instances of noncompliance with two laws and regulations.

Material Weaknesses

- Information Technology Controls and Information Systems
- Financial Reporting
- Insurance Liabilities
- New System Obligations

Other Significant Deficiencies

- Custodial Activities: Seized and Forfeited Property
- Grants Management

Noncompliance with Laws and Regulations

- Federal Managers' Financial Integrity Act of 1982
- Federal Financial Management Improvement Act of 1996

Management's Response

DHS concurred with all of the recommendations.

www.oig.dhs.gov OIG-23-02

OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

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Appendixes

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Secretary and Inspector General
U.S. Department of Homeland Security:

Report on the Consolidated Financial Statements and Internal Control

Opinions on the Consolidated Financial Statements and Internal Control Over Financial Reporting

We have audited the consolidated financial statements of the U.S. Department of Homeland Security (DHS), which comprise the consolidated balance sheets as of September 30, 2022 and 2021, and the related consolidated statements of net costs, changes in net position, and custodial activity, and combined statements of budgetary resources for the years then ended, and the related notes to the consolidated financial statements. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of DHS as of September 30, 2022 and 2021, and its net costs, changes in net position, budgetary resources, and custodial activity for the years then ended in accordance with U.S. generally accepted accounting principles.

We also have audited DHS's internal control over financial reporting as of September 30, 2022, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States. In our opinion, because of the effect of the material weaknesses described in the Basis for Adverse Opinion on Internal Control Over Financial Reporting section on the achievement of the objectives of the control criteria, DHS has not maintained effective internal control over financial reporting as of September 30, 2022, based on criteria established in the *Standards for Internal Control in the Federal Government*, issued by the Comptroller General of the United States.

We considered the material weaknesses described in the Basis for Adverse Opinion on Internal Control Over Financial Reporting section in determining the nature, timing, and extent of audit procedures applied in our audit of the fiscal year 2022 consolidated financial statements, and the material weaknesses do not affect such report on the consolidated financial statements.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of DHS and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on Internal Control Over Financial Reporting

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. The following material weaknesses have been identified and included in the accompanying *Management's Report on Internal Control over Financial Reporting* and are further described in the accompanying Exhibits as items A through D.

A. Information Technology Controls and Information Systems
B. Financial Reporting
C. Insurance Liabilities
D. New System Obligations

Emphasis of Matter

As discussed in Note 15 to the consolidated financial statements, DHS had intragovernmental debt used to finance the National Flood Insurance Program (NFIP) of approximately $21 billion as of September 30, 2022 and 2021. The principal and interest payments are financed by the flood premiums from policyholders. Given the current rate structure, DHS will not be able to pay its debt from the premium revenue alone; therefore, DHS does not anticipate repaying the debt. Our opinion is not modified with respect to this matter.

Other Matters - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the *Agency Financial Report* to provide additional information for the users of its consolidated financial statements. Such information is not a required part of the consolidated financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Consolidated Financial Statements and Internal Control Over Financial Reporting

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying *Management's Report on Internal Control over Financial Reporting*.

Auditors' Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and about whether effective internal control over financial reporting was maintained in all material respects, and to issue an auditors' report that includes our opinions.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit of consolidated financial statements or an audit of internal control over financial reporting conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement or a material weakness when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit of consolidated financial statements and an audit of internal control over financial reporting in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.

2

KPMG

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the consolidated financial statement audit in order to design audit procedures that are appropriate in the circumstances.
- Obtain an understanding of internal control over financial reporting relevant to the audit of internal control over financial reporting, assess the risks that a material weakness exists, and test and evaluate the design and operating effectiveness of internal control over financial reporting based on the assessed risk.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the consolidated financial statement audit.

We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

Definition and Inherent Limitations of Internal Control Over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic consolidated financial statements. Such information is the responsibility of management and, although not a part of the basic consolidated financial statements, is required by the Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audits of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the *Agency Financial Report*. The other information comprises the About this Report, Message from the Secretary, Message from the Chief Financial Officer, Introduction, Other Information, and Acronym List sections but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting on Internal Control

In accordance with *Government Auditing Standards*, we are required to report findings of significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Exhibits as items E and F to be significant deficiencies.

E. Custodial Activities: Seized and Forfeited Property
F. Grants Management

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DHS's consolidated financial statements as of and for the year ended September 30, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01, and which are described in the accompanying Exhibits as item G.

G. *Federal Managers' Financial Integrity Act of 1982* (FMFIA)

We also performed tests of DHS's compliance with certain provisions referred to in Section 803(a) of the *Federal Financial Management Improvement Act of 1996* (FFMIA). Providing an opinion on compliance with FFMIA was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances, described in the accompanying Exhibits, in which DHS's financial management systems did not substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, or application of the United States Government Standard General Ledger at the transaction level.

DHS's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on DHS's response to the findings identified in our audit and described in Appendix A. DHS's response was not subjected to the other auditing procedures applied in the audit of the consolidated financial statements or the audit of internal control over financial reporting and, accordingly, we express no opinion on the response.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Other Reporting on Internal Control and the Report on Compliance and Other Matters sections is solely to describe the deficiencies we consider to be significant deficiencies and the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 14, 2022

Independent Auditors' Report
Exhibits Overview

The weaknesses in internal control over financial reporting (internal control) existed as of September 30, 2022, and the instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements were identified during the year ended September 30, 2022. The determination of which control deficiencies rise to the level of a material weakness or a significant deficiency is based on an evaluation of the impact of control deficiencies identified in all components, considered individually and in the aggregate, on the DHS consolidated financial statements as of September 30, 2022. Component-level deficiencies vary in severity. The associated entity level controls, as defined by the Government Accountability Office's *Standards for Internal Control in the Federal Government,* issued by the Comptroller General of the United States (Green Book), are also identified in relation to the control activities in the corresponding areas of the following Exhibits.

The findings are presented in three Exhibits:

Exhibit I Material Weaknesses. A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. DHS has material weaknesses within each of the following areas:

A. Information Technology Controls and Information Systems
B. Financial Reporting
C. Insurance Liabilities
D. New System Obligations

Exhibit II Significant Deficiencies. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by DHS management and others in positions of DHS oversight. DHS has significant deficiencies within each of the following areas:

E. Custodial Activities: Seized and Forfeited Property
F. Grants Management

Exhibit III Compliance and Other Matters. The compliance and other matters identified included instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements, and other matters that are required to be reported under *Government Auditing Standards* or Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. DHS has instances of noncompliance as follows:

G. *Federal Managers' Financial Integrity Act of 1982*
H. *Federal Financial Management Improvement Act of 1996*

Criteria DHS's internal control over financial reporting is based on the criteria established by the Green Book.

Independent Auditors' Report
Exhibit I – Material Weaknesses

I-A Information Technology Controls and Information Systems

Background:

Information technology (IT) controls are a critical subset of an entity's internal control. There are two main types of IT controls: IT general controls (ITGCs) and application controls. ITGCs operate over entire or large portions of systems and represent the foundation of an IT control structure. They are applied at the entity-wide, operating system, database, or application level, and include controls over access, segregation of duties, configuration management, and security management. Effective ITGCs are necessary to create the foundation for the operation of application controls. Application controls are those controls that directly relate to specific IT applications and ensure completeness, accuracy, validity, confidentiality, and availability of data. The deficiencies indicated in this Exhibit are representative of ITGC and application control deficiencies at headquarters and various components across DHS including U.S. Customs and Border Protection (CBP), Federal Emergency Management Agency (FEMA), U.S. Immigration and Customs Enforcement (ICE), Transportation Security Administration (TSA), U.S. Coast Guard (USCG), and U.S. Citizenship and Immigration Services (USCIS).

Conditions:

DHS did not design and implement the entity's information systems and related control activities to achieve objectives and respond to risks as required by Green Book principles 11, *Design Activities for the Information System*, and 12, *Implement Control Activities*. Specifically, DHS had:

- Ineffective design, implementation, or operating effectiveness of ITGCs over IT operating systems, databases, and applications supporting financial reporting processes across DHS in the following areas:

  Access control and segregation of duties

  - User, service, shared, privileged, and generic (including emergency, temporary, developer, and migrator) accounts not properly authorized, recertified, and revoked timely;
  - The principles of least privilege and segregation of duties not applied;
  - Login events not monitored or reviewed;

  Configuration management

  - Systems not properly configured;
  - System changes not documented, authorized, or monitored;

  Security management

  - Assessments and documentation required for a system Authority to Operate (ATO) not completed or approved;
  - Internal manuals not timely updated for current industry guidance; and
  - Identified vulnerabilities not timely remediated.
- Ineffective implementation of ITGCs prior to system migration.
- Ineffective design, implementation, or operating effectiveness of ITGCs at service organizations.
- Ineffective operating effectiveness of application controls and manual controls that are dependent upon the information derived from DHS information systems.

I.2

Independent Auditors' Report
Exhibit I – Material Weaknesses

DHS continued to have deficiencies in its design and implementation of controls related to information technology. These deficiencies have persisted since the inception of DHS. As a result, DHS did not remediate identified internal control deficiencies on a timely basis as required by Green Book principle 17, *Evaluate Issues and Remediate Deficiencies*. Specifically, DHS had:

- Ineffective design and implementation of controls to remediate IT findings, including insufficient corrective actions to address deficiencies that have existed for several years in multiple information systems.

Causes:

These deficiencies are a result of the failure of entity level controls, as follows:

Green Book principle 7 requires that "Management should identify, analyze, and respond to risks related to achieving the defined objectives." DHS did not effectively implement and operate Green Book principle 7. Specifically:

- DHS did not fully implement a robust risk assessment to identify and mitigate the risks arising from IT.
- DHS did not resolve the risks created by historic limitations in the functionality of its information systems.
- DHS did not successfully mitigate the risk created by implementing manual controls to compensate for risks resulting from decentralized systems and records management processes or utilities with limited automated capabilities.

Green Book principle 14 requires that "Management should internally communicate the necessary quality information to achieve the entity's objectives." DHS did not effectively implement and operate Green Book principle 14. Specifically:

- DHS did not communicate internally to properly authorize, recertify, or revoke access to systems or to authorize and monitor system changes.
- DHS did not timely update and distribute internal manuals based on industry guidance.

Green Book principle 16 requires that "Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results." DHS did not effectively implement and operate Green Book principle 16. Specifically:

- DHS did not effectively implement a formalized process to monitor the third-party service organizations responsible for maintaining the infrastructure support for various IT systems.
- DHS established corrective action plans but did not effectively monitor them to track progress towards timely remediation of deficiencies.

Effects:

Deficiencies in access controls and segregation of duties increase the risk that current employees, separated employees, or contractors may obtain unauthorized or inappropriate access to information systems or data. Such access could lead to unauthorized activities or inappropriate disclosures of sensitive data. Deficiencies in configuration management increase the risk that unauthorized or inappropriate changes to systems will be applied and go undetected by management, resulting in lower assurance that information systems will operate as intended and that data is reliable, valid, and complete. Deficiencies in security management increase the risk that system vulnerabilities will not be identified and remediated, compromising the reliability and integrity of data and increasing the risk of data loss.

In addition, system limitations contribute to deficiencies in multiple financial process areas across DHS. Many key DHS information systems are not compliant with Federal financial management system requirements as defined by FFMIA, as noted in Exhibit III. These system limitations cause a greater risk of error and result in inconsistent, incomplete, or inaccurate control execution.

Collectively, DHS's lack of an appropriate risk assessment to identify and mitigate the ITGC and application control deficiencies limits DHS's ability to process, store, and report financial data in a manner that ensures accuracy, confidentiality, integrity, and availability. In some cases, in response to these deficiencies, DHS intended to utilize manual controls; however, these manual controls often were not properly designed or implemented, or did not operate effectively, as reported in Exhibits I and II.

Recommendations:

We recommend that DHS:

1. Office of the Chief Financial Officer (OCFO), in coordination with the Office of the Chief Information Officer (OCIO), the Office of the Chief Information Security Officer (OCISO), and component IT and financial management, complete a comprehensive risk analysis and develop a mitigation plan to reduce risks related to ITGC and application control deficiencies timely;

2. OCFO, in coordination with the OCIO, the OCISO, and component IT and financial management, design, implement, and communicate effective internal control processes to address the risk of errors due to IT system functionality issues, the inability to rely on information derived from systems, and the inability to rely on application controls until system deficiencies are remediated;

3. OCISO, the OCIO, and component IT management sufficiently monitor IT vulnerabilities and limitations, and coordinate with the OCFO and component financial management to implement manual controls to mitigate risk;

4. OCFO, in coordination with the OCIO, the OCISO, and component IT and financial management, design and implement an effective internal control process to review service organization risks and evaluate ineffective service organization ITGCs and design and implement appropriate compensating controls; and

5. OCFO, in coordination with the OCIO, the OCISO, and component IT and financial management, develop, implement, and monitor internal manuals and corrective action plans.

Independent Auditors' Report
Exhibit I – Material Weaknesses

I-B Financial Reporting

Background:

Internal control is a process effected by those charged with governance, management, and other personnel, and is designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles.

Conditions:

DHS did not design control activities to achieve internal control objectives and respond to risks as required by Green Book principle 10, *Design Control Activities*, or implement the entity's information systems and related control activities through policies as required by Green Book principles 11, *Design Activities for the Information System*, and 12, *Implement Control Activities*. Specifically, DHS had:

- Ineffective design, implementation, or operating effectiveness of controls supporting financial reporting processes across DHS in the following areas:

  <u>Journal entries</u>

  - Recurring manual journal entries not analyzed for completeness at USCG;
  - Manual journal entry amounts and attributes not validated with appropriate supporting documentation at CBP and USCG;

  <u>Service organization control (SOC) reports</u>

  - Service provider risks not addressed by obtaining and effectively reviewing SOC reports, or by assessing the risks when a SOC report does not exist, at multiple components across DHS;

  <u>Application controls and information derived from systems</u>

  - Manual controls to compensate for application control deficiencies not designed and implemented at multiple components across DHS;
  - Baseline assessments of application controls and information derived from systems with effective ITGCs not performed at CBP and ICE;

  <u>Application of accounting standards</u>

  - Accounting standards related to the recognition and disclosure of certain liabilities not properly reviewed at FEMA; and

  <u>Response to risk presented by the USCG financial system migration</u>

  - Risks over various business processes not adequately identified, analyzed, or responded to at USCG.

DHS continued to have deficiencies in its design and implementation of controls over Financial Reporting. DHS did not remediate identified internal control deficiencies on a timely basis as required by Green Book principle 17, *Evaluate Issues and Remediate Deficiencies*.

Causes:

These deficiencies are a result of the failure of entity level controls as follows:

Green Book principle 5 requires that "Management should evaluate performance and hold individuals accountable for their internal control responsibilities." DHS did not effectively implement and operate Green Book principle 5. Specifically:

- DHS did not enforce accountability of personnel responsible for the review of SOC reports.

Independent Auditors' Report
Exhibit I – Material Weaknesses

Green Book principle 7 requires that "Management should identify, analyze, and respond to risks related to achieving the defined objectives." DHS did not effectively implement and operate Green Book principle 7. Specifically:

- DHS did not sufficiently respond to the risk posed by incomplete or inaccurate journal entry supporting documentation.
- DHS did not fully implement a robust risk assessment to identify and mitigate the risks arising from IT, including those related to inappropriate reliance on information derived from systems.
- DHS did not assess the risks created by IT deficiencies and their impact on other controls.

Green Book principle 9 requires that "Management should identify, analyze, and respond to significant changes that could impact the internal control system." DHS did not effectively implement and operate Green Book principle 9. Specifically:

- DHS did not sufficiently identify, analyze, and respond to the changes presented by USCG's financial system migration and certain programs at FEMA.

Green Book principle 13 requires that "Management should use quality information to achieve the entity's objectives." DHS did not effectively implement and operate Green Book principle 13. Specifically:

- DHS did not obtain the appropriate information timely to support proposed journal entries.
- DHS did not process data into quality information that was useable for operating controls effectively.
- DHS did not perform baseline testing of information generated by applications prior to relying on that information as part of a control.

Green Book principle 16 requires that "Management should establish and operate monitoring activities to monitor the internal control system and evaluate the results." DHS did not effectively implement and operate Green Book principle 16. Specifically:

- DHS did not perform continuous monitoring and testing of IT and financial controls for all significant areas, including monitoring the activities and controls performed by service organizations.
- DHS did not sufficiently monitor the status of corrective action plans.
- DHS did not design and implement sufficient procedures to review SOC reports, including identification and assessment of complementary user entity controls.
- DHS did not monitor changes to the internal control system to identify the need for a liability disclosure.

Effects:

The failure to adequately design, implement, and operate internal controls over journal entries resulted in misstatements that occurred without being prevented, or detected and corrected timely.

The failure to adequately design, implement, and operate internal controls related to oversight of service organizations increases the risk that misstatements can occur without being prevented, or detected and corrected timely.

The failure to adequately identify, analyze, and assess changes to the internal control system, including the risks arising from the implementation of a new financial system, increases the risk that the financial information used in controls is not reliable. This failure also resulted in the omission of a liability disclosure, which management subsequently corrected.

The failure to adequately design, implement, and operate internal controls related to the baseline assessment of application controls and information derived from systems prevents management from relying on application controls. It also prevents management from relying on the information derived from systems used to record transactions and perform control activities.

Independent Auditors' Report
Exhibit I – Material Weaknesses

The lack of compensating controls for IT deficiencies also results in noncompliance with Federal financial management system requirements, as defined by FFMIA and reported in Exhibit III.

The improper review of accounting standards also results in noncompliance with FFMIA, as reported in Exhibit III.

The failure to perform continuous monitoring and testing of IT and financial controls results in lack of timely remediation of existing deficiencies and noncompliance with FMFIA, as reported in Exhibit III.

Recommendations:

We recommend that DHS:

6. perform an analysis to assess the risks of the migration to a new general ledger system and implement controls to ensure all necessary journal entries are completely recorded each period;
7. develop new policies or improve and reinforce existing policies, procedures, and related internal controls, to ensure journal entries are adequately researched, supported, and reviewed before and after recording in the general ledger;
8. enforce accountability for adherence to policies and procedures and provide the necessary financial reporting oversight;
9. improve the process for identification, analysis, and response over significant changes and updates to risks assessments related to financial reporting, including risks associated with changes to financial systems and new liabilities;
10. align knowledgeable individuals to monitor and evaluate the roles of service organizations, assess controls at those service organizations, and identify and assess complementary user entity controls within the components relying on those service organizations; and
11. improve monitoring controls over assessing internal controls and remediating known internal control deficiencies timely.

Independent Auditors' Report
Exhibit I – Material Weaknesses

I-C Insurance Liabilities

Background:

DHS manages the NFIP, a program to provide flood insurance to policyholders through a network of write-your-own (WYO) insurance companies. These insurance companies provide services on behalf of DHS, including underwriting premium policies and processing claims. DHS used the WYO data, along with NFIP loss and loss adjustment expense factors, to estimate the liabilities. DHS's insurance liabilities include an actuarially derived insurance liability for claims incurred but not yet reported and a liability for losses on remaining coverage as of September 30, 2022. The liability for losses on remaining coverage results from DHS's FY 2022 implementation of a new premium policy rating system referred to as Risk Rating 2.0.

Conditions:

DHS did not design control activities to achieve objectives and respond to risks as required by Green Book principle 10, *Design Control Activities*, or implement the related control activities through policies as required by Green Book principle 12, *Implement Control Activities*. Specifically, at FEMA, DHS had:

- Insufficient design of the controls over the validation of the underlying data used in the valuation of the flood insurance liabilities; and
- Insufficient design and implementation of the controls over the assumptions, methods, and models used in the valuation of the flood insurance liabilities.

Causes:

These deficiencies are a result of the failure of entity level controls as follows:

Green Book principle 3 requires that "Management develops and maintains documentation of its internal control system." DHS did not effectively implement and operate Green Book principle 3. Specifically:

- DHS did not adequately document the determination and appropriateness of the methods, models, and assumptions used in the actuarial insurance liability estimates.

Green Book principle 5 requires that "Management should evaluate performance and hold individuals accountable for their internal control responsibilities." DHS did not effectively implement and operate Green Book principle 5. Specifically:

- DHS did not enforce accountability of personnel responsible for reviewing the underlying data and the appropriateness of the assumptions, methods, and models used in the actuarial insurance liability estimates.

Green Book principle 9 requires that "Management should identify, analyze, and respond to significant changes that could impact the internal control system." DHS did not effectively implement and operate Green Book principle 9. Specifically:

- DHS did not properly assess and document the appropriateness of changes to the methods, models, and assumptions for the actuarial insurance liability estimates.

DHS continued to have deficiencies in its design and implementation of controls over insurance liabilities. DHS did not remediate identified internal control deficiencies on a timely basis as required by Green Book principle 17, *Evaluate Issues and Remediate Deficiencies*.

Effect:

The failure to adequately design, implement, and operate internal controls over the actuarially derived estimates increases the risk that misstatements to insurance liabilities on the Balance Sheet can occur without being prevented, or detected and corrected, timely.

Independent Auditors' Report
Exhibit I – Material Weaknesses

Recommendations:

We recommend that DHS:

12. develop new policies, or improve and reinforce existing policies, procedures, and related internal controls, to ensure that:
    a. the underlying data to actuarially derived estimates is reviewed timely;
    b. information derived from the systems used in the operations of controls is determined to be complete and accurate;
    c. risks related to the methods, models, assumptions, and data elements are assessed each year to identify, plan, and respond to changes; and
    d. changes to the methods, models, assumptions, and data elements are sufficiently documented.

Independent Auditors' Report
Exhibit I – Material Weaknesses

I-D New System Obligations

Background:

In FY 2022, USCG migrated to a new financial system. The financial system migration resulted in significant changes to existing processes, including changes to the process for recording obligations and expenditures incurred against obligations. USCG personnel record key data elements for new contracts and receipts of goods and services in the financial system, which drive the accounting for the transactions.

Conditions:

DHS did not design control activities to achieve objectives and respond to risks as required by Green Book principle 10, *Design Control Activities*, or implement the related control activities through policies as required by Green Book principle 12, *Implement Control Activities*. Specifically, at USCG, DHS had:

- Insufficient design and implementation of controls over the review of obligations incurred; and
- Insufficient design and implementation of controls over recording the receipt of goods and services to ensure the accuracy of expenditure records.

Causes:

These deficiencies are a result of the failure of entity level controls as follows:

Green Book principle 3 requires that "Management develops and maintains documentation of its internal control system." DHS did not effectively implement and operate Green Book principle 3. Specifically:

- DHS did not adequately document changes to their internal control system to allow control owners to effectively operate controls over obligations incurred and the related expenditures.

Green Book principle 4 requires that "Management recruits, develops, and retains competent personnel to achieve the entity's objectives." DHS did not effectively implement and operate Green Book principle 4. Specifically:

- DHS did not sufficiently train control owners on the necessary knowledge and skills related to the new financial system to enable them to properly operate controls over obligations incurred and the related expenditures.

Green Book principle 7 requires that "Management should identify, analyze, and respond to risks related to achieving the defined objectives." DHS did not effectively implement and operate Green Book principle 7. Specifically:

- DHS did not fully implement a robust risk assessment to identify and mitigate the risks arising from IT.
- DHS did not assess the risks created by IT deficiencies and their impact on other controls.

Green Book principle 9 requires that "Management should identify, analyze, and respond to significant changes that could impact the internal control system." DHS did not effectively implement and operate Green Book principle 9. Specifically:

- DHS did not sufficiently identify, analyze, and respond to the risks presented by USCG's financial system migration.

Effects:

The failure to adequately design, implement, and operate internal controls over the review of obligations incurred and related expenditures increases the risk that misstatements to obligations incurred and upward adjustments on the Statement of Budgetary Resources and expenditures on the Balance Sheet and Statement of Net Cost can occur without being prevented, or detected and corrected, timely. These deficiencies resulted in misstatements to Other Liabilities and Accounts Payable on the Balance Sheet.

Independent Auditors' Report
Exhibit I – Material Weaknesses

Recommendations:

We recommend that DHS:

13. perform a robust risk assessment related to the financial system migration and design and implement controls to respond to identified risks; and
14. provide training to enable control operators to properly perform control responsibilities.

Independent Auditors' Report
Exhibit II – Significant Deficiencies

II-E Custodial Activities: Seized and Forfeited Property

Background:

DHS is responsible for reporting seized and forfeited property that is in its custody. DHS seizes various items, including prohibited drugs and counterfeit goods. DHS relies on several of its components to enter case information, including weights and measures, into the seized and forfeited property system.

Conditions:

DHS did not design and implement control activities to achieve objectives and respond to risks as required by Green Book principle 10, *Design Control Activities*, or implement control activities through policies as required by Green Book principle 12, *Implement Control Activities*. Specifically, at CBP and ICE, DHS had:

- Ineffective design, implementation, and operating effectiveness of controls over seized and forfeited asset transactions not recorded properly and timely in the seized and forfeited assets tracking system by CBP and ICE personnel.

Causes:

These deficiencies are a result of the failure of entity level controls as follows:

Green Book principle 7 requires that "Management should identify, analyze, and respond to risks related to achieving the defined objectives." DHS did not effectively implement and operate Green Book principle 7. Specifically:

- DHS did not respond to identified risks related to seized and forfeited property information inputted and updated in the system of record.

Green Book principle 13 requires that "Management should use quality information to achieve the entity's objectives." DHS did not effectively implement and operate Green Book principle 13. Specifically:

- DHS did not use reliable information to identify the need to revise seized and forfeited property information, when necessary.

DHS continued to have deficiencies in its design and implementation of controls over seized and forfeited property. DHS did not remediate identified internal control deficiencies on a timely basis as required by Green Book principle 17, *Evaluate Issues and Remediate Deficiencies*.

Effect:

Failure to effectively operate control activities related to seized and forfeited property resulted in misstatements of the Seized and Forfeited Property note to the financial statements.

Recommendation:

We recommend that DHS:

15. enhance existing controls, including using quality information, to prevent and detect material errors in the seized property footnote.

II.1

Independent Auditors' Report
Exhibit II – Significant Deficiencies

II-F Grants Management

Background:

DHS manages multiple Federal disaster and non-disaster grant programs, as well as other needs assistance programs, including programs related to the coronavirus pandemic. In FY 2018, DHS began implementation of the process to standardize all grant management activities, which continued into FY 2022. This included coordination among the grant regional offices and central management as well as among the various grant programs. To monitor the spending of the disaster and non-disaster grant funding, DHS performs site visits and monitors Federal Financial Reports submitted by grant recipients.

Conditions:

DHS did not design control activities to achieve objectives and respond to risks as required by Green Book principle 10, *Design Control Activities*, or implement control activities through policies as required by Green Book principle 12, *Implement Control Activities*. Specifically, at FEMA, DHS had:

- Ineffective controls over monitoring of grant recipients; and
- Insufficient delegation of authority documentation for controls over the review of disaster grant obligations and deobligations.

Causes:

These deficiencies are a result of the failure of entity level controls as follows:

Green Book principle 5 requires that "Management should evaluate performance and hold individuals accountable for their internal control responsibilities." DHS did not effectively implement and operate Green Book principle 5. Specifically:

- DHS did not enforce accountability of personnel responsible for monitoring grant recipients and documenting the delegation of authority for the review of disaster grant obligations and deobligations.

Green Book principle 7 requires that "Management should identify, analyze, and respond to risks related to achieving the defined objectives." DHS did not effectively implement and operate Green Book principle 7. Specifically:

- DHS did not establish control thresholds to determine the appropriate scope of grant monitoring site visits and desk reviews to minimize residual risk.

DHS continued to have deficiencies in its design and implementation of controls over grants management. DHS did not remediate identified internal control deficiencies on a timely basis as required by Green Book principle 17, *Evaluate Issues and Remediate Deficiencies*.

Effects:

The failure to enforce the accountability of personnel during FY 2022 caused ineffective monitoring of open and closed grants. Ineffective monitoring may result in inaccurate or unauthorized expense reporting by grant recipients and increases the risk that DHS may not identify corrective actions for grant recipients timely. Unauthorized approval of disaster grant obligations and deobligations increases the risk that misstatements can occur without being prevented, or detected and corrected, timely.

Recommendations:

We recommend that DHS:

16. perform a robust risk assessment to assess and minimize the residual risk related to unmonitored grants; and
17. enforce accountability for adherence to policies and procedures for monitoring grant recipients and documenting the delegation of authority for the review of disaster grant obligations and deobligations.

Independent Auditors' Report
Exhibit III – Compliance and Other Matters

III-G *Federal Managers' Financial Integrity Act of 1982*

FMFIA requires agencies to establish effective internal control and information systems, and to continuously evaluate and assess the effectiveness of their internal control. DHS has implemented a multi-year plan to implement OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, to comply with FMFIA. However, the DHS *Secretary's Assurance Statement*, dated November 14, 2022, as presented in *Management's Discussion and Analysis* of DHS's FY 2022 *Agency Financial Report*, acknowledged the existence of control activities demonstrating material weaknesses, and therefore provided qualified assurance that internal control over financial reporting was operating effectively as of September 30, 2022. Management's findings were similar to the control deficiencies described in Exhibits I and II. DHS did not perform continuous monitoring and testing of both IT and financial controls for all significant areas.

In FY 2022, DHS did not fully establish effective systems, processes, policies, and testing procedures to ensure that internal controls were operating effectively throughout DHS. Deficiencies related to monitoring the internal control system are discussed in Exhibit I, Sections **I-A**, *Information Technology Controls and Information Systems*, and **I-B**, *Financial Reporting*.

Recommendation:

We recommend that DHS:

18. continue its corrective actions to address internal control deficiencies to ensure compliance with FMFIA, and implement the recommendations provided in Exhibits I and II.

Independent Auditors' Report
Exhibit III – Compliance and Other Matters

III-H *Federal Financial Management Improvement Act of 1996*

FFMIA Section 803(a) requires that agency Federal financial management systems comply with: (1) applicable Federal accounting standards; (2) Federal financial management system requirements; and (3) the USSGL at the transaction level. FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability.

As of September 30, 2022, DHS did not comply with applicable Federal accounting standards, Federal financial management system requirements, and application of the USSGL at the transaction level, as described in Exhibit I, Section **I-A**, *Information Technology Controls and Information Systems*, Exhibit I, Section **I-B**, *Financial Reporting*, and Exhibit I, Section **I-C**, *New System Obligations*. The DHS Secretary stated in the *Secretary's Assurance Statement*, dated November 14, 2022, that DHS's financial management systems did not substantially comply with government-wide requirements mandated by FFMIA. DHS's remedial actions and related timeframes are also presented in Table 3 of *Management's Discussion and Analysis* in the FY 2022 *Agency Financial Report*.

Recommendation:

We recommend that DHS:

19. improve its financial management systems to ensure compliance with FFMIA, and implement the recommendations provided in Exhibit I.

OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix A
Management Comments to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

November 14, 2022

MEMORANDUM FOR: The Honorable Joseph V. Cuffari
Inspector General

FROM: Stacy Marcott
Senior Official Performing the Duties of the Chief Financial Officer

STACY A MARCOTT
Digitally signed by STACY A MARCOTT
Date: 2022.11.10 15:36:19 -05'00'

SUBJECT: Fiscal Year 2022 Financial Statement and Internal Control Over Financial Reporting Audit

Thank you for your audit report on the Department's Financial Statements and Internal Control over Financial Reporting for Fiscal Years (FY) 2022 and 2021. We agree with the Independent Public Accountant's conclusion. We are pleased to have earned an unmodified (clean) opinion on our consolidated financial statements for the tenth consecutive year.

The Department continues to prioritize maturing information technology controls and is implementing an aggressive plan to modernize our financial systems. In early FY 2022, the United States Coast Guard (USCG) migrated to our new Financial Systems Modernization Solution (FSMS). Migrating a complex system to a new platform presented challenges we worked to overcome throughout the year. Our focus for FY 2023 is to apply these lessons learned and opportunities to refine USCG financial system performance, accounting, and reporting.

The Department is committed to advancing our controls and remediating known challenges using a multi-year, risk-based approach.

I look forward to our continued partnership and collaboration with the Office of the Inspector General and the Independent Public Accountant in the years ahead.

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OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix B
Report Distribution

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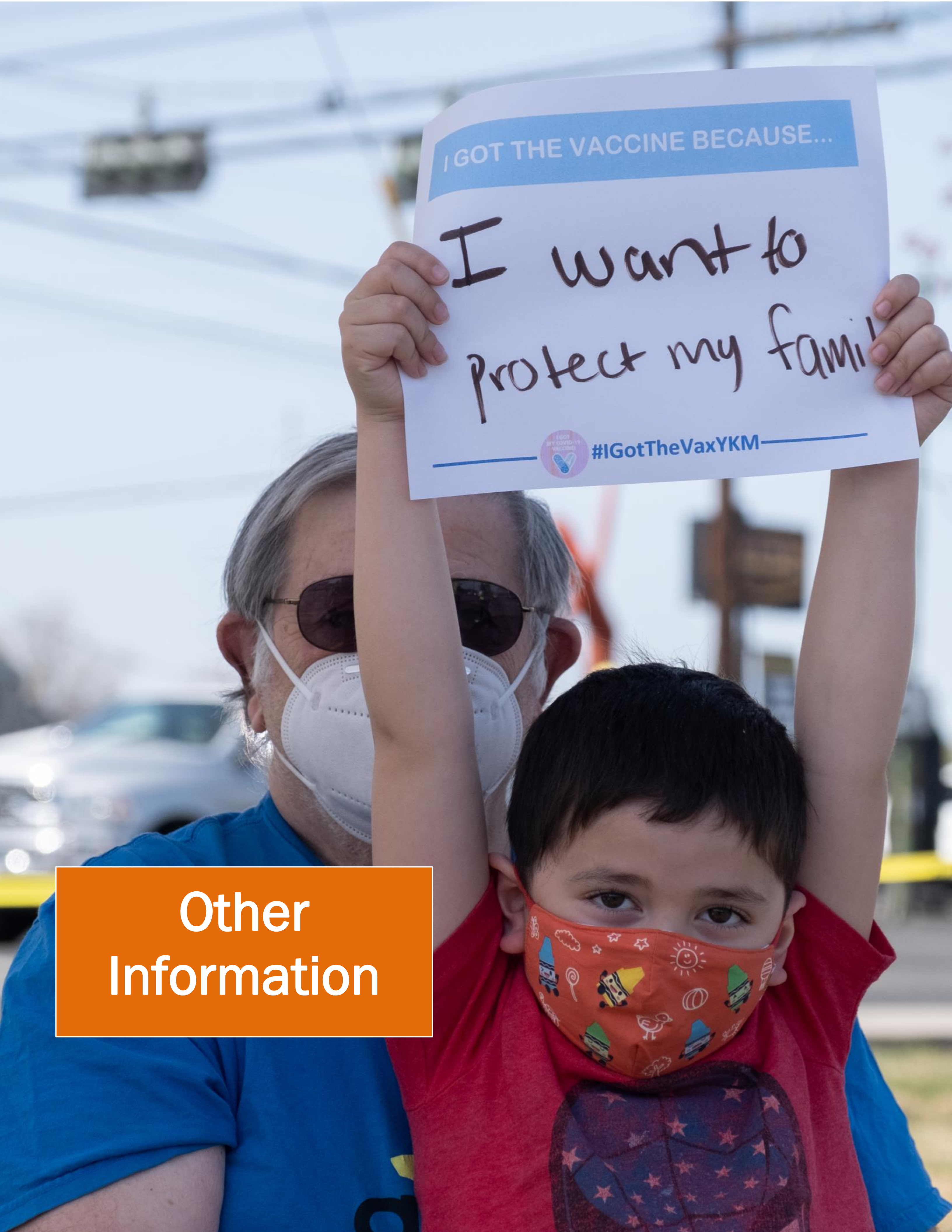
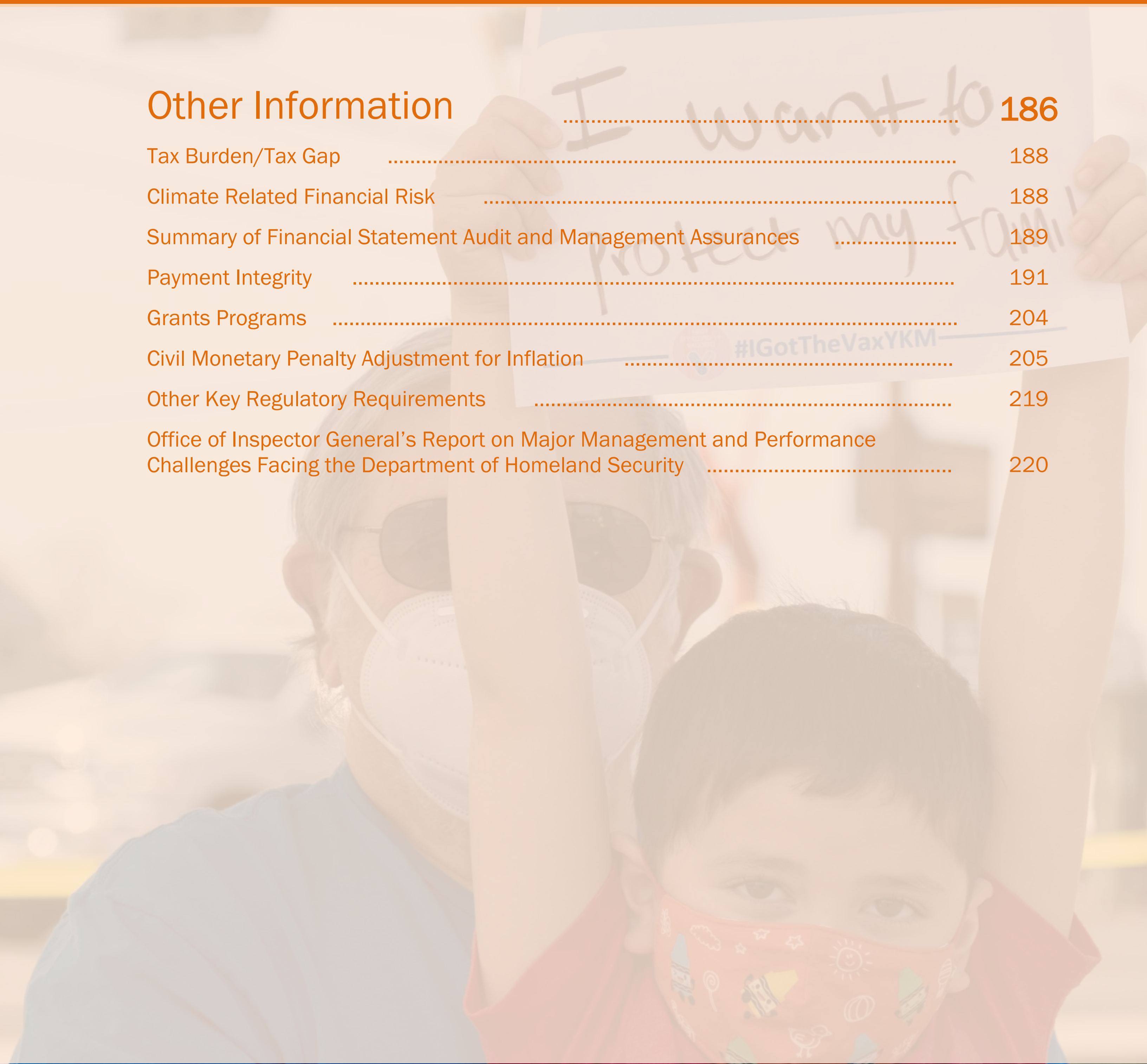


Other Information

The ***Other Information*** section contains information on Tax Burden/Tax Gap, Climate Related Financial Risk, Summary of Financial Statement Audit and Management Assurances, Payment Integrity, Grants Programs, Civil Monetary Penalty Adjustment for Inflation, 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).



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 (also called estimated revenue gap), 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.

Table 1: Entry Summary of Trade Compliance Measurement

($ in millions)

	FY 2022 (Preliminary)	FY 2021 (Final)
Estimated Revenue Gap	$423.72	$2,608.21
Estimated Revenue Gap of all collectable revenue for year (%)	0.36%	2.57%
Estimated Over-Collection	$125.73	$2,707.79
Estimated Under-Collection	$549.10	$5,316.00
Estimated Overall Trade Compliance Rate (%)	99.69%	98.59%

The preliminary overall compliance rate for FY 2022 is 99.69 percent. The final overall trade compliance rate and estimated revenue gap for FY 2022 will be issued in April 2023.

Climate Related Financial Risk

DHS recognizes the threats climate change poses to the Homeland and the American people. Sea-level rise, extreme weather events, drought, workforce health, and other direct and indirect impacts of climate change are already affecting the Homeland Security enterprise and the Nation's preparedness and national security over the long term.

DHS leads the federal government in smart business solutions, approaches, and technology. The Department is committed to reducing greenhouse gas emissions, energy and water use, and generated waste as well as operating high-performance, sustainable buildings and fleets. DHS is committed to increasing resilience and adaptation through an assortment of measures designed to reduce the risks associated with climate change. For more information on DHS's Climate Action Plan, please visit https://www.dhs.gov/dhs-actions-climate-change.

Summary of Financial Statement Audit and Management Assurances

The tables below provide a summary of the financial statement audit results and management assurances for FY 2022.

Table 2: Summary of Financial Statement Audit

Audit Opinion	Unmodified				
Restatement	No				
Areas of Material Weakness(es)	Beginning Balance	New	Resolved	Consolidated	Ending Balance
IT Controls and Information Systems	1	0	0	0	1
Financial Reporting	1	0	0	0	1
Insurance Liabilities	0	1	0	0	1
Obligations Incurred	0	1	0	0	1
Total Areas of Material Weakness(es)	***2***	***2***	***0***	***0***	***4***

Management has performed its evaluation, and the assurance is provided based upon the cumulative assessment work performed in the following areas across the Department:

- Entity Level Controls,
- Financial Reporting,
- Budgetary Resource Management,
- Fund Balance with Treasury,
- Grants Management,
- Human Resources and Payroll Management,
- Information Technology General Controls,
- Insurance Management,
- Payment Management,
- Property Plant and Equipment, and
- Revenue and Receivables.

While DHS has remediation efforts continuing in FY 2023; the Budgetary Accounting and Insurance Liabilities areas of material weakness were newly identified as a result of the assessment work performed in FY 2022. The following table indicates the areas of material weakness(es) that have been identified and where DHS will continue focused remediation efforts in FY 2023.

Table 3: Summary of Management Assurances

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2)						
Statement of Assurance	Modified					
Areas of Material Weakness(es)	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
IT Controls and Information Systems	1	0	0	0	0	1
Financial Reporting	1	0	0	0	0	1
Insurance Liabilities	0	1	0	0	0	1
Budgetary Accounting	0	1	0	0	0	1
Total Areas of Material Weakness(es)	***2***	***2***	***0***	***0***	***0***	***4***
Effectiveness of Internal Control Over Operations (FMFIA § 2)						
Statement of Assurance	Unmodified					
Areas of Material Weakness(es)	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
None Noted	0	0	0	0	0	0
Total Areas of Material Weakness(es)	***0***	***0***	***0***	***0***	***0***	***0***
Conformance with Federal Financial Management System Requirements (FMFIA § 4)						
Statement of Assurance	Federal Systems do not conform to financial management system requirements					
Non-Conformance(s)	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Federal Financial Management Systems Requirements: Financial System Security & Integration of Financial Management Systems	1	0	0	0	0	1
Federal Accounting Standards	1	0	0	0	0	1

U.S. Government Standard General Ledger (USSGL): Transactional Level Reporting	1	0	0	0	0	1
Total Non-Conformance(s)	*3*	*0*	*0*	*0*	*0*	*3*

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	DHS	Auditor
1. Federal Financial Management System Requirements	Lack of compliance noted	Lack of compliance noted
2. Applicable Federal Accounting Standards	Lack of compliance noted	Lack of compliance noted
3. USSGL at Transaction Level	Lack of compliance noted	Lack of compliance noted

Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA)[10], requires agencies to review and assess all programs and activities they administer and identify those determined to be susceptible to significant improper payments[11], estimate the annual amount of improper payments, and submit those estimates to Congress. In accordance with the OMB Circular A-123, Appendix C[12], *Requirements for Payment Integrity Improvement,* Federal agencies are required to assess improper payments and report[13] annually on their efforts. In addition to this report, official detailed information on the Department's improper payments as well as information reported in prior years can be found on PaymentAccuracy.gov.

We remain strongly committed to ensuring our agency's transparency and accountability to the American taxpayer and achieving the most cost-effective strategy on the reduction of improper payments.

Supplemental Appropriations for Disaster Relief Requirements

In 2017, the nation faced a historic Atlantic hurricane season. The effects from consecutive hurricanes Harvey, Irma and Maria were widespread, causing long-lasting damage across the

[10] Unless otherwise indicated, the term "PIIA" is used to reflect the current legislative language regarding improper payments as it formal revoked the Improper Payments Information Act of 2002 (IPIA), the Improper Payments Elimination and Recovery Act of 2010 (IPERA), and the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA).

[11] A program with significant improper payments has both a 1.5 percent improper payment rate of program outlays and at least $10 million in improper payments of all program or activity payments made during the year or exceeds $100 million dollars in improper payments regardless of the improper payment rate percentage of total program outlays.

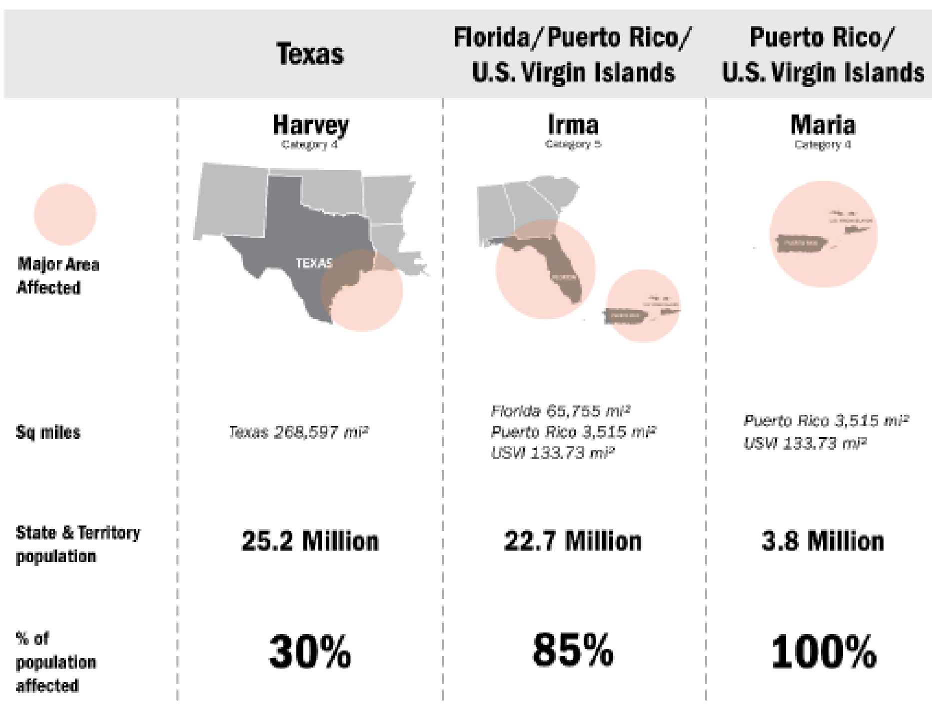
[12] On March 5, 2021, OMB released an updated Circular A-123, Appendix C (M-21-19) to formalize implantation expectations under PIIA effective beginning with FY 2021 implementation.

[13] Due to rounding throughout all following figures and tables, amounts and percentages may reflect the exact total respective at the summary amounts and percentages reported. For precise data at the reportable program level, please refer to PaymentAccuracy.gov.

southern continental U.S. and surrounding islands, as well as Puerto Rico and the U.S. Virgin Islands.

- On August 25, 2017, Hurricane Harvey made landfall in Texas as a Category 4 storm. For several days, the storm hovered near the Houston metropolitan area and set a record for the most rainfall from a U.S. tropical cyclone. Of households impacted by Harvey, 80 percent did not have flood insurance.
- On September 6, 2017, Hurricane Irma became one of the strongest Atlantic hurricanes on record. The storm's center passed just north of the U.S. Virgin Islands and Puerto Rico and destroyed critical infrastructure on St. Thomas and St. John in the U.S. Virgin Island, as well as Puerto Rico and the Florida Keys. As Irma was the first major hurricane to make landfall in Florida since 2005, the public followed evacuation orders as the storm approached Florida, resulting in one of the largest sheltering missions in U.S. history.
- On September 19, 2017, the center of Hurricane Maria passed southeast of St. Croix, U.S. Virgin Islands as a Category 5 storm and made landfall in Puerto Rico as a Category 4 storm the next day. Hurricane Maria severely damaged or destroyed a significant portion of both territories' already fragile critical infrastructure. Maria left Puerto Rico's 3.7 million residents without electricity and the resulting response represents the longest sustained air mission of food and water delivery in FEMA history.

Figure 1: Harvey, Irma, and Maria Locations and Associated Impact



Supplemental appropriations were designated as an emergency requirement in the Supplemental Appropriations for Disaster Relief Requirements, 2017 (P.L. 115-56, the Additional Supplemental Appropriations for Disaster Relief Requirements Act of 2017 (P.L. 115-72), and the Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (P.L. 115-123) were issued to specific agencies to provide the resources needed to recover and rebuild following recent hurricanes and other applicable natural disasters. Within these supplemental appropriations, DHS received a total supplemental appropriation amount of $50.72 billion[14]. The breakout of DHS Components receiving this supplemental funding is documented *in the table below.*

Table 4: DHS Breakout of Supplemental Appropriation Funding Received

Public Law	Component	Program	Period of Availability (FY)	Appropriated Value ($M)	Transfer-In Value ($M)	Transfer-Out Value ($M)	Value for Program Use ($M)
115-56	Federal Emergency Management Agency	Disaster Relief Fund	No-Year	$7,400.00	$0.00	$0.00	$7,400.00
115-72		Disaster Relief Fund	No-Year	$18,670.00	$0.00	$10.00	$18,660.00
115-123		Operations and Support	18-19	$58.80	$0.00	$0.00	$58.80
		Procurement, Construction, and Improvements	18-20	$1.20	$0.00	$0.00	$1.20
		Disaster Relief Fund	No-Year	$23,500.00	$0.00	$0.00	$23,500.00
115-123	Federal Law Enforcement Training Center	Operations and Support	18-19	$5.37	$0.00	$0.00	$5.37
		Procurement, Construction, and Improvements	18-22	$5.00	$0.00	$0.00	$5.00
115-72	Office of the Inspector General	Operations and Support	No-Year	$0.00	$10.00	$0.00	$10.00
115-123		Operations and Support	18-20	$25.00	$0.00	$0.00	$25.00
115-123	Transportation and Security Administration	Operations and Support	18-19	$10.32	$0.00	$0.00	$10.32
115-123	U.S. Customs and Border Protection	Operations and Support	18-19	$104.49	$0.00	$0.00	$104.49
		Procurement, Construction, and Improvements	18-22	$45.00	$0.00	$0.00	$45.00
115-123	U.S. Immigration and Customs Enforcement	Operations and Support	18-19	$30.91	$0.00	$0.00	$30.91
		Procurement, Construction, and Improvements	18-22	$33.05	$0.00	$0.00	$33.05
115-123	United States Coast Guard	Operating Expenses	18-19	$112.14	$0.00	$0.00	$112.14
		Environmental Compliance and Restoration	18-22	$4.04	$0.00	$0.00	$4.04
		Acquisition, Construction, and Improvements	18-22	$718.92	$0.00	$0.00	$718.92
						TOTAL:	**$50,724.24**

P.L. 115-123 requires any agency receiving funds under P.L. 115-123 as well as P.L. 115-72 and P.L. 115-56 to consider any programs expending more than $10 million of funds in any one fiscal year highly susceptible to improper payments for the purposes of the PIIA. Once disaster supplemental funded programs met or exceeded the $10 million threshold in payments applicable for PIIA review, the program was deemed susceptible to significant improper payments and thus applicable for statistical sampling and reporting.

Due to the burden of testing and reporting for the programs related solely to disaster supplemental appropriation disbursements, DHS is reporting statistical testing results two years in arrears. Therefore, FY 2020 disbursement testing and results are reported in the 2022 results noted below for the following programs:

- FEMA Disaster Case Management – Disaster Supplemental Funds
- FEMA Hazard Mitigation Grant Program – Disaster Supplemental Funds
- FEMA Payroll - Disaster Supplemental Funds
- FEMA Public Assistance – Validate as You Go (VAYGo)
- FEMA Vendor Pay - Disaster Supplemental Funds
- USCG Aviation Logistics Center – Disaster Supplemental Funds
- USCG Procurement, Construction, & Improvement - Disaster Supplemental Funds

[14] Due to rounding, amounts may not reflect precise appropriated values.

1. *Payment Reporting*

The OMB Circular A-123, Appendix C provides the definition for an improper payment and serves as applicable guidance to agencies for compliance with PIIA. Following the updated OMB Circular A-123, Appendix C guidance, and accounting for the additional requirements within the Supplemental Appropriations for Disaster Relief Requirements, the Department has identified the following programs or activities susceptible to significant improper payments and is able to provide results and reporting this year.[15]

Disaster Supplemental[16] DHS Programs for Reporting

FEMA Disaster Case Management (DCM) – Disaster Supplemental Funds Program

Disaster Case Management involves partnerships between a case manager and a disaster survivor. The intention of this program is to assess and address a survivor's unmet needs through a disaster recovery plan. This disaster recovery plan includes resources, decision-making priorities, providing guidance, and tools to assist disaster survivors.

While Section 426 of the Stafford Act authorizes FEMA to "provide case management services, including financial assistance, to State or local government agencies or qualified private organizations to provide such services to victims of major disasters to identify and address unmet needs," the Disaster Case Management program is administered in partnership with the U.S. Department of Health and Human Services. This partnership provides the client with a single person to facilitate access to a broad range of resources. The process involves assessing the client's needs caused by and related to the disaster, developing a goal-oriented plan outlining the steps necessary for recovery, organizing and coordinating resources that match the client's needs, monitoring progress, and, when necessary, advocating on behalf of the client.

For the testing conducted in 2022, FEMA's assessment was focused on the associated FY 2020 disaster supplemental funding disbursements of over $66 million applicable for review under PIIA. The FEMA DCM – Disaster Supplemental Funds program reported a 1.68 percent estimated payment error rate in 2022. Please refer to the figure below for additional detail regarding the breakouts and associated error categorization.

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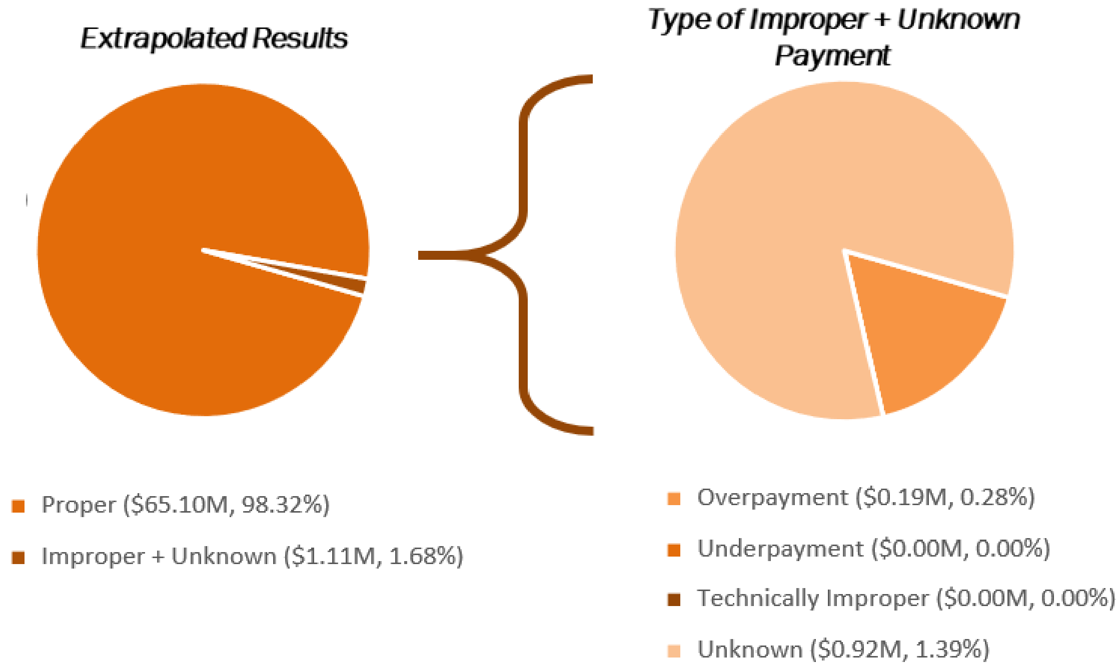
[15] Due to the burden of testing and reporting for the seven programs related solely to disaster supplemental appropriation disbursements, DHS is reporting statistical testing results two years in arrears for these programs. For additional information, please refer to the additional detail around the Supplemental Appropriations for Disaster Relief Requirements supplied later in this section.

[16] Program funding solely consisting of funding received through the Supplemental Appropriations for Disaster Relief Requirements, 2017 (P.L. 115-56, the Additional Supplemental Appropriations for Disaster Relief Requirements Act of 201 7 (P.L. 115-72), and the Further Additional Supplemental Appropriations for Disaster Relief Requirements Act, 2018 (P.L. 115-123)

Unaudited

Figure 2: FEMA DCM – Disaster Supplemental Funds Reported Results



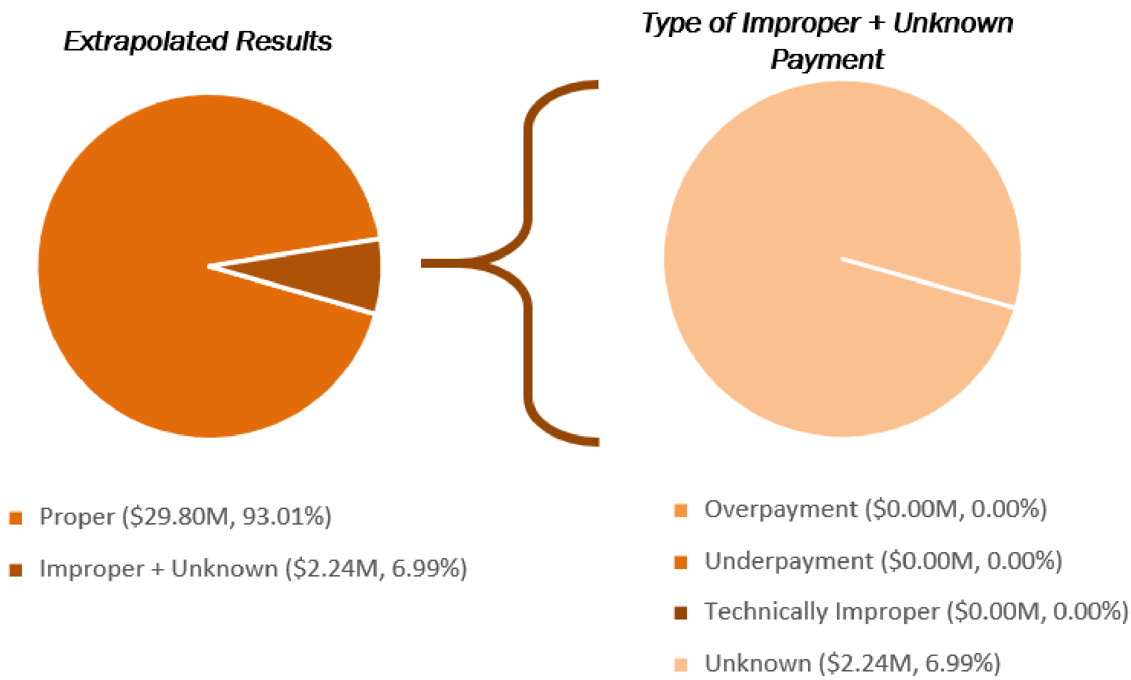
Based on 2021 program reporting, the FEMA DCM – Disaster Supplemental Funds program had identified deficiencies primarily related to Region 6 internal processes and documentation. A corrective action plan has been established with all substantial milestones and corrective actions planned to be fully completed by May 2022 and further expansion and support by an electronic platform planned to be implemented by December 2023.

FEMA Hazard Mitigation Grant Program (HMGP) – Disaster Supplemental Funds Program

FEMA's Hazard Mitigation Grant Program provides funding to state, local, tribal and territorial governments so they can develop hazard mitigation plans and rebuild in a way that reduces, or mitigates, future disaster losses in their communities. When requested by an authorized representative, this grant funding is available after a presidentially declared disaster.

For the testing conducted in 2022, FEMA's assessment was focused on the associated FY 2020 disaster supplemental funding disbursements of over $32 million applicable for review under PIIA. The FEMA HMGP – Disaster Supplemental Funds program reported a 6.99 percent estimated payment error rate in 2022. Please refer to the figure below for additional detail regarding the breakouts and associated error categorization.

Figure 3: FEMA HMGP – Disaster Supplemental Funds Reported Results



FEMA Payroll – Disaster Supplemental Funds Program

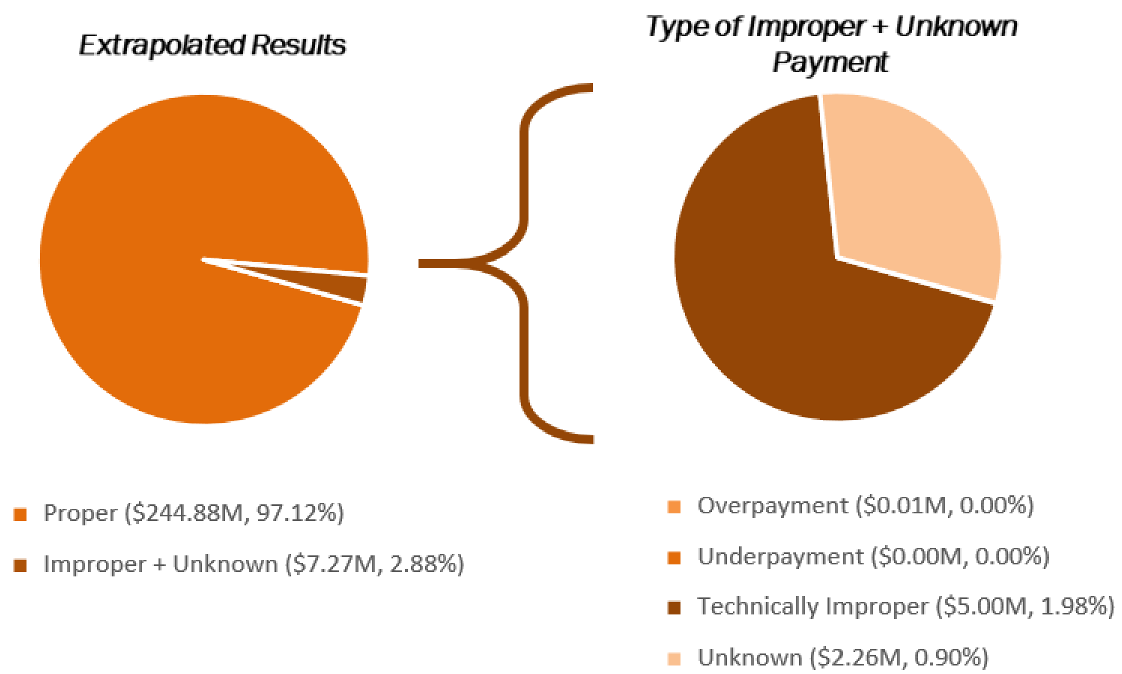
The federal disaster workforce is designed to scale up or down depending on the timing and magnitude of disasters, and primarily includes the following categories of employees:

- **Title 5** – Employees that make up FEMA's day-to-day workforce and are responsible for administering the agency's ongoing program activities. During disasters, these employees can be deployed as needed.
- **Stafford Act** – Stafford Act employees provide support for disaster-related activities and augment FEMA's disaster workforce. Stafford Act employees include on call and recovery staff who are temporary employees and can be deployed to fulfill any role specifically related to the incident for which they are hired and qualified. In addition, reservists can be utilized. These reservists work on an intermittent basis and are deployed as needed to fulfill incident management roles.
- **Surge Capacity Force** – The Surge Capacity Force supplements FEMA's disaster workforce in a major disaster and consists of volunteers who are employees of DHS components, such as the Transportation Security Administration and U.S. Secret Service, as well as employees of other federal agencies, as authorized by the Post-Katrina Act[17].
- **FEMA Corps** – FEMA Corps is a team-based national service program operated by AmeriCorps in partnership with FEMA. Members are not FEMA employees, but are deployed to augment FEMA's workforce for disaster readiness, preparedness, response, and recovery work under the supervision of FEMA staff.

[17] 266 U.S.C. § 711(b)

For the testing conducted in 2022, FEMA's assessment was focused on the associated FY 2020 disaster supplemental funding disbursements of over $252 million applicable for review under PIIA. The FEMA Payroll – Disaster Supplemental Funds program reported a 2.88 percent estimated payment error rate in 2022. Please refer to the figure below for additional detail regarding the breakouts and associated error categorization.

Figure 4: FEMA Payroll – Disaster Supplemental Funds Reported Results



FEMA Public Assistance (PA) – VAYGo Program

The Robert T. Stafford Disaster Relief and Emergency Assistance Act, as Amended (Stafford Act), Title 42 of the United States Code (U.S.C.) § 5121 et seq., authorizes the President to provide federal assistance when the magnitude of an incident or threatened incident exceeds the affected State, Territorial, Indian Tribal, and local government capabilities to respond or recover.

The purpose of the PA Grant Program is to support communities' recovery from major disasters by providing them with grant assistance for debris removal, life-saving emergency protective measures, and restoring public infrastructure. Local governments, states, tribes, territories and certain private nonprofit organizations are eligible to apply.

Figure 5: FEMA PA Program Categories of Work[18]

The FEMA PA Grant Program relies on Regional Offices to manage, operate, and maintain program activities and operations. For the breakout of FEMA Regions, please refer to the figure below.

Figure 6: FEMA Regions and Regional Offices

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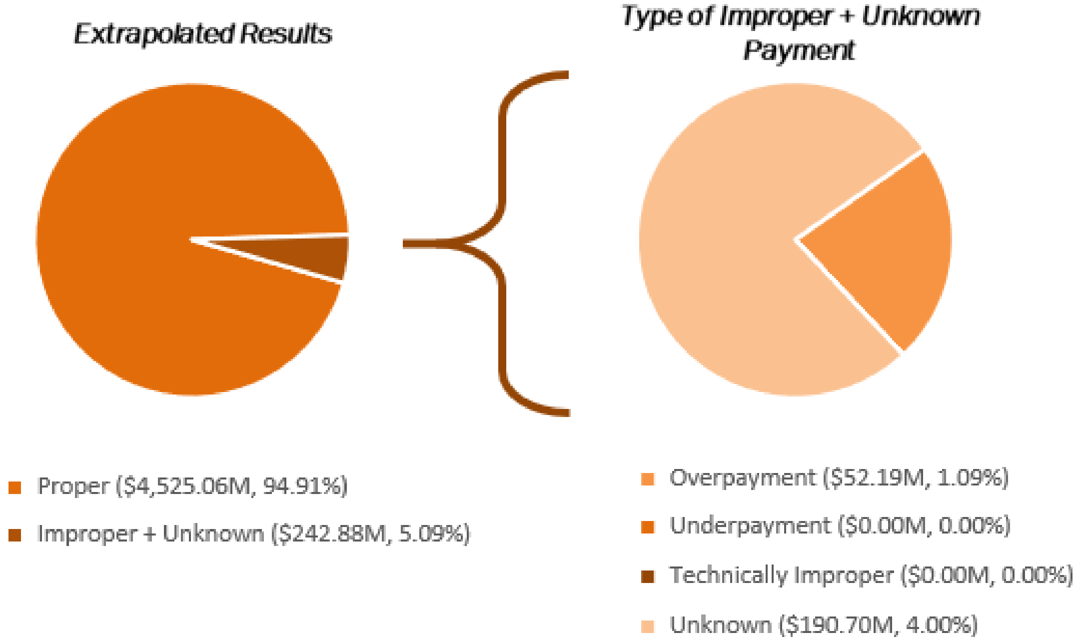
[18] Source: Federal Emergency Management Agency (GAO-20-221).

Public Assistance is FEMA's largest grant program and provides emergency assistance to save lives and protest property and assists communities with repairing public infrastructure affected by federally declared incidents.

FEMA implemented the VAYGo pilot program to test PA and certain other disaster grant expenditure, originally scoped to Hurricanes Harvey, Irma, and Maria. Since these disasters, the VAYGo program has expanded to include coverage over additional disaster declarations, such as COVID response. As part of VAYGo, FEMA reviews project documentation for a sample of funds as they are drawn down by recipients and conducts testing to verify whether the project funding was appropriately expended by the subrecipient. One goal of VAYGo is to identify potential problems earlier, allowing FEMA and recipients—including PA recipients—to correct or mitigate issues earlier in the process instead of waiting until grant closeout. According to FEMA officials that conduct the testing, the primary goal of VAYGo is to test for ineligible costs, which can serve as a gateway for the agency to be on notice of issues of fraud, waste, or abuse in the PA program.

For the testing conducted in 2022, FEMA's assessment was focused on the associated FY 2020 disbursements subject to VAYGo coverage of over $4.7 billion applicable for review under PIIA. The FEMA Public Assistance – VAYGo program reported an overall 5.09 percent estimated payment error rate. Out of the overarching program error rate, 3.77 percent estimated payment error rate and approximately $84 million in consolidated improper and unknown payments was reported for the Disaster Supplemental Funds (DSF) disbursed in FY 2020 related to Hurricane Harvey, Irma, and Maria. Additionally, testing over COVID and Other FY 2020 declared disasters reported an error rate of 6.26% and approximately $159 million in consolidated improper and unknown payments. Insufficient documentation to determine the appropriateness of the payment was the driving factor for all published error rates for the program. Please refer to the figure below for additional detail regarding the breakouts and associated error categorization for the consolidated Public Assistance – VAYGo program inclusive of 1) Disaster Supplemental Funds received for Hurricane Harvey, Irma, and Maria response, 2) COVID and, 3) Other FY 2020 Declared Disasters.

Figure 7: FEMA PA – VAYGo Reported Results

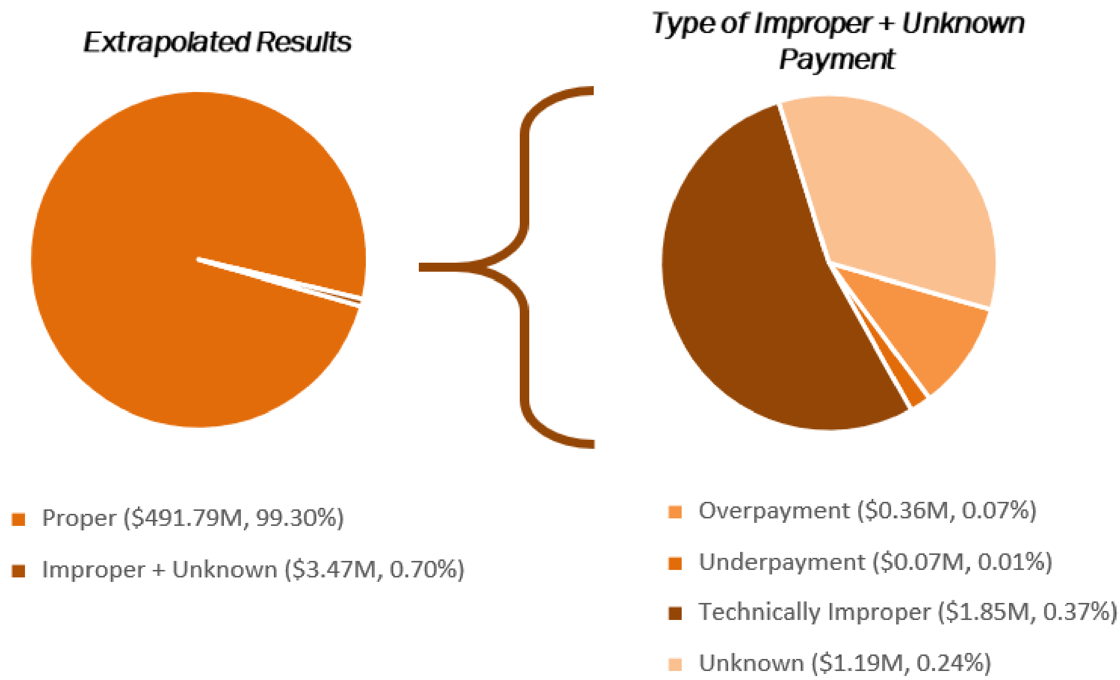


FEMA Vendor Payments (VP) – Disaster Supplemental Funds Program

FEMA strives to disburse prompt payments for goods and services that are covered by the Prompt Payment Act. Most of the payments falling under the VP – Disaster Supplemental Funds program are contractual, to include rental and lease agreements, purchase orders, delivery orders, blanket purchase agreements, etc., invoice payments based on the receipt of satisfactory performance of contract terms in support of disaster response as a result of Hurricanes Harvey, Irma, and Maria.

For the testing conducted in 2022, FEMA's assessment was focused on the associated FY 2020 disaster supplemental funding disbursements of over $495 million applicable for review under PIIA. The FEMA VP – Disaster Supplemental Funds program reported a 0.70 percent estimated payment error rate in 2022. Please refer to the figure below for additional detail regarding the breakouts and associated error categorization.

Figure 8: FEMA VP – Disaster Supplemental Funds Reported Results



USCG Aviation Logistics Center (ALC) – Disaster Supplemental Funds Program

The Coast Guard ALC provides centralized logistics support for all Coast Guard aviation missions. ALC's mission supports 26 Coast Guard aviation units that operate approximately 200 aircraft with air stations located throughout the continental United States, Alaska, Hawaii, and Puerto Rico. In addition, ALC supports deployed aircraft worldwide. USCG receipt of Disaster Supplemental Funding addresses operational response costs as well as reconstitution costs for damage to Coast Guard aviation assets and equipment due to Hurricanes Harvey, Irma, and Maria.

For the testing conducted in 2022, USCG's assessment was focused on the associated FY 2020 disaster supplemental funding disbursements of over $25 million applicable for review under PIIA. The USCG Aviation Logistics Center – Disaster Supplemental Funds program had no improper or unknown payments identified in 2022.

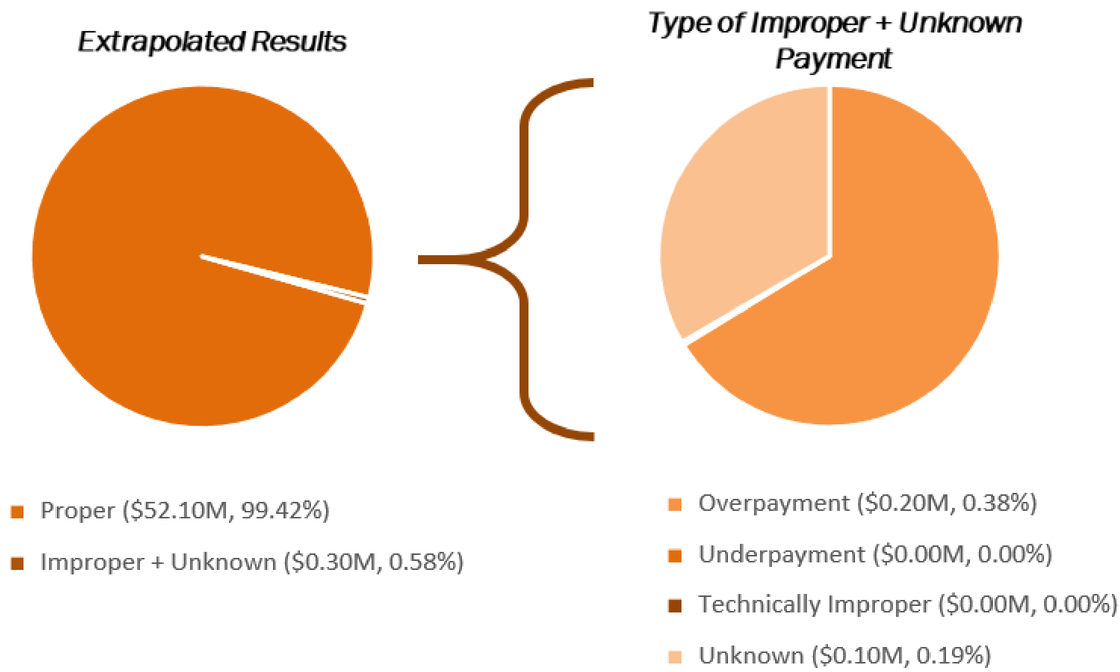
USCG Procurement, Construction, & Improvement (PC&I)– Disaster Supplemental Funds Program

Due to the expanse and extent of damage tied to Hurricanes Harvey, Irma, and Maria, many USCG facilities, assets, systems, and equipment suffered damage. Disaster Supplemental Funding received addresses recovery and reconstitution costs due to damage incurred by numerous coastal response and security stations, particularly along the Florida, Georgia, North Carolina, Virginia, and Texas coasts as well as throughout Puerto Rico and the U.S. Virgin Islands.

For the testing conducted in 2022, USCG's assessment was focused on the associated FY 2020 disaster supplemental funding disbursements of over $52 million applicable for review under PIIA. The USCG PC&I – Disaster Supplemental Funds program reported a

0.58 percent estimated payment error rate in 2022. Please refer to the figure below for additional detail regarding the breakouts and associated error categorization.

Figure 9: USCG PC&I – Disaster Supplemental Funds Reported Results



The table below summarizes improper payment amounts for all DHS programs deemed to be susceptible to significant improper payments. It provides a breakdown of estimated proper as well as consolidated improper and unknown payments and the associated rates for each applicable DHS program or activity.

Unaudited

Table 5: DHS Improper Payment Results and Reduction Outlook[19]

DHS Program Name	Testing Conducted in FY 2021			Testing Conducted in FY 2022					Testing Planned for FY 2023
	Outlays ($M)	IP + UP ($M)	IP + UP (%)	Outlays ($M)	Proper ($M)	Proper (%)	IP + UP ($M)	IP + UP (%)	Reduction Target (%)
DHS Programs in Phase II and Reporting on Disbursements from Two Fiscal Years Prior									
FEMA DCM – Disaster Supplemental Funds	$99.90	$19.21	19.23%	$66.21	$65.10	98.32%	$1.11	1.68%	N/A[20]
FEMA HMGP – Disaster Supplemental Funds	*N/A - Program identified to begin reporting in 2022*			$32.04	$29.80	93.01%	$2.24	6.99%	N/A[21]
FEMA Payroll – Disaster Supplemental Funds	$334.78	$11.54	3.45%	$252.16	$244.88	97.12%	$7.27	2.88%	2.50%
FEMA PA – VAYGo	N/A	N/A	N/A	$4,767.94	$4,525.06	94.91%	$242.88	5.09%	N/A[21]
Stratum: Disaster Supplemental Funds	*$3,935.14*	*$274.58*	*6.98%*	*$2,231.69*	*$2,147.53*	*96.23%*	*$84.16*	*3.77%*	*N/A*
Stratum: All Other	*N/A*	*N/A*	*N/A*	*$2,536.26*	*$2,377.53*	*93.74%*	*$158.73*	*6.26%*	*N/A*
FEMA VP – Disaster Supplemental Funds	*N/A – Program previously reported results under the FEMA Vendor Pay program.*			$495.26	$491.79	99.30%	$3.47	0.70%	0.70%
USCG ALC – Disaster Supplemental Funds	$16.50	$0.00	0.00%	$25.11	$25.11	100.00%	$0.00	0.00%	0.00%
USCG PC&I – Disaster Supplemental Funds	$42.60	$0.15	0.36%	$52.40	$52.10	99.42%	$0.30	0.58%	0.58%
DHS Programs Moved out of Phase II (Statistical Testing and Reporting) in 2022									
CBP O&S – Disaster Supplemental Funds	$17.96	$1.56	8.71%	*N/A – As the program established a baseline and reported an IP and UP estimate that was below the statutory threshold, the CBP O&S – DSF program has been reverted to Phase I.*					
FEMA CBoL – Disaster Supplemental Funds	$18.69	$0.67	3.58%	*N/A - Program did not exceed $10M of FY 2022 disbursements from Disaster Supplemental Funding. As such, the FEMA CBoL – DSF program has been reverted to Phase I.*					
FEMA DRF IHP – Disaster Supplemental Funds	$131.61	$6.36	4.83%	*N/A – As the program established a baseline and reported an IP and UP estimate that was below the statutory threshold, the FEMA DRF IHP - DSF program has been reverted to Phase I.*					
FEMA – Travel – Disaster Supplemental Funds	$108.58	$0.63	0.58%	*N/A – As the program established a baseline and reported an IP and UP estimate that was below the statutory threshold, the FEMA Travel – DSF program has been reverted to Phase I.*					
FEMA US&R – Disaster Supplemental Funds	$15.31	$2.86	18.70%	*N/A - Program did not exceed $10M of FY 2022 disbursements from Disaster Supplemental Funding. As such, the FEMA US&R – DSF program has been reverted to Phase I.*					

[19] Due to rounding throughout all following figures and tables, amounts and percentages may reflect the exact total respective at the summary amounts and percentages reported. For precise data at the reportable program level, please refer to https://www.PaymentAccuracy.gov.

[20] As the FEMA DCM – Disaster Supplemental Funds disbursements (FY 2021 disbursements) applicable for review and reporting in FY 2023 are expected to drop below the $10M threshold to be applicable for PIIA, a reduction target for the program has not been published.

[21] As the FY 2022 reporting was the first year of PIIA reporting for the FEMA HMGP – Disaster Supplemental Funds program and the FEMA PA – VAYGo program, DHS is not considering the programs fully baselined and thus has not published reduction targets for these programs.

DHS Program Name	Testing Conducted in FY 2021			Testing Conducted in FY 2022					Testing Planned for FY 2023
	Outlays ($M)	IP + UP ($M)	IP + UP (%)	Outlays ($M)	Proper ($M)	Proper (%)	IP + UP ($M)	IP + UP (%)	Reduction Target (%)
OIG Audits, Inspections, & Investigations – Disaster Supplemental Funds	$16.03	$0.34	2.15%	*N/A - Program did not exceed $10M of FY 2022 disbursements from Disaster Supplemental Funding. As such, the OIG AII – DSF program has been reverted to Phase I.*					
USCG O&S – Disaster Supplemental Funds	$15.45	$0.15	0.97%	*N/A – As the program established a baseline and reported an IP and UP estimate that was below the statutory threshold, the USCG O&S – DSF program has been reverted to Phase I.*					
TOTAL	**$4,752.54**	**$318.06**	**6.69%[22]**	**$5,691.12**	**$5,433.84**	**95.48%**	**$257.28**	**4.52%[22]**	**N/A**

For additional information related to the Department's improper payment efforts, details on the annual results to include error reasoning, corrective actions, as well as other areas of interest, please refer to the government-wide reporting archive available on PaymentAccuracy.gov.

2. Actions Taken to Address Auditor Recovery Recommendations

During FY 2022, the Department did not have any recapture audit activities conducted. As such, DHS did not have any auditor recovery recommendations to be addressed and reported in 2022.

For additional information related to the Department's recovery audit efforts, please refer to PaymentAccuracy.gov.

Grants Programs

The DHS continues its efforts in closing out grants and cooperative agreement awards. The summary table below shows the number of awards and balances for which closeout has not yet occurred, but for which period of performance had elapsed by two years or more prior to September 30, 2022 (i.e., on or before September 30, 2020).

Table 6: Grants/Cooperative Agreements Summary Status

Category	2-3 years FYs 2019-20	3-5 years FYs 2018-19	More than 5 years Before FY 2017
Number of Grants / Cooperative Agreements with Zero Dollar Balances	31	48	10
Number of Grants / Cooperative Agreements with Undistributed Balances	29	26	15
Total Amount of Undistributed Balances	$24,110,047	$7,107,146	$13,172,637

22 The total does not represent a true statistical improper payment estimate for the Department.

The above table comprises only FEMA's data and efforts in closing out its grants and cooperative agreements. During FY 2022, FEMA continued to make a concerted effort to reduce the backlog of open grant awards through improved tracking, oversight, and coordination with responsible offices. Due to FEMA's efforts, the FY 2022 reportable population is 33% less than the grant population that the agency reported in FY 2021 and an 89% reduction since the agency reported in FY 2020. FEMA also significantly reduced the Total Amount of Undistributed Balances from $101.95M in FY21 to $44.39M in FY 2022, a 56% reduction.

FEMA is currently scheduled to deploy electronic closeout capabilities within FEMA GO during FY 2023, which will ensure a consistent closeout process across grants. This capability will positively support the timely closure of grant awards. Actions to be taken to closeout reported awards include, but are not limited to, continued tracking, oversight, and coordination with responsible officers, and systematic closeout functionality development.

In FY 2022, DHS awarded $37.6 billion in grants and cooperative agreements through seven DHS financial assistance awarding offices. The awarding offices include the Federal Emergency Management Agency, U.S. Coast Guard, U.S. Citizenship and Immigration Services, Cybersecurity and Infrastructure Security Agency, U.S. Immigration and Customs Enforcement, Science and Technology Directorate, and Countering Weapons of Mass Destruction Office. FEMA awarded 99% of DHS grants and cooperative agreements in FY 2021

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect.

The following represents the Department's civil monetary penalties, all of which were last updated via regulation in 2022. Additional information about these penalties and the latest adjustment is available in the Federal Register Volume 87, No. 7.

Table 7: Civil Monetary Penalties

Penalty	Authority	Year Enacted	Adjusted New Penalty
CBP			
Non-compliance with arrival and departure manifest requirements for passengers, crew members, or occupants transported on commercial vessels or aircraft arriving to or departing from the United States	8 USC 1221(g); INA Section 231(g); 8 CFR 280.53(b)(1)	2002	$1,525
Non-compliance with landing requirements at designated ports of entry for aircraft transporting aliens	8 USC 1224; INA Section 234; 8 CFR 280.53(b)(2)	1990	$4,144

Penalty	Authority	Year Enacted	Adjusted New Penalty
Violations of removal orders relating to aliens transported on vessels or aircraft under section 241(d) of the INA, or for costs associated with removal under section 241(e) of the INA	8 USC 1253(c)(1)(A); INA Section 243(c)(1)(A); 8 CFR 280.53(b)(4)	1996	$3,494
Failure to remove alien stowaways under section 241(d)(2) of the INA	8 USC 1253(c)(1)(B); INA Section 243(c)(1)(B); 8 CFR 280.53(b)(5)	1996	$8,736
Failure to report an illegal landing or desertion of alien crewmen, and for each alien not reported on arrival or departure manifest or lists required in accordance with section 251 of the INA (for each alien)	8 USC 1281(d); INA Section 251(d); 8 CFR 280.53(b)(6)	1990	$414
Use of alien crewmen for longshore work in violation of section 251(d) of the INA	8 USC 1281(d); INA Section 251(d); 8 CFR 280.53(b)(6)	1990	$10,360
Failure to control, detain, or remove alien crewmen	8 USC 1284(a); INA Section 254(a); 8 CFR 280.53(b)(7)	1990	Minimum $1,036 Maximum $6,215
Employment on passenger vessels of aliens afflicted with certain disabilities	8 USC 1285; INA Section 255; 8 CFR 280.53(b)(8)	1990	$2,072
Discharge of alien crewmen	8 USC 1286; INA Section 256; 8 CFR 280.53(b)(9)	1990	Minimum $3,107 Maximum $6,215
Bringing into the United States alien crewmen with intent to evade immigration laws	8 USC 1287; INA Section 257; 8 CFR 280.53(b)(10)	1990	$20,719
Failure to prevent the unauthorized landing of aliens	8 USC § 1321(a); INA Section 271(a); 8 CFR 280.53(b)(11)	1990	$6,215
Bringing to the United States aliens subject to denial of admission on a health-related ground	8 USC § 1322(a); INA Section 272(a); 8 CFR 280.53(b)(12)	1990	$6,215

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Penalty	Authority	Year Enacted	Adjusted New Penalty
Bringing to the United States aliens without required documentation	8 USC § 1323(b); INA Section 273(b); 8 CFR 280.53(b)(13)	1990	$6,215
Improper entry	8 USC § 1325(b) INA Section 275(b); 8 CFR 280.53(b)(15)	1996	Minimum $87 Maximum $438
Dealing in or using empty stamped imported liquor containers	19 USC 469	1879	$580
Transporting passengers between coastwise points in the United States by a non-coastwise qualified vessel	46 USC 55103(b); 19 CFR 4.80(b)(2)	1898	$873
Towing a vessel between coastwise points in the United States by a non-coastwise qualified vessel	46 USC 55111(c); 19 CFR 4.92	1940	Minimum $1,017 Maximum $3,198 plus $174 per ton
Failure to depart voluntarily	8 USC 1229(c)(d); INA Section 243(c)(1)(A); 8 CFR 280.53(b)(3)	1952	Minimum $1,746; Maximum $8,736
Failure to depart	8 USC 1324d; INA Section 274D; 8 CFR 280.53(b)(14)	1952	$874
Employing a vessel in a trade without a required Certificate of Documentation	19 USC 1706(a); 19 CFR 4.80(i)	1980	$1,453
Transporting passengers coastwise for hire by certain vessels (knows as Bowaters vessels) that do not meet specified conditions	46 USC 12118(f)(3)	1958	$580
CISA			
Non-compliance with CFATS regulations	6 USC 624(b)(1); 6 CFR 27.300(b)(3)	2002	$38,139
ICE			
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(1)–(a)(4) (First offense)	8 CFR 270.3(b)(1)(ii)(A)	1990	Minimum $ 517 Maximum $4,144

Penalty	Authority	Year Enacted	Adjusted New Penalty
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(5)–(a)(6) (First offense)	8 CFR 270.3(b)(1)(ii)(B)	1996	Minimum $438 Maximum $3,494
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(1)–(a)(4) (Subsequent offenses)	8 CFR 270.3(b)(1)(ii)(C)	1990	Minimum $4,144 Maximum $10,360
Violation of Immigration and Naturalization Act (INA) sections 274C(a)(5)–(a)(6) (Subsequent offenses)	8 CFR 270.3(b)(1)(ii)(D)	1996	Minimum $3,494 Maximum $8,736
Violation/prohibition of indemnity bonds	8 CFR 274a.8(b)	1986	$2,507
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (First offense)	8 CFR 274a.10(b)(1)(ii)(A)	1986	Minimum $627 Maximum $5,016
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (Second offense)	8 CFR 274a.10(b)(1)(ii)(B)	1986	Minimum $5,016 Maximum $12,537
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (Subsequent offenses)	8 CFR 274a.10(b)(1)(ii)(C)	1986	Minimum $7,523 Maximum $25,076
I–9 paperwork violations	8 CFR 274a.10(b)(2)	1986	Minimum $252 Maximum $2,507
Failure to depart voluntarily	8 USC 1229c(d); INA Section 240B(d); 8 CFR 280.53(b)(3)	1996	Minimum $1,746 Maximum $8,736
Failure to depart	8 USC 1324(d); INA Section 274D; 8 CFR 280.53(b)(14)	1996	$874

Unaudited

Penalty	Authority	Year Enacted	Adjusted New Penalty
TSA			
Certain aviation related violations by an individual or small business concern (49 CFR Ch. XII § 1503.401(c)(1))	49 USC 46301(a)(1), (4), (5); 49 USC 46301(d)(8)	2003	$14,950 (up to a total of $74,754,total for small business, $598,026 for others)
Certain aviation related violations by any other person not operating an aircraft for the transportation of passengers or property for compensation (49 CFR Ch. XII § 1503.401(c)(2))	49 USC 46301(a)(1), (4), (5); 49 USC 46301(d)(8)	2003	$14,950 (up to a total of $74,754,total for small business, $598,026 for others)
Certain aviation related violations by a person operating an aircraft for the transportation of passengers or property for compensation (49 CFR Ch. XII § 1503.401(c)(3))	49 USC 46301(a)(1), (4), (5); 49 USC 46301(d)(8)	2003	$37,377 (up to a total of $598,026 per civil penalty action)
Violation of any other provision of title 49 USC or of 46 USC ch. 701, a regulation prescribed, or order issued under thereunder (49 CFR Ch. XII § 1503.401(b))	49 USC 114(v)	2009	$12,794 (up to a total of $63,973 for individuals and small businesses, $511,780 for others)
USCG			
Saving Life and Property	14 USC 521(c)	2014	$11,649
Saving Life and Property (Intentional Interference with Broadcast)	14 USC 521(e)	2012	$1,195
Confidentiality of Medical Quality Assurance Records (first offense)	14 USC 645(i); 33 CFR 27.3	1992	$5,851
Confidentiality of Medical Quality Assurance Records (subsequent offenses)	14 USC 645(i); 33 CFR 27.3	1992	$39,011
Aquatic Nuisance Species in Waters of the United States	16 USC 4711(g)(1); 33 CFR 27.3	1996	$43,678

Penalty	Authority	Year Enacted	Adjusted New Penalty
Obstruction of Revenue Officers by Masters of Vessels	19 USC 70; 33 CFR 27.3	1935	$8,723
Obstruction of Revenue Officers by Masters of Vessels—Minimum Penalty	19 USC 70; 33 CFR 27.3	1935	$2,035
Failure to Stop Vessel When Directed; Master, Owner, Operator or Person in Charge	19 USC 1581(d)	1930	$5,468
Failure to Stop Vessel When Directed; Master, Owner, Operator or Person in Charge - Minimum Penalty	19 USC 1581(d)	1930	$1,094
Anchorage Ground/Harbor Regulations General	33 USC 471; 33 CFR 27.3	2010	$12,647
Anchorage Ground/Harbor Regulations St. Mary's River	33 USC 474; 33 CFR 27.3	1946	$873
Bridges/Failure to Comply with Regulations	33 USC 495(b); 33 CFR 27.3	2008	$31,928
Bridges/Drawbridges	33 USC 499(c); 33 CFR 27.3	2008	$31,928
Bridges/Failure to Alter Bridge Obstructing Navigation	33 USC 502(c); 33 CFR 27.3	2008	$31,928
Bridges/Maintenance and Operation	33 USC 533(b); 33 CFR 27.3	2008	$31,928
Bridge to Bridge Communication; Master, Person in Charge or Pilot	33 USC 1208(a); 33 CFR 27.3	1971	$2,326
Bridge to Bridge Communication; Vessel	33 USC 1208(b); 33 CFR 27.3	1971	$2,326
PWSA Regulations	33 USC 1232(a)	1978	$103,050
Vessel Navigation: Regattas or Marine Parades; Unlicensed Person in Charge	46 USC 70041(d)(1)(B); 33 CFR 27.3	1990	$10,360
Vessel Navigation: Regattas or Marine Parades; Owner Onboard Vessel	46 USC 70041(d)(1)(C); 33 CFR 27.3	1990	$10,360

Penalty	Authority	Year Enacted	Adjusted New Penalty
Vessel Navigation: Regattas or Marine Parades; Other Persons	46 USC 70041(d)(1)(D); 33 CFR 27.3	1990	$5,179
Oil/Hazardous Substances: Discharges (Class I per violation)	33 USC 1321(b)(6)(B)(i); 33 CFR 27.3	1990	$20,719
Oil/Hazardous Substances: Discharges (Class I total under paragraph)	33 USC 1321(b)(6)(B)(i); 33 CFR 27.3	1990	$51,796
Oil/Hazardous Substances: Discharges (Class II per day of violation)	33 USC 1321(b)(6)(B)(ii); 33 CFR 27.3	1990	$20,719
Oil/Hazardous Substances: Discharges (Class II total under paragraph)	33 USC 1321(b)(6)(B)(ii); 33 CFR 27.3	1990	$258,978
Oil/Hazardous Substances: Discharges (per day of violation) Judicial Assessment	33 USC 1321(b)(7)(A); 33 CFR 27.3	1990	$51,796
Oil/Hazardous Substances: Discharges (per barrel of oil or unit discharged) Judicial Assessment	33 USC 1321(b)(7)(A); 33 CFR 27.3	1990	$2,072
Oil/Hazardous Substances: Failure to Carry Out Removal/Comply With Order (Judicial Assessment)	33 USC 1321(b)(7)(B); 33 CFR 27.3	1990	$51,796
Oil/Hazardous Substances: Failure to Comply with Regulation Issued Under 1321(j) (Judicial Assessment)	33 USC 1321(b)(7)(C); 33 CFR 27.3	1990	$51,796
Oil/Hazardous Substances: Discharges, Gross Negligence (per barrel of oil or unit discharged) Judicial Assessment	33 USC 1321(b)(7)(D); 33 CFR 27.3	1990	$6,215
Oil/Hazardous Substances: Discharges, Gross Negligence—Minimum Penalty (Judicial Assessment)	33 USC 1321(b)(7)(D); 33 CFR 27.3	1990	$207,183
Marine Sanitation Devices; Operating	33 USC 1322(j); 33 CFR 27.3	1972	$8,723

Penalty	Authority	Year Enacted	Adjusted New Penalty
Marine Sanitation Devices; Sale or Manufacture	33 USC 1322(j); 33 CFR 27.3	1972	$23,258
International Navigation Rules; Operator	33 USC 1608(a); 33 CFR 27.3	1980	$16,307
International Navigation Rules; Vessel	33 USC 1608(b); 33 CFR 27.3	1980	$16,307
Pollution from Ships; General	33 USC 1908(b)(1); 33 CFR 27.3	1980	$81,540
Pollution from Ships; False Statement	33 USC 1908(b)(2); 33 CFR 27.3	1980	$16,307
Inland Navigation Rules; Operator	33 USC 2072(a); 33 CFR 27.3	1980	$16,307
Inland Navigation Rules; Vessel	33 USC 2072(b); 33 CFR 27.3	1980	$16,307
Shore Protection; General	33 USC 2609(a); 33 CFR 27.3	1988	$57,527
Shore Protection; Operating Without Permit	33 USC 2609(b); 33 CFR 27.3	1988	$23,011
Oil Pollution Liability and Compensation	33 USC 2716a(a); 33 CFR 27.3	1990	$51,796
Clean Hulls; Civil Enforcement	33 USC 3852(a)(1)(A); 33 CFR 27.3	2010	$47,424
Clean Hulls; False statements	33 USC 3852(a)(1)(A); 33 CFR 27.3	2010	$63,232
Clean Hulls; Recreational Vessel	33 USC 3852(c); 33 CFR 27.3	2010	$6,323
Hazardous Substances, Releases Liability, Compensation (Class I)	42 USC 9609(a); 33 CFR 27.3	1986	$62,689
Hazardous Substances, Releases Liability, Compensation (Class II)	42 USC 9609(b); 33 CFR 27.3	1986	$62,689
Hazardous Substances, Releases Liability, Compensation (Class II subsequent offense)	42 USC 9609(b); 33 CFR 27.3	1986	$188,069

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Penalty	Authority	Year Enacted	Adjusted New Penalty
Hazardous Substances, Releases, Liability, Compensation (Judicial Assessment)	42 USC 9609(c); 33 CFR 27.3	1986	$62,689
Hazardous Substances, Releases, Liability, Compensation (Judicial Assessment subsequent offense)	42 USC 9609(c); 33 CFR 27.3	1986	$188,069
Safe Containers for International Cargo	46 USC 80509; 33 CFR 27.3	2006	$6,852
Suspension of Passenger Service	46 USC 70305; 33 CFR 27.3	2006	$68,529
Vessel Inspection or Examination Fees	46 USC 2110(e); 33 CFR 27.3	1990	$10,360
Alcohol and Dangerous Drug Testing	46 USC 2115; 33 CFR 27.3	1998	$8,433
Negligent Operations: Recreational Vessels	46 USC 2302(a); 33 CFR 27.3	2002	$7,628
Negligent Operations: Other Vessels	46 USC 2302(a); 33 CFR 27.3	2002	$38,139
Operating a Vessel While Under the Influence of Alcohol or a Dangerous Drug	46 USC 2302(c)(1); 33 CFR 27.3	1998	$8,433
Vessel Reporting Requirements: Owner, Charterer, Managing Operator, or Agent	46 USC 2306(a)(4); 33 CFR 27.3	1984	$13,132
Vessel Reporting Requirements: Master	46 USC 2306(b)(2); 33 CFR 27.3	1984	$2,627
Immersion Suits	46 USC 3102(c)(1); 33 CFR 27.3	1984	$13,132
Inspection Permit	46 USC 3302(i)(5); 33 CFR 27.3	1983	$2,739
Vessel Inspection; General	46 USC 3318(a); 33 CFR 27.3	1984	$13,132
Vessel Inspection; Nautical School Vessel	46 USC 3318(g); 33 CFR 27.3	1984	$13,132

Penalty	Authority	Year Enacted	Adjusted New Penalty
Vessel Inspection; Failure to Give Notice IAW 3304(b)	46 USC 3318(h); 33 CFR 27.3	1984	$2,627
Vessel Inspection; Failure to Give Notice IAW 3309 (c)	46 USC 3318(i); 33 CFR 27.3	1984	$2,627
Vessel Inspection; Vessel ≥ 1600 Gross Tons	46 USC 3318(j)(1); 33 CFR 27.3	1984	$26,269
Vessel Inspection; Vessel <1600 Gross Tons	46 USC 3318(j)(1); 33 CFR 27.3	1984	$5,254
Vessel Inspection; Failure to Comply with 3311(b)	46 USC 3318(k); 33 CFR 27.3	1984	$26,269
Vessel Inspection; Violation of 3318(b)- 3318(f)	46 USC 3318(l); 33 CFR 27.3	1984	$13,132
List/count of Passengers	46 USC 3502(e); 33 CFR 27.3	1983	$273
Notification to Passengers	46 USC 3504(c); 33 CFR 27.3	1983	$27,384
Notification to Passengers; Sale of Tickets	46 USC 3504(c); 33 CFR 27.3	1983	$1,368
Copies of Laws on Passenger Vessels; Master	46 USC 3506; 33 CFR 27.3	1983	$548
Liquid Bulk/Dangerous Cargo	46 USC 3718(a)(1); 33 CFR 27.3	1983	$68,462
Uninspected Vessels	46 USC 4106; 33 CFR 27.3	1988	$11,506
Recreational Vessels (maximum for related series of violations)	46 USC 4311(b)(1); 33 CFR 27.3	2004	$362,217
Recreational Vessels; Violation of 4307(a)	46 USC 4311(b)(1); 33 CFR 27.3	2004	$7,244
Recreational Vessels	46 USC 4311(c); 33 CFR 27.3	1983	$2,739
Uninspected Commercial Fishing Industry Vessels	46 USC 4507; 33 CFR 27.3	1988	$11,506
Abandonment of Barges	46 USC 4703; 33 CFR 27.3	1992	$1,949

Penalty	Authority	Year Enacted	Adjusted New Penalty
Load Lines	46 USC 5116(a); 33 CFR 27.3	1986	$12,537
Load Lines; Violation of 5112(a)	46 USC 5116(b); 33 CFR 27.3	1986	$25,076
Load Lines; Violation of 5112(b)	46 USC 5116(c); 33 CFR 27.3	1986	$12,537
Reporting Marine Casualties	46 USC 6103(a); 33 CFR 27.3	1996	$43,678
Reporting Marine Casualties; Violation of 6104	46 USC 6103(b); 33 CFR 27.3	1988	$11,506
Manning of Inspected Vessels; Failure to Report Deficiency in Vessel Complement	46 USC 8101(e); 33 CFR 27.3	1990	$2,072
Manning of Inspected Vessels	46 USC 8101(f); 33 CFR 27.3	1990	$20,719
Manning of Inspected Vessels; Employing or Serving in Capacity not Licensed by USCG	46 USC 8101(g); 33 CFR 27.3	1990	$20,719
Manning of Inspected Vessels; Freight Vessel <100 GT, Small Passenger Vessel, or Sailing School Vessel	46 USC 8101(h); 33 CFR 27.3	1983	$2,739
Watchmen on Passenger Vessels	46 USC 8102(a)	1983	$2,739
Citizenship Requirements	46 USC 8103(f)	1983	$1,368
Watches on Vessels; Violation of 8104(a) or (b)	46 USC 8104(i)	1990	$20,719
Watches on Vessels; Violation of 8104(c), (d), (e), or (h)	46 USC 8104(j)	1990	$20,719
Staff Department on Vessels	46 USC 8302(e)	1983	$273
Officer's Competency Certificates	46 USC 8304(d)	1983	$273
Coastwise Pilotage; Owner, Charterer, Managing Operator, Agent, Master or Individual in Charge	46 USC 8502(e)	1990	$20,719
Coastwise Pilotage; Individual	46 USC 8502(f)	1990	$20,719

Penalty	Authority	Year Enacted	Adjusted New Penalty
Federal Pilots	46 USC 8503	1984	$65,666
Merchant Mariners Documents	46 USC 8701(d)	1983	$1,368
Crew Requirements	46 USC 8702(e)	1990	$20,719
Small Vessel Manning	46 USC 8906	1996	$43,678
Pilotage: Great Lakes; Owner, Charterer, Managing Operator, Agent, Master or Individual in Charge	46 USC 9308(a)	1990	$20,719
Pilotage: Great Lakes; Individual	46 USC 9308(b)	1990	$20,719
Pilotage: Great Lakes; Violation of 9303	46 USC 9308(c)	1990	$20,719
Failure to Report Sexual Offense	46 USC 10104(b)	1989	$11,011
Pay Advances to Seamen	46 USC 10314(a)(2)	1983	$1,368
Pay Advances to Seamen; Remuneration for Employment	46 USC 10314(b)	1983	$1,368
Allotment to Seamen	46 USC 10315(c)	1983	$1,368
Seamen Protection; General	46 USC 10321	1993	$9,491
Coastwise Voyages: Advances	46 USC 10505(a)(2)	1993	$9,491
Coastwise Voyages: Advances; Remuneration for Employment	46 USC 10505(b)	1993	$9,491
Coastwise Voyages: Seamen Protection; General	46 USC 10508(b)	1993	$9,491
Effects of Deceased Seamen	46 USC 10711	1983	$548
Complaints of Unfitness	46 USC 10902(a)(2)	1983	$1,368
Proceedings on Examination of Vessel	46 USC 10903(d)	1983	$273
Permission to Make Complaint	46 USC 10907(b)	1983	$1,368
Accommodations for Seamen	46 USC 11101(f)	1983	$1,368
Medicine Chests on Vessels	46 USC 11102(b)	1983	$1,368
Destitute Seamen	46 USC 11104(b)	1983	$273
Wages on Discharge	46 USC 11105(c)	1983	$1,368

Penalty	Authority	Year Enacted	Adjusted New Penalty
Log Books; Master Failing to Maintain	46 USC 11303(a)	1983	$548
Log Books; Master Failing to Make Entry	46 USC 11303(b)	1983	$548
Log Books; Late Entry	46 USC 11303(c)	1983	$411
Carrying of Sheath Knives	46 USC 11506	1983	$137
Documentation of Vessels	46 USC 12151(a)(1)	2012	$17,935
Documentation of Vessels; Activities involving mobile offshore drilling units	46 USC 12151(a)(2)	2012	$29,893
Engaging in Fishing After Falsifying Eligibility (fine per day)	46 USC 12151(c)	2006	$137,060
Numbering of Undocumented Vessel; Willful violation	46 USC 12309(a)	1983	$13,693
Numbering of Undocumented Vessels	46 USC 12309(b)	1983	$2,739
Vessel Identification System	46 USC 12507(b)	1988	$23,011
Measurement of Vessels	46 USC 14701	1986	$50,154
Measurement; False Statements	46 USC 14702	1986	$50,154
Commercial Instruments and Maritime Liens	46 USC 31309	1988	$23,011
Commercial Instruments and Maritime Liens; Mortgagor	46 USC 31330(a)(2)	1988	$23,011
Commercial Instruments and Maritime Liens; Violation of 31329	46 USC 31330(b)(2)	1988	$57,527
Port Security	46 USC 70119(a)	2002	$38,139
Port Security; Continuing Violations	46 USC 70119(b)	2006	$68,529
Maritime Drug Law Enforcement	46 USC 70506(c)	2010	$6,323
Hazardous Materials: Related to Vessels	49 USC 5123(a)(1)	2012	$89,678

Penalty	Authority	Year Enacted	Adjusted New Penalty
Hazardous Materials: Related to Vessels; Penalty from Fatalities, Serious Injuries/ Illness or substantial Damage to Property	49 USC 5123(a)(2)	2012	$209,249
Hazardous Materials: Related to Vessels; Training	49 USC 5123(a)(3)	2012	$540

Other Key Regulatory Requirements

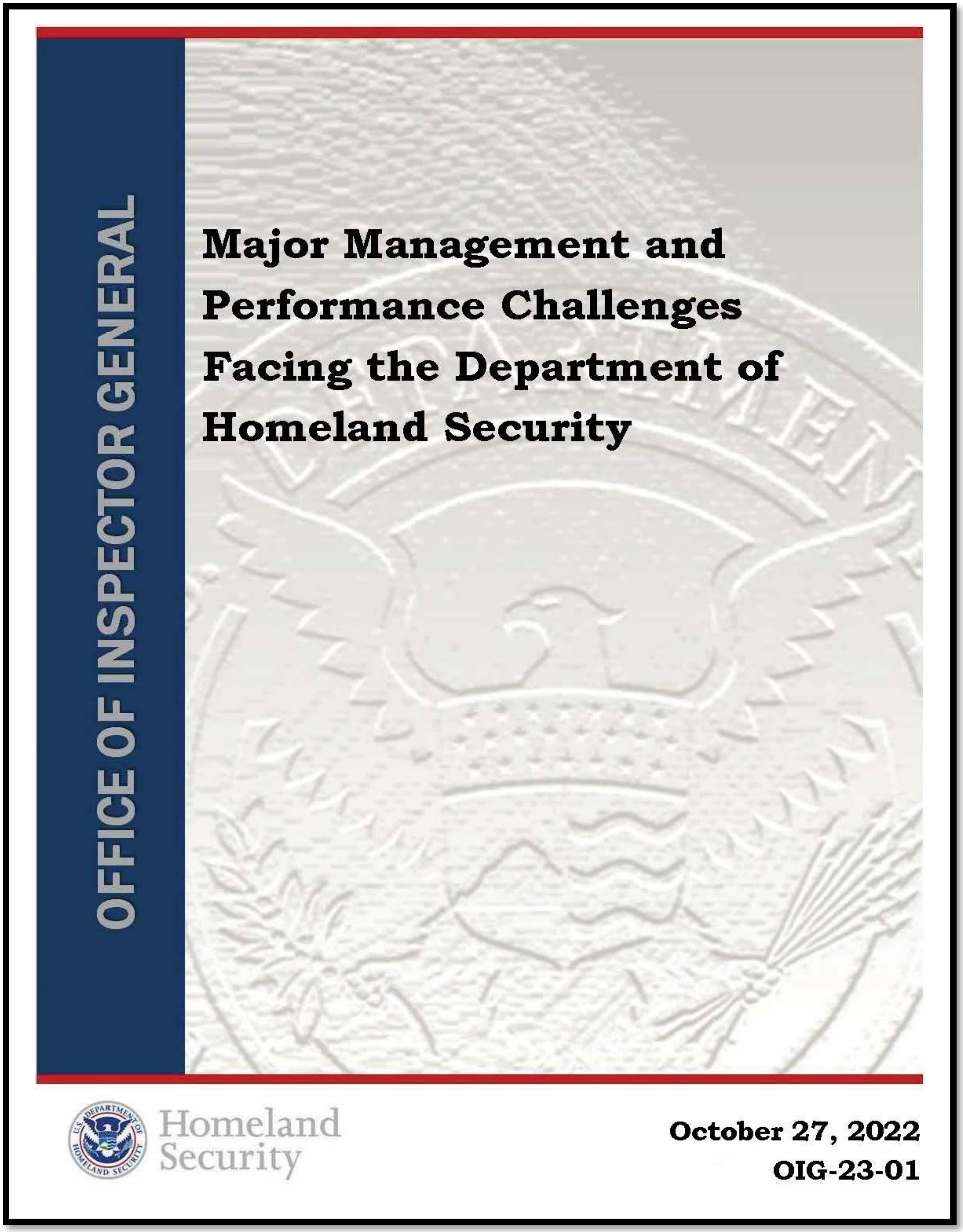
Prompt Payment Act

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 for the OMB CFO Council's Metric Tracking System. Metric statistics are reported with at least a six-week lag. DHS Components conduct periodic reviews to identify potential problems. On time-payments for FY 2022 were 82% versus the goal of 95%. Total interest paid in FY 2022 was $2,446,172.28 or $110.93 per million invoiced. During FY 2021 the total interest paid was $837,101.94 or $40.33 per million invoiced. The increase in interest paid from FY 2021 to 2022 is mainly attributable to a financial system transition at the U.S. Coast Guard and the ability to timely pay invoices during the transition and stabilization period in the early months of FY 2022.

Debt Collection Improvement Act

The *Debt Collection Improvement Act* (DCIA) *of 1996* passed as part of the *Omnibus Consolidated Rescissions and Appropriations Act of 1996 (P.L. 100-134)* tasked Treasury with certain governmentwide debt collection responsibilities. Among other things, the law provides that delinquent non-tax debts generally must be turned over to the Treasury for appropriate action to collect the debt. Certain types of debts are exempt from this requirement. In compliance with DCIA, the Department manages its debt collection activities under the DHS DCIA regulation. The regulation is implemented under the Department'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 debt to consumer reporting agencies; assessing interest, penalties, and administrative costs; and reporting receivables to the Treasury. The Digital Accountability and Transparency Act of 2014 was passed in May 2014 and updated DCIA requirements for referring non-taxable debt.

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


OFFICE OF INSPECTOR GENERAL

Major Management and Performance Challenges Facing the Department of Homeland Security

Homeland Security

October 27, 2022

OIG-23-01

OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, D.C. 20528 / www.oig.dhs.gov

October 27, 2022

MEMORANDUM FOR: The Honorable Alejandro N. Mayorkas
Secretary
Department of Homeland Security

FROM: Joseph V. Cuffari, Ph.D.
Inspector General

JOSEPH V CUFFARI

Digitally signed by JOSEPH V CUFFARI
Date: 2022.10.27 15:36:06 -07'00'

SUBJECT: *Major Management and Performance Challenges Facing the Department of Homeland Security*

For your information is our final report, *Major Management and Performance Challenges Facing the Department of Homeland Security*. This annual publication, required by the *Reports Consolidation Act of 2000*, summarizes what the OIG considers the most serious management and performance challenges facing the Department of Homeland Security and assesses its progress addressing them. It is intended to help the Department improve program performance and ensure the effectiveness of its operations.

These challenges are based on OIG's independent research, assessment, and judgment. They also relate to the three major priorities you identified as you assumed leadership of DHS (immigration, cybersecurity, and targeted violence/terrorism); the Department's operations under its six strategic goals in the *Department of Homeland Security's Strategic Plan for Fiscal Years 2020–2024*[1]; and the 12 strategic priorities in *DHS' 2022 Priorities*[2].

In this edition, OIG identifies eight challenges that reflect overarching issues affecting multiple DHS programs and responsibilities. They are not the only challenges confronting DHS - OIG's reports highlight specific opportunities to improve programs and operations. These eight challenges include:

- Countering Terrorism and Homeland Security Threats;
- Coordinating Border Security Efforts and Managing Migrant Surges and Resettlements;
- Managing Detention Conditions;
- Securing Cyberspace and Critical Infrastructure;
- Ensuring Proper Financial Management and Oversight;

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[1] https://www.dhs.gov/sites/default/files/publications/19_0702_plcy_dhs-strategic-plan-fy20-24.pdf. See Appendix A
[2] https://www.dhs.gov/2022-priorities. See Appendix B

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- Ensuring Technology Supports Essential Mission Operations;
- Improving FEMA's Disaster Assistance and Fraud Prevention; and
- Strengthening Oversight and Management of Major Systems Acquisition and Procurement.

In this report, we describe each challenge and potential associated risks, summarize actions DHS has taken or is taking to address each challenge, and summarize steps DHS needs to take to further address each challenge. OIG received technical comments on a draft of this report and made revisions as appropriate.

Countering Terrorism and Homeland Security Threats

THE CHALLENGE
DHS is challenged to effectively plan and provide adequate guidance, oversight, and monitoring of programs and operations to counter terrorism and homeland security threats and leverage law enforcement unity of effort. In addition, DHS seeks to achieve specific objectives related to countering terrorism and homeland security threats in strategic goal 1 as well as strategic priority 7.

WHY IS THIS A CHALLENGE?
Domestic and international actors abroad pose dangers to our Nation and at its borders. The threats are dynamic and becoming more complex. Threats are more interconnected, technologically advanced, targeted, and close to home.

Countering Terrorism:
Following the breach of the U.S. Capitol building in Washington, D.C. on January 6, 2021, we found DHS identified specific threat information prior to January 6 but did not issue any intelligence products about these threats until 2 days later. DHS was unable to provide its many state, local, and Federal partners with timely, actionable, and predictive intelligence.[3] Additionally, DHS did not adequately follow its internal processes and comply with applicable Intelligence Community policy standards and requirements when editing and disseminating an Office of Intelligence and Analysis (I&A) intelligence product regarding Russian interference in the 2020 U.S. Presidential election,[4] which put I&A at risk of creating a perception of politicization. We also determined DHS has not completed, as planned, 70 percent of the goals under its strategic framework for countering domestic

[3] *I&A Identified Threats prior to January 6, 2021, but Did Not Issue Any Intelligence Products before the U.S. Capitol Breach*, OIG-22-29, Mar. 2022.
[4] *DHS Actions Related to an I&A Intelligence Product Deviated from Standard Procedures (REDACTED)*, OIG-22-41, Apr. 2022.

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terrorism, and can improve how it identifies domestic terrorism threats, tracks trends for future risk-based planning, and informs partners and the public about domestic terrorism.[5]

We continue to identify challenges DHS faces countering improvised explosive devices. DHS needs to improve its management of component activities to comply with implementation of *Presidential Policy Directive 17: Countering Improvised Explosive Devices* within DHS. OIG continues to review DHS' countering terrorism efforts including DHS' response to the events of January 6, 2021, and DHS' procedures and technology systems to safeguard and share terrorist screening data.

Law Enforcement Unity of Effort:
We continue to identify law enforcement missions where DHS would benefit from better collaboration, sharing and leveraging processes, data collection, and best practices across components. We have identified inadequate oversight of DHS' law enforcement components to ensure proper DNA collection[6] and preparation for cross-component protection of Federal facilities.[7] We found that U.S. Immigration and Customs Enforcement's (ICE) Homeland Security Investigations investigated less than 1 percent of U.S. Customs and Border Protection's (CBP) Intellectual Property Rights seizures annually from fiscal years 2017 to 2020 because CBP did not prioritize reporting investigative referrals to ICE, nor did it establish guidance or a system to do so.[8] Further, we found opportunities for the Cybersecurity and Infrastructure Security Agency (CISA), Office for Bombing Prevention to improve its oversight of components' input for countering improvised explosive devices and to better lead DHS and nationwide capability efforts to address these threats.[9] Finally, DHS component collaboration on law enforcement virtual training is limited.[10]

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[5] *DHS Could Do More to Address the Threats of Domestic Terrorism*, OIG-22-49, July 2022.
[6] *DHS Law Enforcement Components Did Not Consistently Collect DNA From Arrestees*, OIG-21-35, May 2021.
[7] *DHS Had Authority to Deploy Federal Law Enforcement Officers to Protect Federal Facilities in Portland, Oregon, but Should Ensure Better Planning and Execution in Future Cross-Component Activities*, OIG-21-31, Apr. 2021.
[8] *DHS and CBP Should Improve Intellectual Property Rights Management and Enforcement (REDACTED)*, OIG-22-52, July 2022.
[9] *The Office for Bombing Prevention Needs to Improve Its Management and Assessment of Capabilities to Counter Improvised Explosive Devices*, OIG-22-33, Mar. 2022.
[10] *DHS Component Collaboration on Law Enforcement Virtual Training Is Limited*, OIG-22-67, Sep. 2022.

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WHAT PROGRESS HAS DHS MADE?

Countering Terrorism:

DHS has developed strategies and taken other steps to help the U.S. counter terrorism, and has made progress countering domestic terrorism. For example, DHS implemented redundant capabilities to disseminate intelligence products addressing departmental threats. Additionally, DHS will initiate a needs assessment to identify staffing and budget requirements to counter domestic terrorism. The Department's Counterterrorism Coordinator will work with other program offices to evaluate the oversight and coordination of efforts to counter domestic terrorism following the conclusion of the needs assessment.

Law Enforcement Unity of Effort:

DHS continues its efforts to develop and update internal controls, directives, policies, procedures, and training plans, as well as improve its integration of data sources and modernize its reporting systems to generate real-time automated reports. These actions are designed to strengthen collaboration among its components and Federal law enforcement partners. For example, on September 29, 2021, the Secretary established the Law Enforcement Coordination Council that coordinates department-wide law enforcement related matters on training and policy.

WHAT DHS STILL NEEDS TO DO

DHS needs to remain committed to effective threat assessment methods and law enforcement collaboration, as well as internal control development, including useful and relevant goals, performance indicators, metrics, measures, corrective action plan implementation, and deliberate improvement. In addition, DHS needs to enhance and provide intelligence training and guidance and improve its processes for timely reviews of open source intelligence products. DHS could also improve how it identifies domestic terrorism threats, tracks trends for future risk-based planning, and informs partners and the public about domestic terrorism. DHS needs to better manage its counter-improvised explosive devices (C-IED) efforts, as well as its assessment of national, regional, and state C-IED capabilities. Finally, DHS needs to address multiple unresolved and open recommendations from OIG's previous reports.[11]

[11] *ICE Faces Challenges to Screen Aliens Who May Be Known or Suspected Terrorists*, OIG-18-36, Jan 2018; *A Joint Review of Law Enforcement Cooperation on the Southwest Border between the Federal Bureau of Investigation and Homeland Security Investigations*, OIG-19-57, July 2019; and *HSI Effectively Contributes to the FBI's Joint Terrorism Task Force, But Partnering Agreements Could Be Improved (REDACTED)*, OIG-20-59, Aug 2020.

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Coordinating Border Security Efforts and Migrant Surges

THE CHALLENGE

Migrant and refugee surges continue to pose significant challenges for DHS. Meanwhile, DHS seeks to achieve specific objectives related to securing U.S. borders and approaches in strategic goal 2 as well as strategic priority 9.

WHY IS THIS A CHALLENGE?

CBP apprehended more than 1.6 million migrants illegally crossing the Southwest Border in FY 2021. This trend continued in FY 2022. Migrant surges require a whole-of-government approach. DHS manages a major part of the border security and immigration enforcement mission set, but in prior surges multi-component planning between CBP and ICE and a coordinated response ultimately did not occur. These surges in immigration have exposed technology challenges which impede CBP and ICE personnel from tracking migrants from apprehension to release or transfer. Technology deficiencies also meant that data was not consistently documented in DHS' systems of record, which can delay DHS from uniting children with families and sponsors, or cause migrants to remain in DHS custody longer than legally allowed.[12]

The United States also experienced a sudden influx of Ukrainian and Afghan citizens requesting entry into the country under unprecedented circumstances. This change in immigration patterns reconfirmed longstanding staffing issues at CBP. Sufficient staffing is needed to ensure complete and accurate processing of all individuals requesting entry into the United States. However, screening, vetting, and inspecting all evacuees during the recent Afghanistan crisis was a challenge, and OIG continues to evaluate CBP's access to critical data to fully vet individuals trying to enter the United States. OIG continues to conduct reviews in this area, such as DHS' preparations to receive and expedite requests from Afghan evacuees for long-term legal status, and the effectiveness of DHS' technology, procedures, and coordination to screen and vet non-citizens entering or resettling in the United States.

WHAT PROGRESS HAS DHS MADE?

Corrective action plans submitted to OIG show that DHS is updating its technology platforms to enhance information sharing across its components and with external partners, including the U.S. Department of Health and Human Services. DHS is also updating internal guidance to ensure staff fully

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[12] *DHS Technology Systems Do Not Effectively Support Migrant Tracking at the Southwest Border*, OIG 22-66, Sep. 2022; *ICE and CBP Should Improve Visa Security Program Screening and Vetting Operations*, OIG-22-70, Sep. 2022; and *U.S. Border Patrol Screened Migrants at the Southwest Border but Could Strengthen Processes*, OIG-22-71, Sep. 2022.

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understand processes, procedures, technology systems, and the value of robust controls.

WHAT DHS STILL NEEDS TO DO

DHS should continue to address internal fragmentation affecting border security and immigration processing. DHS should work on improving consistent application of standard procedures to fully document migrant apprehensions and to enhance timely and orderly processing to identify security threats. DHS should also develop a comprehensive contingency plan to handle evacuation efforts in the future and thoroughly account for, screen, vet, and inspect all individuals during unprecedented events when limited biographic data is available.[13] Additionally, DHS needs to address multiple unresolved and open recommendations from OIG's previous reports.[14]

Managing Detention Conditions

THE CHALLENGE

Managing its detention system and safe, orderly, and humane immigration processes continues to be a significant challenge for DHS, particularly given recent surges at the Southwest border. In addition, DHS seeks to achieve specific objectives related to enforcing immigration law in strategic goal 2 and strategic priority 10.

WHY IS THIS A CHALLENGE?

Surges result in prolonged detention in short-term facilities, overcrowding, capacity issues, and inconsistent compliance with standards for care at Border Patrol stations. According to CBP officers, the lack of bed space at ICE detention facilities also contributes to the challenges CBP is experiencing managing migrants at its facilities. Additionally, DHS continues to struggle with contractor performance and overall compliance with detention standards such as segregation,[15] medical care, and access to legal services.[16] For example, in March 2022, OIG issued a Management Alert[17] recommending the immediate removal of all detainees from the Torrance County Detention Facility

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[13] *DHS Encountered Obstacles to Screen, Vet, and Inspect All Evacuees during the Recent Afghanistan Crisis (Redacted)* OIG-22-64, Sep. 2022.
[14] *DHS Missing Data Needed to Strengthen Its Immigration Enforcement Efforts*, OIG-15-85, May 2015; *Border Patrol Needs a Better Plan For Hiring More Agents*, OIG-19-23, Feb 2019; *CBP Has Taken Steps to Limit Processing of Undocumented Aliens at Ports of Entry*, OIG-21-02, Oct 2020;
[15] *ICE Needs to Improve Its Oversight of Segregation Use in Detention Facilities*, OIG-22-01, Oct. 2021.
[16] *Capping Report: CBP Struggled to Provide Adequate Detention Conditions During 2019 Migrant Surge*, OIG-20-38, June 2020.
[17] *Management Alert – Immediate Removal of All Detainees from the Torrance County Detention Facility*, OIG-22-31, Mar. 2022.

in Estancia, New Mexico due to safety risks and unsanitary living conditions. In April 2022, we made several recommendations aimed at improving care of detainees at the South Texas ICE Processing Center.[18] We continue to perform unannounced inspections of ICE adult detention facilities and CBP holding facilities.

WHAT PROGRESS HAS DHS MADE?

CBP has taken steps to increase coordination and planning, enhance existing infrastructure to add capacity, and expand access to medical care through improved screening. According to DHS, ICE continues to improve conditions at its detention facilities and completing any identified repairs from internal or OIG inspections. In addition, ICE has updated its request tracking system and enhanced its documentation of commissary and mail services for detainees at the South Texas ICE Processing Center. Further, DHS recently announced it is creating a new Office of Health Security to coordinate and provide oversight for public health, medical, and safety activities for both its own workforce and those in its care.

WHAT DHS STILL NEEDS TO DO

DHS should work on improving consistent application of standards for treatment and care of migrants and timely, orderly, and humane processing. Additionally, DHS needs to address OIG recommendations including one unresolved and open recommendation from a previous report.[19]

Securing Cyberspace and Critical Infrastructure

THE CHALLENGE

DHS must provide a high level of cybersecurity for the information and systems supporting day-to-day operations for its approximately 240,000 personnel. DHS' mission in this area, providing enterprise-wide security solutions to protect the Department and partnering with industry and government, is multi-faceted and vast. This persistent challenge relates to every aspect of DHS' mission and relates to all of DHS' strategic goals as well as strategic priority 8 to increase cybersecurity. Additionally, multiple administrations have issued executive orders to improve the Nation's cybersecurity and to secure the critical infrastructure underlying our Nation's economy and way of life.

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[18] *Violations of ICE Detention Standards at South Texas ICE Processing Center*, OIG-22-40, Apr. 2022.
[19] *Violations of Detention Standards Amidst COVID-19 Outbreak at La Palma Correctional Center in Eloy, AZ*, OIG-21-30, Mar. 2021.

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WHY IS THIS A CHALLENGE?

Recent breaches have shown that cyber attacks pose a serious threat against the Nation's cyberspace and critical infrastructure, and why preventing such attacks will remain a major management challenge. These attacks have been designed to gain unauthorized access to sensitive data stored and processed by DHS systems, infiltrate U.S. Government computers and networks to slow or halt operations, access intellectual property and research, and gather useful intelligence. In addition to Nation-state sponsored Advanced Persistent Threats,[20] recent attacks include the SolarWinds Orion breach, Microsoft Exchange attacks, and the Colonial Pipeline ransomware victimization. As cyber threats evolve, securing U.S. technology systems and networks from unauthorized access and potential exploits will become more challenging.

WHAT PROGRESS HAS DHS MADE?

The DHS Secretary has made operationalizing cybersecurity and increasing cybersecurity awareness a top priority for DHS. Within DHS, CISA leads cybersecurity and critical infrastructure security programs, operations, and associated policy; and carries out DHS' antiterrorism efforts[21]. Other priorities include strengthening the integrity of elections, protecting government networks, applying new technologies to supply chain security, and preparing for the challenges of new, emerging technology. DHS has made some progress to address the threats of cyberattacks and reduce the likelihood of exploitation of critical weaknesses. For example, DHS implemented specific tools and technologies to detect and prevent security events on component systems and to help protect DHS' network communication and data. DHS has also made progress improving cybersecurity collaboration and coordination with the Department of Defense (DoD) in accordance with the Cyber Action Plan and memorandums. DHS continues to participate in critical infrastructure programs, improve cyber situational awareness, co-locate DHS and DoD liaisons, and conduct cybersecurity readiness training. DHS has also continued to provide oversight of the department-wide intelligence system and has implemented programs to monitor ongoing security practices. It is also working to update relevant plans, address identified vulnerabilities, and continues to improve configuration and patch management.

DHS concurred with recent OIG recommendations aimed at helping the Department improve upon its efforts to implement its critical infrastructure

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[20] According to the National Institute of Standards and Technology (NIST), an Advanced Persistent Threat is an adversary that possesses sophisticated levels of expertise and significant resources which allow it to create opportunities to achieve its objectives by using multiple attack vectors including cyber, physical, and deception.
[21] In addition to CISA, ICE, CBP, and other DHS components and agencies have significant roles in counterterrorism efforts for the Department.

strategy and programs. CISA is working to improve oversight for Dams Sector security and resilience.[22] Additionally, OIG is reviewing DHS' efforts to improve Energy Sector resilience.

WHAT DHS STILL NEEDS TO DO

OIG has issued numerous recommendations to DHS to address cybersecurity weaknesses and improve its information security program functions to identify, detect, respond, and recover from cybersecurity incidents.[23] DHS needs to revise its policies and procedures to reflect the latest NIST standards. The DHS Chief Information Officer should develop a change management process to identify and implement Policy Directives. DHS also needs to improve its Cybersecurity Awareness Training Program to ensure all DHS users receive a comprehensive, baseline level of cybersecurity education. Additionally, DHS needs to address weaknesses in access controls, patching procedures, and configuration settings. DHS needs to address recent recommendations to improve the Department's information security program.[24]

OIG will continue to monitor DHS' cybersecurity coordination efforts by partnering with the National Security Agency (NSA) to review DHS and NSA's efforts to assess the actions taken by DHS in advance of, and in connection with, recent intrusions into U.S. Government and private networks. OIG is also reviewing CISA's ability to detect and mitigate risks from major cyberattacks based on lessons learned after the SolarWinds breach.

CISA needs to improve its oversight, coordination, and communication to better support the Dams Sector security and resilience. Also, DHS is receiving approximately $8 billion from the *Infrastructure Investment and Jobs Act* (IIJA) to strengthen critical infrastructure. The Department will need to create new programs, and a strategy for spending IIJA funds.

Ensuring Proper Financial Management and Oversight

THE CHALLENGE

Ensuring strong financial management principles and results is foundational to every aspect of DHS' mission and supports all of DHS' strategic goals and strategic priorities. Proper financial management and resulting data are commonly viewed as important strategic assets.

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[22] *CISA Can Improve Efforts to Ensure Dam Security and Resilience*, OIG-21-59, Sept. 2021.
[23] *USCIS Should Improve Controls to Restrict Unauthorized Access to its Systems and Information*, OIG-22-65, Sep. 2022.
DHS Can Better Mitigate the Risks Associated with Malware, Ransomware, and Phishing Attacks, OIG-22-62, Aug. 2022.
[24] *Evaluation of DHS' Information Security Program for Fiscal Year 2021*, OIG-22-55, Aug. 2022.

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WHY IS THIS A CHALLENGE?

DHS has shown it has strong financial principles, but notable financial deficiencies can undermine the public's confidence in DHS and its ability to make strategic investments using taxpayer dollars. For FY 2022, Congress provided funding of $57 billion, an increase of $5.1 billion compared with FY 2021. It provided total funding of $94.8 billion, including $18.8 billion for major disaster response and recovery and $19 billion offset by fee collections.

Independent auditors issued an adverse opinion on DHS' internal controls over financial reporting because of material weaknesses. Specifically, auditors found weaknesses in Information Technology Controls and Information Systems and Financial Reporting. Auditors identified significant deficiencies in Custodial Activities: Drawbacks and Seized and Forfeited Property; Grants Management and Other Needs Assistance Programs; Insurance Liabilities; and Journal Entries. They also noted noncompliance with the *Federal Managers' Financial Integrity Act of 1982* and *Federal Financial Management Improvement Act of 1996.*[25]

OIG found DHS did not fully comply with the *Payment Integrity Information Act of 2019* (PIIA) in FY 2021.[26] OIG also found the Department continues to make progress meeting *Digital Accountability and Transparency Act of 2014* (DATA Act) requirements, but system limitations hinder the Federal Emergency Management Agency's (FEMA) ability to track spending associated with the Department's response to the pandemic.[27] FEMA received 98 percent (approximately $45.4 billion) of the Department's COVID-19 funding.

In August 2020, the President directed FEMA to expend as much as $44 billion from the Disaster Relief Fund for a Lost Wages Assistance (LWA) program. FEMA is challenged to ensure State Workforce Agencies (SWA) report suspected or identified LWA fraud to DHS OIG, as many agencies' plans lacked required procedures to report.[28] Further, FEMA did not implement controls to prevent SWAs from paying more than $3.7 billion in potentially fraudulent and

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[25] *Independent Auditors' report on DHS' FY 2021 Financial Statements and Internal Control over Financial Reporting*, OIG-21-08, Nov. 2021.
[26] *Department of Homeland Security's FY 2021 Compliance with the Payment Integrity Information Act of 2019 and Executive Order 13520, Reducing Improper Payments*, OIG-22-45, June 2022.
[27] *DHS Continues to Make Progress Meeting DATA Act Requirements, but Challenges Remain*, OIG-22-04, Nov. 2021.
[28] *Management Alert – Reporting Suspected Fraud of Lost Wages Assistance*, OIG-22-28, Feb. 2022.

improper payments through its LWA program.[29] FEMA relied on weak underlying Unemployment Insurance program controls, such as self-certifications, to determine eligibility and prevent fraud. This also allowed ineligible and potentially ineligible DHS employees, or individuals using their identities, to receive LWA. The Department also did not contain the necessary controls in its Unemployment Compensation for Federal Employees program to ensure SWAs had accurate information to determine claim eligibility. Consequently, FEMA and the Department significantly increased DHS employees' risk of fraud and exposure to identity theft.

CBP's revenue collection efforts focus on enforcing trade laws, facilitating legitimate trade, and collecting lawfully owed duties, taxes, and fees. Revenue Collection is designated as a Priority Trade Issue due to the high risk of significant revenue loss, harm to the U.S. economy, or threats to the health and safety of the American people. Importers may illicitly attempt to avoid paying duties, taxes, and fees and circumvent trade practices, defrauding the Federal Government and undermining lawful business. CBP implemented its Centers of Excellence and Expertise (Centers), in part, to centralize trade enforcement and facilitation. The absence of performance standards has made it difficult to determine to what extent establishing the Centers improved the assessment, collection, and protection of trade revenue.[30]

WHAT PROGRESS HAS DHS MADE?

DHS continued to improve its financial management in FY 2021 and achieved its nineth consecutive unmodified (clean) opinion on all financial statements. DHS continues to make progress meeting its reporting requirements under the DATA Act. DHS implemented actions to improve the completeness of budgetary and award data in its DATA Act submission to make the spending information more transparent.

DHS is working to improve compliance with requirements set forth in laws, regulations, directives, and policies by strengthening oversight, internal control, data quality, and transparency. For example, DHS demonstrated through corrective action plans, its intent to address OIG recommendations to develop or enhance various performance measures, procedures, and internal controls.

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[29] *FEMA Did Not Implement Controls to Prevent More than $3.7 Billion in Improper Payments from the Lost Wages Assistance Program*, OIG-22-69, Sep. 2022, and *The Identities of DHS Employees Were Linked to More than $2.6 Million in Potentially Fraudulent Lost Wages Assistance*, OIG-22-73, Sept. 2022.
[30] CBP Needs Improved Oversight for Its Centers of Excellence and Expertise, OIG-22-34, Mar. 2022.

DHS has taken steps toward remediating other issues OIG previously reported, including in Financial Statement Audit reports. DHS has undertaken a Financial Systems Modernization program which is intended to replace outdated systems across the Department. To date, DHS has deployed a modernized financial management system to the Countering Weapons of Mass Destruction Office, the Transportation Security Administration, and United States Coast Guard. DHS is also planning to modernize financial management systems at other components. DHS officials have stated that this modernization effort will help mitigate many of the underlying causes of the Information Technology Controls and Information Systems and Financial Reporting material weaknesses identified in previous audit reports.

WHAT DHS STILL NEEDS TO DO

DHS must thoughtfully execute its role as steward of taxpayer investment in its programs, making continued progress toward full compliance with applicable laws, regulations, directives, policies, prevailing guidance, and internal control standards. DHS needs to sustain a clean opinion on its financial statements and obtain a clean opinion on its internal control over financial reporting. In addition, DHS needs to implement and consistently use the government-wide financial data standards to improve the accuracy of reporting for certain data elements to fully achieve the DATA Act's objective. Further, FEMA needs to strengthen its fraud preventive controls when determining claimant eligibility. Its reliance on self-certifications continues to lead to billions of dollars in potentially fraudulent and improper payments. Also, CBP needs to improve its compliance with the *Trade Facilitation and Trade Enforcement Act of 2015*, its procedural guidance for its Centers of Excellence and Expertise, and the reliability of trade import and enforcement data in its information systems.

Ensuring Technology Supports Essential Mission Operations

THE CHALLENGE

Providing technology support for personnel, maintaining system functionality and integration, addressing deficiencies, identifying and prioritizing systems for modernization, and ensuring data is accurate and reliable for strategic decision makers continues to be a major management challenge. In addition, DHS seeks to achieve specific objectives related to improving workforce capability and strengthening governance in strategic goal 6 as well as innovating and harnessing technology to advance mission delivery in strategic priority 5.

WHY IS THIS A CHALLENGE?

DHS continues to struggle with aligning DHS technology, personnel, resources, assets, systems, and infrastructure to support its mission. State-of-the-art technology and services remain critical tools to that end. It is important for

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DHS to mitigate risks to operational performance before they become issues and to deploy capability timely.

Systems and Applications:
OIG continues to identify control deficiencies, outdated or incorrectly configured systems, and inadequate operator training. In addition, issues with technology and applications continue to be identified as underlying features of many of the OIG's recommendations for improvement in oversight work not primarily focused on technology. Further, independent auditors identified material weaknesses in Information Technology Controls and Information Systems.[31]

Data Management:
Significant challenges hinder DHS' day-to-day use of some of the Nation's largest and most diverse databases to support its vast mission operations.[32] DHS needs to improve the collection and management of data across its components to better serve and safeguard the public. We continue to identify data access, availability, accuracy, completeness, and relevance issues which present numerous obstacles for DHS personnel as they make decisions or carry out day-to-day mission operations. In addition to data quality problems in the National Flood Insurance Program system,[33] shortcomings exist in systems supporting DHS' open source intelligence operations.[34]

WHAT PROGRESS HAS DHS MADE?

Systems and Applications:
Responses to OIG's recommendations show that DHS continues to dedicate necessary resources to oversight, controls, configuration management, modernization, increased automation, and strategic capability deployment.

Data Management:
As noted previously, DHS has taken steps to remediate issues OIG previously reported, including in Financial Statement Audit reports. The Department has taken corrective actions to implement recommendations in prior reports and

[31] *Independent Auditors' report on DHS' FY 2021 Financial Statements and Internal Control over Financial Reporting*, OIG-21-08, Nov. 2021.
[32] *Summary Report: Persistent Data Issues Hinder DHS Mission, Programs, and Operations*, OIG-21-37, May 2021.
[33] *FIMA Made Progress Modernizing Its NFIP System, but Data Quality Needs Improvement*, OIG-21-04, Nov. 2020.
[34] *The Office of Intelligence and Analysis Needs to Improve Its Open Source Intelligence Reporting Process*, OIG-22-50, July 2022.

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has developed various plans and strategies to improve the quality and management of its data.[35]

WHAT DHS STILL NEEDS TO DO

OIG's recommendations show that DHS still needs to increase and sustain its focus and effort to: (1) improve oversight, (2) ensure consistent configuration management, (3) prioritize systems and applications modernization, and (4) remediate the internal control issues that underlie data deficiencies. Additionally, DHS needs to address a remaining unresolved and open recommendation from OIG's evaluation of DHS' information security program for FY 2019.[36]

Improving FEMA's Disaster Assistance and Fraud Prevention

THE CHALLENGE

FEMA continues to struggle to reimburse procurement costs and continues to experience systemic problems and operational difficulties contributing to inadequate management of disaster relief grants. According to DHS, COVID-19 response and recovery is the largest relief assistance program in American history. FEMA, as the lead response agency, has been charged with administering and overseeing $45 billion in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding. Further, FEMA has recently been charged with administering $6.8 billion in IIJA funding. In addition, DHS seeks to achieve specific objectives related to strengthening preparedness and resilience in strategic goal 5 and strategic priority 11.

WHY IS THIS A CHALLENGE?

FEMA struggles with ensuring disaster grant recipients and subrecipients understand and comply with relevant authorities governing grants and assistance. FEMA has also proven susceptible to widespread fraud and made billions in improper payments.[37]

Grants Management:

[35] *Independent Auditors' report on DHS' FY 2021 Financial Statements and Internal Control over Financial Reporting*, OIG-21-08, Nov. 2021.
[36] *Evaluation of DHS' Information Security Program for Fiscal Year 2019 (REDACTED)*, OIG-20-77, Sept. 2020.
[37] *Success of Future Disaster Response and Recovery Efforts Depends on FEMA Addressing Current Vulnerabilities*, OIG-21-25, Mar. 2021; FEMA Did Not Implement Controls to Prevent More than $3.7 Billion in Improper Payments from the Lost Wages Assistance Program, OIG-22-69, Sep. 2022.

OIG continues to identify grantee and subgrantee oversight weaknesses, insufficient systems to process information and data, inadequate policies and guidance, and improper payments.

Disaster Assistance:
OIG continues to identify persistent, systemic shortcomings in FEMA's disaster response and recovery efforts. OIG has published a significant body of work recommending improvements in Federal disaster response and recovery efforts. We remain committed to examining FEMA's disaster response and recovery programs, including program oversight and management, authorities, and data for decision making.[38] OIG also continues to examine FEMA's management of contracts, including FEMA's contracting practices during national disaster declarations.

Oversight of Pandemic Funding and Fraud Prevention:
OIG has received a substantial number of COVID-19 fraud complaints nationwide and continues to investigate COVID-19 fraud perpetrated by companies and individuals seeking to exploit DHS-affiliated programs, notably relief programs that FEMA administers. Further, as of July 31, 2022, OIG had received more than 7,500 complaints and initiated more than 300 investigations related to COVID-19, including allegations that fraud networks have secured pandemic-related benefits.

WHAT PROGRESS HAS DHS MADE?

Grants Management:
FEMA's corrective action plans show FEMA continues to strengthen adherence to Federal regulations and its own policy, oversight, risk assessment, and training.

Disaster Assistance:
Responses to OIG's recommendations show that FEMA continues efforts to augment staff and systems to improve oversight, and develop resources, tools, and procedures to support more effective programs.

Oversight of Pandemic Funding and Fraud Prevention:

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[38] *FEMA Needs to Improve Oversight and Management of Hazard Mitigation Grant Program Property Acquisitions*, OIG-22-46, June 2022; *FEMA's Waiver Authority under the Disaster Recovery Reform Act of 2018*, OIG-22-43, May 2022; *Assessment of FEMA's Public Assistance Alternative Procedures Program*, OIG-22-51, July 2022; *FEMA Did Not Prevent More than $3.7 Billion in Improper Payments from the Lost Wages Assistance Program*, OIG-22-69, Sep. 2022 and *DHS Employees Were Linked to More than $2.4 Million in Potentially Fraudulent and Ineligible Lost Wages Assistance*, OIG-22-73, Sep. 2022.

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FEMA continues to collaborate with OIG and others to leverage multi-disciplinary expertise to identify fraud schemes.

WHAT DHS STILL NEEDS TO DO

While DHS and FEMA continue to address OIG recommendations, they need to analyze systemic weaknesses across the spectrum of disaster-related funding and services and make overarching improvements in risk assessment, controls, policies, systems and applications, resources, training, data to support equitable assistance distribution, and collaboration with stakeholders.[39] FEMA also needs to address multiple unresolved and open recommendations from previous reports.[40]

Strengthening Oversight and Management of Major Systems Acquisition and Procurement

THE CHALLENGE

Acquiring major acquisition systems is a key part of DHS' annual budget and fundamental to accomplishing its many critical missions. This challenge relates to every aspect of DHS' mission and relates to all DHS strategic goals and strategic priorities. In addition, enhancing mission capabilities is included as a priority in the Office of the Chief Procurement Officer's annual report for FY 2021.[41]

WHY IS THIS A CHALLENGE?

Oversight of major acquisition programs is critical to obtaining the new capability that DHS needs to combat evolving threats. As reported by the U.S. Government Accountability Office (GAO), each year, DHS invests billions of dollars in a diverse portfolio of major acquisition programs to help execute its many critical missions. DHS and its components are acquiring capabilities to help secure the border, increase marine safety, screen travelers, enhance cybersecurity, improve disaster response, and execute a wide variety of other operations. In FY 2021, DHS planned to spend more than $7 billion on major

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[39] *Lessons Learned from Prior Reports on Disaster-related Procurement and Contracting*, OIG-18-29, Dec. 2017; *Lessons Learned from FEMA's Initial Response to COVID-19*, OIG-21-64, Sept. 2021; *Summary and Key Findings of Fiscal Year 2015 FEMA Disaster Grant and Program Audits*, OIG-17-13, Nov. 2016.

[40] *FEMA Has Made More than $3 Billion in Improper and Potentially Fraudulent Payments for Home Repair Assistance since 2003*, OIG-20-23, Apr. 2020; *FEMA Has Paid Billions in Improper Payments for SBA Dependent Other Needs Assistance since 2003*, OIG-20-60, Aug. 2020; *FEMA Has Not Prioritized Compliance with the Disaster Mitigation Act of 2000, and Hindering Its Ability to Reduce Repetitive Damages to Roads and Bridges*, OIG-21-43, July 2021.

[41] DHS' Office of the Chief Procurement Officer Fiscal Year 2021 Annual Report, Priority 3 – Enhance Mission Capabilities.

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acquisition programs. In FY 2022, DHS plans to spend more than $5 billion on major acquisition programs, and, ultimately, the Department plans to invest more than $240 billion over the life cycle of these programs. Most of DHS' major acquisition programs have lifecycle costs of at least $300 million and take multiple years to acquire.[42]

We continue to identify issues with poorly defined operational requirements for assets being acquired, adherence to the DHS Acquisition Lifecycle Framework, contract oversight, and reporting.[43] Without effective oversight and plans, DHS cannot ensure systems are meeting critical system performance requirements or mitigating future vulnerabilities. Additionally, the Department may fund future systems without accurately defining capability needs.

WHAT PROGRESS HAS DHS MADE?

DHS continues to make progress in its acquisition program oversight processes and controls through implementation of a revised acquisition management directive and a revised acquisition instruction.[44] DHS continues to update acquisition management policy and guidance, including specific guidance on developing operational requirements and sharing lessons learned across acquisition programs.

WHAT DHS STILL NEEDS TO DO

DHS needs to continue to grow and mature the Joint Requirements Council and its requirements process the Joint Requirements and Integration Management System as well as other requirements determination guidance. DHS' Office of Program Accountability and Risk Management needs to continue to strengthen oversight of acquisitions programs to ensure they follow all key steps in the Acquisition Lifecycle Framework. DHS also needs to reinforce the use of the checklists, job aids, and guides developed by the DHS Office of the Chief Procurement Officer. DHS and its components also need to address multiple unresolved and open recommendations from OIG's previous reports.[45]

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[42] *GAO's DHS Annual Assessment, GAO-21-175* and *GAO-22-104684.*
[43] For example, *CBP and CWMD Need to Improve Monitoring and Maintenance of Radiation Portal Monitor Systems (Redacted)*, OIG-22-39, Apr. 2022.
[44] DHS 102-01 Rev. 03.1 approved in February 2019; DHS 102-01-001 Rev. 01.3 approved in January 2021.
[45] *CBP Has Not Demonstrated Acquisition Capabilities Needed to Secure the Southern Border*, OIG-20-52, July 2020; *DHS Grants and Contracts Awarded through Other Than Full and Open Competition, FYs 2018 and 2019*, OIG-21-17, Feb. 2021; *U.S. Customs and Border Protection's Acquisition Management of Aviation Fleet Needs Improvement to Meet Operational Needs*, OIG-21-53, Aug. 2021.

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Appendix A

GOAL 1: COUNTER TERRORISM AND HOMELAND SECURITY THREATS
OBJECTIVE 1.1: COLLECT, ANALYZE, AND SHARE ACTIONABLE INTELLIGENCE
OBJECTIVE 1.2: DETECT AND DISRUPT THREATS
OBJECTIVE 1.3: PROTECT DESIGNATED LEADERSHIP, EVENTS, AND SOFT TARGETS
OBJECTIVE 1.4: COUNTER WEAPONS OF MASS DESTRUCTION AND EMERGING THREATS

GOAL 2: SECURE U.S. BORDERS AND APPROACHES
OBJECTIVE 2.1: SECURE AND MANAGE AIR, LAND, AND MARITIME BORDERS
OBJECTIVE 2.2: EXTEND THE REACH OF U.S. BORDER SECURITY
OBJECTIVE 2.3: ENFORCE U.S. IMMIGRATION LAWS
OBJECTIVE 2.4: ADMINISTER IMMIGRATION BENEFITS TO ADVANCE THE SECURITY AND PROSPERITY OF THE NATION

GOAL 3: SECURE CYBERSPACE AND CRITICAL INFRASTRUCTURE
OBJECTIVE 3.1: SECURE FEDERAL CIVILIAN NETWORKS
OBJECTIVE 3.2: STRENGTHEN THE SECURITY AND RESILIENCE OF CRITICAL INFRASTRUCTURE
OBJECTIVE 3.3: ASSESS AND COUNTER EVOLVING CYBERSECURITY RISKS
OBJECTIVE 3.4: COMBAT CYBERCRIME

GOAL 4: PRESERVE AND UPHOLD THE NATION'S PROSPERITY AND ECONOMIC SECURITY
OBJECTIVE 4.1: ENFORCE U.S. TRADE LAWS AND FACILITATE LAWFUL INTERNATIONAL TRADE AND TRAVEL
OBJECTIVE 4.2: SAFEGUARD THE U.S. TRANSPORTATION SYSTEM
OBJECTIVE 4.3: MAINTAIN U.S. WATERWAYS AND MARITIME RESOURCES
OBJECTIVE 4.4: SAFEGUARD U.S. FINANCIAL SYSTEMS

GOAL 5: STRENGTHEN PREPAREDNESS AND RESILIENCE
OBJECTIVE 5.1: BUILD A NATIONAL CULTURE OF PREPAREDNESS
OBJECTIVE 5.2: RESPOND DURING INCIDENTS
OBJECTIVE 5.3: SUPPORT OUTCOME-DRIVEN COMMUNITY RECOVERY
OBJECTIVE 5.4: TRAIN AND EXERCISE FIRST RESPONDERS

GOAL 6: CHAMPION THE DHS WORKFORCE AND STRENGTHEN THE DEPARTMENT
OBJECTIVE 6.1: STRENGTHEN DEPARTMENTAL GOVERNANCE AND MANAGEMENT
OBJECTIVE 6.2: DEVELOP AND MAINTAIN A HIGH PERFORMING WORKFORCE
OBJECTIVE 6.3: OPTIMIZE SUPPORT TO MISSION OPERATIONS

Source: *Department of Homeland Security's Strategic Plan for Fiscal Years 2020-2024* (undated)
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Appendix B

This Week at DHS

March 18, 2022

Building the Department You Deserve: DHS's 2022 Priorities

Every day, our Department interacts more frequently with the public than any other federal agency. Building on a strong year of progress in 2021 and seeking to enhance our capabilities in key mission areas, **Secretary Mayorkas and the leadership team across all DHS components developed 12 priorities to guide our Department's strategic focus this year.**

Each of you play a vital role in accomplishing these priorities. As we approach our Department's 20th anniversary next year, these priorities will complement your individual office and agency goals and meaningfully advance our critical mission.

Organizational Advancement

1. **Increase our effectiveness** through transformational, cross-cutting initiatives: Strengthen our workforce, enhance our incident management capabilities, bolster our operational management, and better integrate the work of our component agencies and personnel so that we are drawing on our best resources to prepare for and respond to complex and dynamic events
2. **Champion our workforce and a culture of excellence** internally and externally: Enhance employee engagement, build and maintain a culture of recognition, and champion the successes of our dedicated workforce
3. **Increase openness and accountability:** Build and maintain trust with the communities we serve through improved data transparency, robust

external communication, and strengthened oversight and disciplinary systems

4. **Advance Diversity, Equity, Inclusion, and Accessibility (DEIA)** in our workforce and **protect the privacy, civil rights, civil liberties, and human rights** of the communities we serve: Ensure our Department reflects the diversity of the communities we serve and ensure that our programs, policies, and operations improve equity and protect privacy, civil rights, and civil liberties
5. **Innovate and harness technology** to advance mission delivery: Adopt innovative approaches to optimize our operations and mission fulfillment and improve the customer experience
6. **Maximize our international impact** and strength: Leverage our international footprint and relationships to advance homeland security objectives, and unify and fortify Department efforts to counter threats from China

Mission-Specific Advancement

7. **Combat all forms of terrorism and targeted violence:** Counter all forms of terrorism, including through enhancing domestic and international information sharing, empowering communities, strengthening screening and vetting, and addressing new and emerging threats such as unmanned aerial vehicles
8. **Increase cybersecurity** of our nation's networks and critical infrastructure, including election infrastructure: Lead federal efforts to increase nationwide resilience across the public and private sectors, and continue playing a lead role in responding to major cybersecurity incidents
9. **Secure our borders and modernize ports of entry:** Harness technology at and between ports of entry, improve intelligence and information capabilities, and give our dedicated workforce the tools they need to secure our nation's borders, including interdicting irregular migration and illicit flows of drugs, weapons, and other contraband
10. **Build a fair, orderly, and humane immigration system:** Develop and implement regional migration solutions, lawful pathways as alternatives

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to irregular migration, and enhanced policies and processes to expeditiously and fairly administer our nation's laws and uphold our values as a nation of immigrants

11. **Ready the nation to respond to and recover from disasters and combat the climate crisis:** Increase our investments in community resilience and adaptation and improve our disaster readiness capabilities
12. **Combat human trafficking, labor exploitation, and child exploitation:** Apply our resources and personnel to identify and protect victims, bring perpetrators to justice, and prevent the entry into the U.S. of products made with forced labor

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Appendix C

Management Comments

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

October 17, 2022

MEMORANDUM FOR: Joseph V. Cuffari, Ph.D.
Inspector General

FROM: Jim H. Crumpacker, CIA, CFE
Director
Departmental GAO-OIG Liaison Office

JIM H CRUMPACKER

Digitally signed by JIM H CRUMPACKER
Date: 2022.10.17 13:58:59 -04'00'

SUBJECT: Management Response to Draft Report: "Major Management and Performance Challenges Facing the Department of Homeland Security" (Project No. 23-003-NONE-DHS)

Thank you for the opportunity to comment on this draft report. Senior U.S. Department of Homeland Security (DHS or the Department) leadership appreciates the Office of Inspector General's (OIG's) independent research, assessment, and judgment identifying what the OIG considers the most serious management and performance challenges facing the Department, and DHS's progress in addressing these challenges.

DHS leadership, program officials, and subject matter experts throughout the Department will give appropriate consideration to the OIG perspectives offered in this report as part of continuing efforts to improve the effectiveness and efficiency with which the Department carries its mission of safeguarding the American people, our homeland, and our values.

Leadership, however, is concerned that OIG's major management and performance challenges (MMPC) report could be misleading to some readers about Departmental efforts to successfully carry out its mission. This is because of inaccurate, contextually incomplete, and confusing statements in the draft report resulting in misinformation, which calls into question the quality control processes OIG has in place to ensure its reporting can be relied upon by others. Selected examples include:

- The enacted funding and other dollar figures OIG references as part of the "Ensuring Proper Financial Management and Oversight" challenge in the draft report are not accurate. For example, it appears OIG used the fiscal year (FY)

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2022 U.S. House of Representatives "mark up" version of legislation instead of the enacted values from the actual appropriations law[1] when stating:

> "For FY 2022, Congress provided funding of $52.81 billion, an increase of $934 million compared with FY 2021. It provided total funding of $76.15 billion, including $18.8 billion for major disaster response and recovery and $4.57 billion offset by fee collections."

However, for FY 2022, Congress actually provided Adjusted Net Discretionary funding of $58 billion, an increase of $6.1 billion compared with FY 2021. In total, the final bill provided total funding of $94.8 billion, including $18.8 billion for major disaster response and recovery and $18 billion from "Fees, Mandatory, & Rescissions."

Also, it is unclear from where OIG sourced information that DHS received $19 billion from the "Infrastructure Investment and Jobs Act" (referenced as part of the "Securing Cyberspace and Critical Infrastructure" challenge) when DHS actually received $8 billion.

- The Department is concerned that the "Strengthening Oversight and Management of Major Systems Acquisition and Procurement" challenge does not clearly differentiate procurement, acquisition, and requirements oversight roles, thus creating an opportunity for confusion about these activities in the minds of readers of OIG's report. For example, after focusing on acquisition budgets, acquiring assets, and the acquisition lifecycle framework (ALF) as to "Why Is This A Challenge," OIG references DHS's Office of the Chief Procurement Officer "checklists, job aids, and guides" as part of "What DHS Still Needs To Do." This leaves the impression that this office supports acquisitions, which it does not. In addition, OIG's narrative mentions specific guidance on operational requirements development as part of updated acquisition policy and guidance, but omits the relevant fact that operational requirements development policy and guidance is governed by the Joint Requirements Council (JRC), which works closely with, but is independent from, the DHS Office of Program Accountability and Risk Management.

  The Department also does not believe the report adequately recognizes the strides DHS has made overseeing capability needs and operational requirements, especially as regards OIG's statement that "the Department may fund future systems without accurately defining capability needs." To the contrary, the JRC effectively governs the Department's requirements process through the Joint Requirements Integration and Management System (JRIMS), which ensures:

[1] Public Law 117-103, "Consolidated Appropriations Act, 2022"

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(1) transparency across the Department;
(2) that capability needs are valid and traceable to strategic goals;
(3) that operational requirements are well-defined; and
(4) that opportunities for common efforts are identified.

JRC's actions and the JRIMS process also ensure the appropriate level of visibility and oversight on Component activities well before program establishment to deliver or field a new product or capability.

DHS also noted that only 1 of the 6 reports (i.e., OIG-22-39, "CBP and CWMD Need to Improve Monitoring and Maintenance of Radiation Portal Monitor Systems") referenced in footnote 42 and used to support "Why Is This A Challenge" arguably pertained to OIG's major systems acquisition-related statements regarding the ALF and operational requirements. The other reports addressed contract/procurement issues. Specifically, conducting an operational analysis to ensure that a system is meeting mission is part of the ALF, but assessing a fielded capability does not correlate directly with future funding of systems without accurately defining capability needs, which is a separate and thorough process which takes place before acquiring/fielding.

- As part of several challenges, OIG's draft report states that "DHS and its Components also need to address multiple unresolved and open recommendations from OIG's previous reports," but in doing so creates what the Department believes is a fragmented and misleading presentation of the issue. For example, as part of the "Strengthening Oversight and Management of Major Systems Acquisition and Procurement" challenge, the aforementioned statement was linked to the four previously published reports referenced in footnote 44. However, only 2 of 18 (11 percent) recommendations in these reports are currently "open and unresolved." Of the other 89 percent, 13 of the 18 (72 percent) have already been closed **with OIG agreement**, and 3 of 18 recommendations (17 percent) are currently "open and resolved" (i.e., no disagreement exists). In addition, two of the four reports (50 percent) OIG cites in this footnote as having "open and unresolved" recommendations do not.[2]

  Department officials understand the value of minimizing the number of open and unresolved recommendations to the greatest extent possible, but having no such recommendations is an aspirational goal, as some level of efforts to resolve disagreements will likely always take place between DHS and OIG, as well as the U.S. Government Accountability Office (GAO), for that matter. DHS leadership is proud that its program officials and others have reduced the number of open and

[2] OIG-20-19, "PALMS Funding Did Not Comply with Federal Appropriations Law," dated March 24, 2020; and OIG-21-53, "U.S. Customs and Border Protection's Acquisition Management of Aviation Fleet Needs Improvement to Meet Operational Needs," dated August 9, 2021.

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unresolved OIG recommendations more than 6 months old from a high of 691 during FY 2011 to the current number of about 35, only two of which involve acquisition or procurement-related issues. That said, some of DHS's currently open and unresolved recommendations represent "hard non-concurrences," from a Component-level perspective, which program office and OIG staff have been unsuccessful at reaching agreement on despite holding numerous follow-up meetings and discussions in the months and years after the original audit reports were issued.

Of significance, although not noted in OIG's draft MMPC report, DHS continues to strictly adhere to a self-imposed practice of not closing any open OIG or GAO recommendations without first reaching agreement with respective audit staff to do so. This provides Congress and the public added confidence that the Department has taken appropriate actions to implement these recommendations or otherwise resolve any disagreements.

In addition, it is important to note that, in accordance with Office of Management and Budget Circular A-50, "Audit Follow-up," the Secretary of Homeland Security has established a process whereby the Inspector General can elevate any open and unresolved recommendation to the Under Secretary for Management for a final resolution determination (i.e., whether to implement or not implement). However, the OIG has not taken advantage of this process since January 2018, nearly 5 years ago.

- Many of the examples cited in the OIG's draft MMPC report focus on highlighting the findings and conclusions of OIG auditors, evaluators, and inspectors summarized in previously published reports, generally without including any Departmental perspective on these issues. It is important to recognize that various DHS leaders, program officials, and subject matter experts expressed significant concerns about and disagreement with many of OIG's findings and conclusions at the time these reports were issued, as discussed in those reports.

  For example, under the "Managing Detention Conditions" challenge, OIG referenced a Management Alert issued recommending the immediate removal of all detainees from the Torrance County Detention Facility (TCDF) due to safety risks and unsanitary living conditions.[3] However, no reference was made to U.S. Immigration and Customs Enforcement (ICE) leadership's disagreement with OIG's recommendation and concerns about the accuracy and integrity of this report, and whether it met the "Quality Standards for Inspection and Evaluation" issued by the Council of Inspectors General on Integrity and Efficiency (i.e., the

[3] OIG-22-31, "Management Alert – Immediate Removal of All Detainees from the Torrance County Detention Facility," dated March 16, 2022.

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"Blue Book"), dated December 2020. In a number of instances, it appeared the OIG had mischaracterized evidence and ignored facts presented to it. This included, according to ICE El Paso field office personnel, disconcerting and unprofessional behavior by an OIG inspector during the TCDF inspection.

ICE is also concerned that corrective actions have not been acknowledged by the OIG. The TCDF completed a majority of the repairs to address conditions identified prior to the conclusion of the OIG's inspection and the remaining repairs were completed by April 30, 2022. ICE provided documentation to OIG demonstrating completion of these repairs.

In another example under the "Coordinating Border Security Efforts and Managing Migrant Surges and Resettlements" challenge, OIG references a report questioning the processes used to screen, vet, and inspect all Afghan evacuees arriving in the United States as part of Operation Allies Refuge/Operation Allies Welcome (OAW).[4] However, many of OIG's claims are not accurate, which DHS program officials, subject matter experts, and others repeatedly relayed to OIG during the audit through significant efforts and multiple attempts to provide the OIG a comprehensive understanding of the extensive details related to the numerous facts and nuances of the unprecedented OAW vetting process.

For example, OIG's draft report did not adequately reflect the *interagency* and *multi-layered* vetting process that started overseas, continued at the U.S. Port of Entry (POE), and is currently ongoing with recurrent vetting. OIG claimed that U.S. Customs and Border Protection (CBP) was unable to appropriately "screen, vet, and inspect" all Afghan nationals during the recent operation, when CBP was only one part of an interagency screening and vetting process and did, in fact, screen, vet, and inspect all Afghan nationals at the POE.

OIG's draft report also used specific examples to allege that the vetting system does not work, when in fact, these examples highlight how the process worked as intended. Specifically, the report stated that two individuals were paroled into the United States with derogatory information in their vetting records, which is incorrect. In March 2022, DHS provided the OIG with information on these two individuals, clarifying that they were cleared by the interagency vetting process at the time of travel, and no derogatory information was reported prior to their parole into the United States. Although DHS provided information to the OIG on multiple occasions to clarify the end-to-end screening and vetting processes and the specifics about the two referenced individuals, this information was not

[4] OIG-22-64, "DHS Encountered Obstacles to Screen, Vet, and Inspect All Evacuees during the Recent Afghanistan Crisis," REDACTED, dated September 6, 2022.

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included in the final report, and the mistakes and omissions are repeated in the OIG's draft MMPC report.

- The "Law Enforcement Unity of Effort" sub-challenge under the "Countering Terrorism and Homeland Security Threats" challenge does not mention the significant progress DHS has made to better manage and coordinate DHS law enforcement with creation of the Law Enforcement Coordination Council (LECC) in October 2021. Comprised of the leadership of the operational law enforcement Components and offices, as well as relevant headquarters support and oversight offices, the LECC has three subcommittees focusing on use of force policy, training, and law enforcement administration. In FY 2022, the LECC was successful in implementing new use of force reporting, updating the use of force policy, reviewing law enforcement training programs, and beginning to address several requirements related to Presidential Executive Order 14074, "Advancing Effective, Accountable Policing and Criminal Justice Practices to Enhance Public Trust and Public Safety," dated May 25, 2022.

- The Department notes that the draft MMPC report does not include an "Objective, Scope, and Methodology" section like most OIG reports. Such a section would provide readers of the report important insights about the independent research OIG undertook to identify the challenges highlighted, thus facilitating a better understanding of OIG's perspective.

Again, thank you for the opportunity to review and comment on this draft report. DHS also submitted technical comments addressing several accuracy, contextual and other concerns under a separate cover for OIG's consideration.

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Attention: Hotline
245 Murray Drive, SW
Washington, DC 20528-0305

Unaudited

Appendix A: Acronyms

A

ACE – Automated Commercial Environment

AFR – Agency Financial Report

AGA – Association of Government Accountants

ALC – Aviation Logistics Center

AMVER – Automated Mutual Assistance Vessel Rescue

APG – Agency Priority Goal

APP – Annual Performance Plan

APR – Annual Performance Report

ARPA – American Rescue Plan Act, 2021

ATON – Aids to Navigation

B

BFR – Biennial Fee Review

BP – British Petroleum

BRS – Blended Retirement System

C

CAA – Consolidated Appropriations Act

CAESG – Climate Adaption Enterprise Steering Group

CARES – Coronavirus Aid, Relief, and Economic Security Act, 2020

CBP – U.S. Customs and Border Protection

CBRN – Chemical, Biological, Radiological and Nuclear

CDC – Centers for Disease Control and Prevention

CDM – Continuous Diagnostic and Mitigation Dataset

CDL – Community Disaster Loans

CEAR – Certificate of Excellence in Accountability Reporting

CFIUS – Committee on Foreign Investment in the United States

CFO – Chief Financial Officer

CFTF – Cyber Fraud Task Force

CIGP – Citizenship and Integration Grant Program

CFR – Code of Federal Regulations

CIO – Chief Information Officer

CISA – Cybersecurity and Infrastructure Security Agency

COBRA – Consolidated Omnibus Budget Reconciliation Act, 1985

COLA – Cost of Living Allowance

COP – Common Operating Picture

COTS – Commercial Off–the–Shelf

CPI – Consumer Price Index

CS – CyberSentry

CSR – Cancer Statistics Review

CSRS – Civil Service Retirement System

CT – Computed Tomography

CTMS – Cybersecurity Talent Management System

C-UAS – Counter Unmanned Aircraft Systems

CWMD – Countering Weapons of Mass Destruction Office

D

DADLP – Disaster Assistance Direct Loan Program

DC – District of Columbia

DCIA – Debt Collection Improvement Act, 1996

DCM – Disaster Case Management

DEF – Disaster Emergency Fund

DHS – Department of Homeland Security

DIEMS – Date of Initial Entry into Military Service

DOD – U.S. Department of Defense

DOJ – Department of Justice

DOL – U.S. Department of Labor

DPIO – Deputy PIO

DRF – Disaster Relief Fund

E

EDS – Explosive Detection System

EMS – Emergency Medical Services

EOIR – Executive Office for Immigration Review

ERM – Enterprise Risk Management

ERO – Enforcement and Removal Operations

ESTA – Electronic System for Travel Authorization

F

FAA – DHS Financial Accountability Act

FBwT – Fund Balance with Treasury

FCEB – Federal Civilian Executive Branch

FCRA – Federal Credit Reform Act, 1990

FECA – Federal Employees Compensation Act, 1916

FEMA – Federal Emergency Management Agency

FERS – Federal Employees Retirement System

FEVB – Federal Employee and Veterans' Benefits

FFMIA – Federal Financial Management Improvement Act, 1996

FISMA – Federal Information Security Management Act

FLETC – Federal Law Enforcement Training Centers

FLETF – Forced Labor Enforcement Task Force

FMA – Flood Mitigation Assistance

FMFIA – Federal Managers' Financial Integrity Act

FPS – Federal Protective Service

FR – Financial Report

FRDAA – Fraud Reduction and Data Analytics Act

FSM – Financial Systems Modernization

FY – Fiscal Year

FYHSP – Future Years Homeland Security Program

G

GAAP – Generally Accepted Accounting Principles

GAO – U.S. Government Accountability Office

GETS – Government Emergency Telecommunications Service

GPRA – Government Performance and Results Act, 1993

GPRAMA – GPRA Modernization Act, 2010

GS – General Service

GSA – General Services Administration

GTAS – Government-wide Treasury Account Symbol

H

HFIAA – Homeowner Floor Insurance Affordability Act

HHS – Health and Human Services

HMGP – Hazard Mitigation Grant Program

HSI – Homeland Security Investigations

HSIN – Homeland Security Information Network

HVA – High Value Assets

I

IA – Individual Assistance

I&A – Office of Intelligence and Analysis

IAFF – International Association of Firefighters

ICE – U.S. Immigration and Customs Enforcement

ICMM – Internal Control Maturity Model

ICOFR – Internal Control Over Financial Reporting

IEFA – Immigration Examination Fee Account

IHP – Individuals and Households Program

IIJA – Infrastructure Investment and Jobs Act, 2022

INA – Immigration and Nationality Act

IPE – Information Produced by Entity

IPERA – Improper Payments Elimination and Recovery Act, 2010

IPERIA – Improper Payments Elimination and Recovery Improvement Act, 2012

IPIA – Improper Payments Information Act, 2002

IT – Information Technology

ITGC – Information Technology General Controls

J

JPMO – Joint Program Management Office

L

LOI – Letter of Intent

M

MERHCF – Medicare-Eligible Retiree Health Care Fund

MGMT – Management Directorate

MHS – Military Health System

MPAC – Multimodal Public Areas Capabilities

MPHISE – Medical and Public Health Information Sharing System

MRS – Military Retirement System

N

NCFI – National Computer Forensics Institute

NDAA – National Defense Authorization Act

NETC – National Emergency Training Center

NFIP – National Flood Insurance Program

NHTSA – National Highway Traffic Safety Administration

NISAC – National Infrastructure Simulation and Analysis Center

NOAA – National Oceanic and Atmospheric Administration

NOC – National Operations Center

NPFC – National Pollution Funds Center

NRCC – National Response Coordination Center

NRMC – National Risk Management Center

O

OAW – Operation Allies Welcome

O&S – Operations & Support

OCPO – Chief Procurement Officer

OIG – Office of Inspector General

OMB – Office of Management and Budget

OM&S – Operating Materials and Supplies

OPA – Oil Pollution Act, 1990

OPCON – Operational Control

OPEB – Other Post Retirement Benefits

OPLA – Office of the Principal Legal Advisor

OPM – Office of Personnel Management

OPO – Office of Protective Operations

OPS – Office of Operations Coordination

ORB – Other Retirement Benefits

OSLTF – Oil Spill Liability Trust Fund

OSTP – Office of Science, Technology, and Policy

OTA – Other Transaction Agreement

P

PA – Public Assistance

PA&E – Program Analysis and Evaluation

PC&I – Procurement, Construction, and Improvement

PIIA – Payment Integrity Information Act, 2019

PIO – Performance Improvement Officer

PM – Performance Management

PMDF – Performance Measure Definition Form

PMIAA – Program Management Improvement and Accountability Act, 2015

PP&E – Property, Plant, and Equipment

PPBE – Planning, Programming, Budgeting, and Execution

P.L. – Public Law

R

RSI – Required Supplementary Information

S

SA – Situational Awareness

SAR – Search and Rescue

SBA - Small Business Administration

SBR – Statement of Budgetary Resources

SFFAS – Statement of Federal Financial Accounting Standards

SFRBTF – Sport Fish Restoration Boating Trust Fund

SLTT – State, Local, Tribal, and Territorial

SNC - Statement of Net Cost

SOC – Service Organization Control

SOS – Schedule of Spending

SR – Strategic Review

S&T – Science and Technology Directorate

sUAS – Small UAS

SWB – Southwest Border

T

TAFS – Treasury Appropriation Fund Symbol

TBI – Treasury Breakeven Inflation

TCM – Trade Compliance Measurement

TCO – Transnational Criminal Organization

TSA – Transportation Security Administration

TSP – Thrift Savings Plan

Treasury – Department of the Treasury

U

UAS – Unmanned Aerial System

U.S. – United States

UD – Uniformed Division

UFLPA – Uyghur Forced Labor Prevention Act, 2022

UPR – Unearned Premium Reserve

US&R – Urban Search & Rescue

USACE – U.S. Army Corps of Engineers

USC – United States Code

USCG – U.S. Coast Guard

USCIS – U. S. Citizenship and Immigration Services

USPS – U.S. Postal Service

USSGL – U.S. Standard General Ledger

USSS – U.S. Secret Service

V

VA – U.S. Department of Veterans Affairs

VP – Vendor Payment

W

WFFR – Wildland Firefighter Respirator

WYO – Write Your Own

X

XRD – X-ray Diffraction

Appendix B: Acknowledgements

This AFR was produced with the tireless energies and talents of Department of Homeland Security Headquarters and Component employees and contract partners.

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.

We offer our sincerest thanks to all the offices involved in the Department’s FY 2022 Agency Financial Report for their hard work and contributions.

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