U.S. DEPARTMENT OF HOMELAND SECURITY

AGENCY FINANCIAL REPORT FY 2023

DEFENDING THE HOMELAND

20

YEARS OF DHS

DHS@20

The threats to our homeland have evolved over the 20 years of the Department of Homeland Security (DHS). One constant is the legacy of service of our workforce. They've delivered results for America every day since 2003 and continue to contribute to a safer tomorrow for all Americans.

Over the past 20 years, the threat landscape has evolved. While we continue to face the threat of international terrorism, new threats and challenges have emerged, including increasing incidents of targeted violence, cyberattacks and several natural disasters, as well as the unprecedented level of migration in our hemisphere. The 260,000-strong DHS workforce uses its skills and expertise to meet the challenges of today's world and prepare for the threats of tomorrow, responding with new programs and capabilities, cross-component collaboration, and unflinching dedication to the mission.

Today, DHS spans over two dozen agencies and offices that work collaboratively to protect the American public in the air by securing air travel; on land by securing the border, responding to natural disasters, protecting critical infrastructure, and administering our nation's legal immigration system; at sea by protecting our coastline and waterways; and in cyberspace by bolstering America's cyber defense and investigating cybercrime.

2003-2023

Celebrating 20 Years of DHS

The following timeline highlights how DHS was created, along with other key milestones, and displays critical inflection points in the Department's history of creating a strengthened homeland security enterprise and a more secure America better prepared to confront the range of threats we face.

2001

September 11

The deadliest terrorist attacks in American history occurs. Two hijacked planes crashed into both towers at the World Trade Center in New York City. Another hijacked plane flew into the Pentagon in Washington, DC. A final hijacked plane, presumed to fly into either the White House or U.S. Capitol, was overtaken by heroic passengers and crashed into a field in Pennsylvania.

September 22

Eleven days after the 9/11 terrorist attacks, Pennsylvania Governor Tom Ridge was appointed as the first Director of the Office of Homeland Security in the White House. This office oversaw and coordinated a comprehensive national strategy to safeguard the country against terrorism and respond to any future attacks.

2002

June

President George W. Bush proposed to create the Department of Homeland Security. The President's proposal to create a new Department of Homeland Security was the most significant transformation of the U.S. government in over a half-century by transforming and realigning a wide range of government activities into a single department whose primary mission is to protect our homeland.

November 25

The Homeland Security Act of 2002 passed by Congress and created DHS. No fewer than 22 agencies were absorbed and combined to create the new Department.

2003

January 24

The Department of Homeland Security officially began operations, but most of the Department's component agencies were not transferred into the new Department until March 1.

March 1

22 agencies were unified under a single Department with a common mission: to safeguard the American people.

June

The Department of Homeland Security seal was created and is symbolic of the Department's mission to prevent attacks and protect Americans on the land, in the sea, and in the air.

Timeline continues on following pages.

2004

February

The National Incident Management System (NIMS) was created. The purpose of NIMS was to provide a consistent incident management approach for federal, state, local, and tribal governments.

2007

August

President George W. Bush signed the 9/11 Commission Act which established the Homeland Security Grant Programs, authorized the creation of fusion centers, modernized the Visa Waiver Program, and established the National Biosurveillance Integration Center.

2008

July

The first of the U.S. Coast Guard (USCG) National Security Cutters (NSCs) launches. Second only in size and technological advancement to USCG's research icebreaker, the NSCs enhanced USCGs capacity and capability in even the most demanding maritime environments.

2009

January

The Transportation Security Administration (TSA) begins implementation of Secure Flight, a risk-based passenger prescreening program that enhances security by identifying low and high-risk passengers before they arrive at the airport by matching information of all travelers against trusted traveler lists and other government watch lists.

July

The U.S. Secret Service (USSS) expands its fight on cybercrime by creating the first European Electronic Crime Task Force (ECTF) in Rome, Italy. Based on the successful U.S. domestic model, this network of public-private partnerships is dedicated to fight high-tech, computer-based crimes.

2010

July

DHS launched two national awareness campaigns – "If You See Something, Say Something" and "Blue Campaign" – to encourage the public to report suspicious activity to stop terrorist threats and to educate the public on human trafficking.

BLUE CAMPAIGN
One Voice. One Mission. End Human Trafficking.

2011

March

The DHS Science and Technology Directorate's (S&T) Next Generation Incident Command System (NICS) was deployed at the 2011 Los Angeles Marathon. Used today by North Atlantic Treaty Organization (NATO) partners, NICS continues to enhance the efficiency and effectiveness of worldwide humanitarian assistance and disaster relief.

April

DHS launched the National Terrorism Advisory System, which replaced the color-coded Homeland Security Advisory System to provide the public with details about imminent threats and the threat landscape.

2012

June

The Deferred Action for Childhood Arrivals Program is created and is managed by U.S. Citizenship and Immigration Services (USCIS).

December

TSA PreCheck is initiated, which allows vetted members of the public to receive expedited screening at select airports nationwide.

2018

October

Congress provides the Federal Emergency Management Agency, (FEMA) with expanded authorities by enacting the Disaster Recovery Reform Act of 2018. Following a historic Atlantic hurricane season and extreme wildfire disasters in 2017, emergency management was transformed and focused efforts to build a culture of preparedness, ready the nation for catastrophic disasters, and reduce FEMA's complexity.

November

The Cybersecurity and Infrastructure Security Agency (CISA) Act of 2018 is signed into law, elevating the mission of the former DHS National Protection and Programs Directorate and establishing CISA.

December

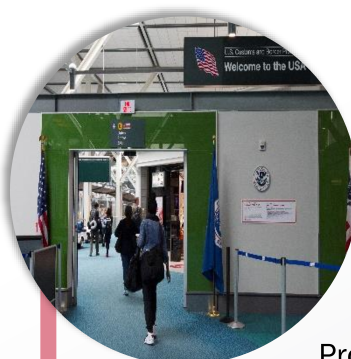
The Countering Weapons of Mass Destruction (CWMD) Office is established by Congress to elevate, consolidate, and streamline the DHS efforts to protect the homeland from chemical, biological, radiological, and nuclear threats.

2020

October

DHS launches the Center for Countering Human Trafficking (CCHT). Led by U.S. Immigration and Customs Enforcement (ICE) Homeland Security Investigations (HSI)—and capitalizing on HSI's operational expertise in human trafficking and forced labor fraud investigations—the CCHT utilizes a whole-of-government approach to combat these crimes.

2021



March

U.S. Customs and Border Protection (CBP) reports record-breaking jumps in the number of migrants encountered on the U.S. Southwest Border (SWB), with significant changes in migratory patterns and the demographic makeup of migrants arriving on our border. This pattern largely continues today.

2023

February

The DHS Office of Operations Coordination reorganizes as the Office of Homeland Security Situational Awareness (OSA). OSA, along with DHS Intelligence and Analysis (I&A), provides information daily to DHS leaders and partners.

March 1

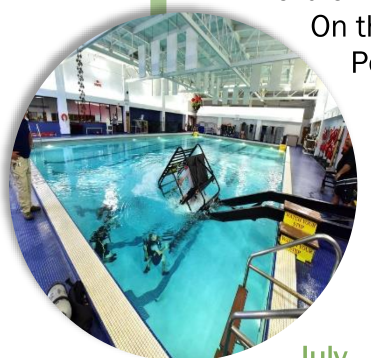
DHS celebrates its 20th anniversary. Formed out of the tragedy of 9/11, and with an unshakeable resolve to the mission to secure our country and protect the American people, DHS continues its work to make America safer, stronger, and better prepared to meet whatever threat we face.

September

DHS launches the Law Enforcement Coordination Council (LECC). The LECC is Department's first unified law enforcement coordination body, designed to comprehensively assess a broad range of law enforcement matters including its law enforcement policies and training. The LECC coordinates closely with partners across every level of government, as well as with other key stakeholders.

April

S&T is recognized by the National Association of Government Communicators (NAGC) with a Blue Pencil & Gold Screen Award of Excellence in podcasting. On the Technologically Speaking Podcast, S&T invites listeners to take a deep dive into the science of homeland security and meet the experts on the frontlines of keeping America safe.



August

Operation Allies Welcome is launched and directed DHS to lead federal efforts to support Afghan nationals as they arrived and resettled in the United States.

July

The Federal Law Enforcement Training Centers (FLETC) celebrates its 53rd anniversary. FLETC partners with 125 different federal agencies to provide the services, facilities, infrastructure, and training needed to ensure over 20,000 federal law enforcement officers can begin their jobs each year.

Today, DHS will...

Every day, the 260,000 employees of the Department of Homeland Security carry out the DHS mission—safeguarding the American people, our homeland, and our values with honor and integrity—in cyberspace, in the air, on land, and at sea. Read more here.

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/instragram

https://www.dhs.gov/linkedin

https://www.dhs.gov/flickr

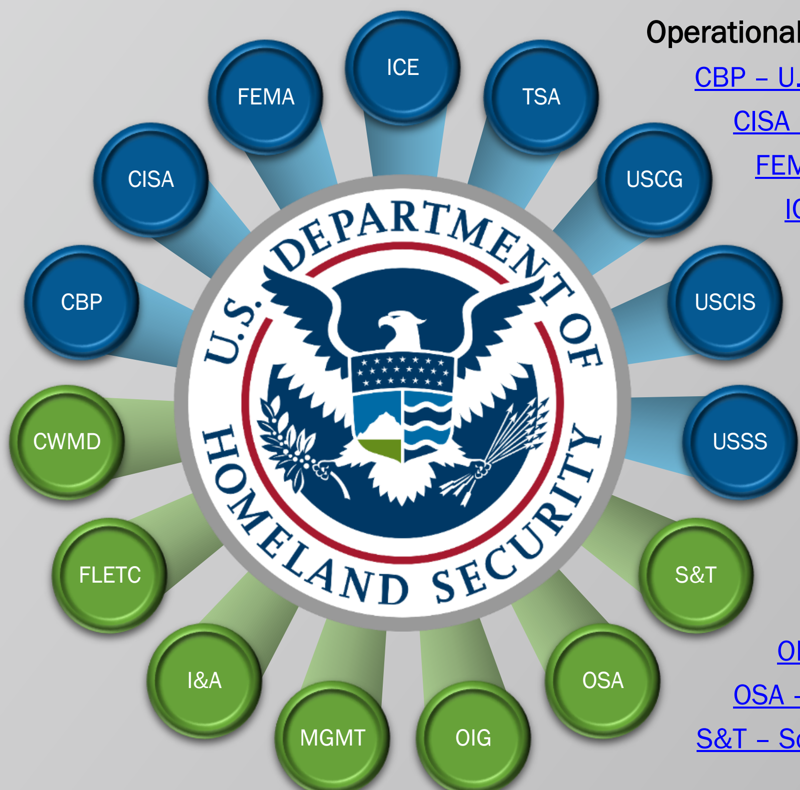
https://www.dhs.gov/youtube

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 https://www.dhs.gov/organization



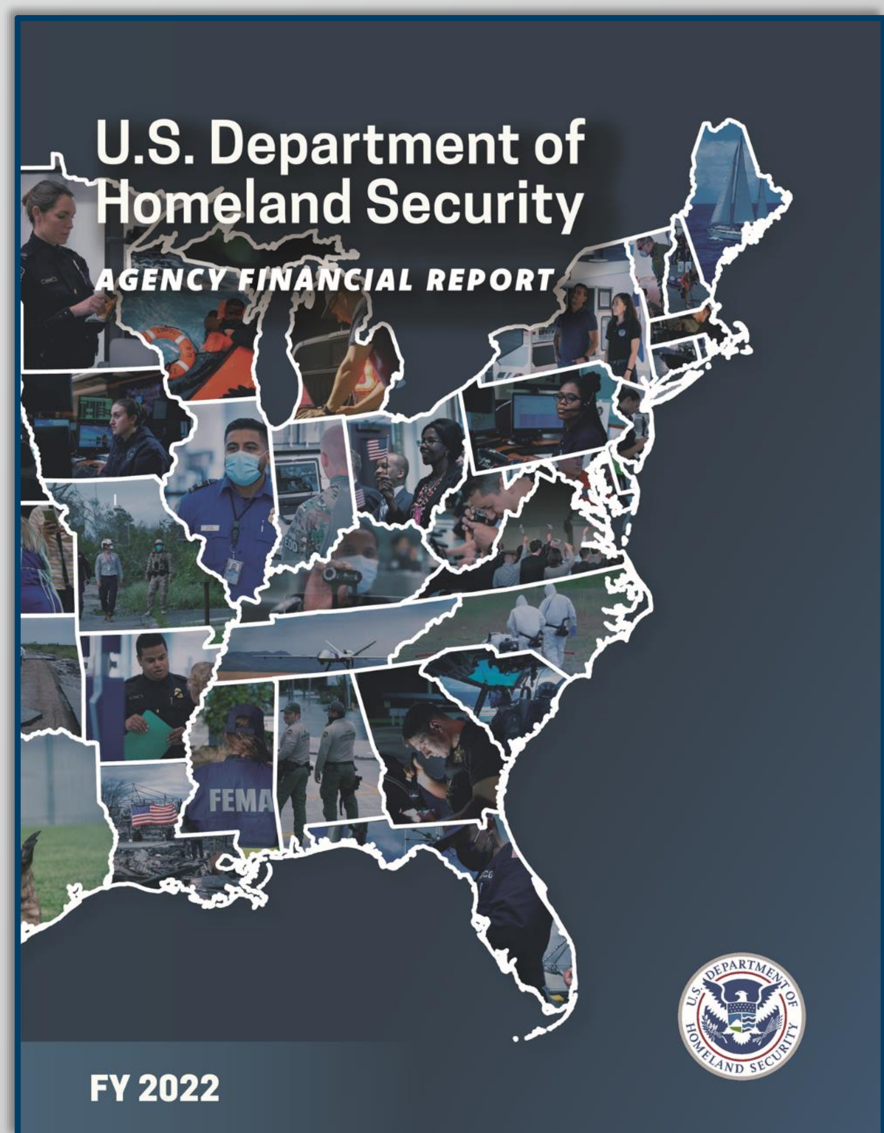
Operational Components

- 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
- OSA – Office of Homeland Security Situational Awareness
- S&T – Science and Technology Directorate

Certificate of Excellence in Accountability Reporting



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 2022

Andrew Lewis, CGFM, CPA
Chair, CEAR Board

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

In May 2023, DHS received its tenth consecutive Certificate of Excellence in Accountability Reporting (CEAR) from the Association of Government Accountants (AGA) for its Fiscal Year (FY) 2022 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. 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.

About This Report

The U.S. Department of Homeland Security's Agency Financial Report for FY 2023 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 2023, the Department's Performance and Accountability Reports consist of the following two reports:

- DHS Agency Financial Report | Publication date: November 15, 2023
- DHS Annual Performance Report | Publication date: February 5, 2024. This report is submitted with the Department's Congressional Budget Justification.

When published, both reports will be located on our public website at: https://www.dhs.gov/performance-financial-reports

Contact Information

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Office of the Chief Financial Officer
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Springfield VA 22150

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

Message from the Secretary

November 14, 2023

I am pleased to present the Department of Homeland Security's (DHS) Agency Financial Report for Fiscal Year 2023. 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.

The world today is more interconnected than at any time in our Department's 20-year history. As such, our homeland security has evolved in ways we could not have predicted years ago. Longstanding imperatives to counter terrorist threats, secure cyber networks, administer the immigration system, and secure our borders have seen changes in the nature of the threats and challenges involved. At the same time, new threats and challenges have emerged, including changes in global migration, human trafficking, domestic violent extremism, strategic competition from nation states, wide-ranging cyber threats, impacts of climate change, emerging infectious diseases, and transnational organized crime.

Challenges to securing the homeland are also increasingly cross-cutting, often requiring more frequent coordination across the homeland security enterprise. Today, DHS spans over two dozen agencies and offices that work collaboratively to protect the American public in the air by securing air travel; on land by securing the border, responding to natural disasters, protecting critical infrastructure, and administering our nation's legal immigration system; at sea by protecting our coastline and waterways; and in cyberspace by bolstering America's cyber defense and investigating cybercrime. The 260,000-strong DHS workforce uses its skills and expertise to meet the challenges of today's world and prepare for the threats of tomorrow. Additionally, DHS continues to coordinate with our federal, state, local, tribal, territorial, and private sector partners. These beneficial relationships, as well as the maturation of the Department and its ability to work with our partners, has better enabled DHS to address the most significant threats facing the homeland than at any point in our 20-year history.

Over the past 20 years, DHS has made considerable progress in transforming original Component agencies into a single cohesive Department. This includes strengthening financial controls and modernizing our business systems. The areas of material weakness in internal controls identified in the Independent Auditors' Report signify that more work is still to be done. DHS will continue to sustain existing programs, in conjunction with broader efforts that contribute to strong and efficient management functions. However, as indicated by our 11th consecutive clean audit opinion for all five financial statements, DHS has proven its capacity and capability for strong financial reporting and management.

As Secretary, I have seen firsthand how the personnel of DHS steadfastly serve the nation. Our commitment to serve 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-financial-reports

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 the 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 included in this report and provides a high-level overview of DHS.

After a brief introduction, the **Our Organization** section displays the Department's organization with links to the Department's Components.

The **DHS Missions and Objectives** section presents the Department's strategic structure.

The **Summary of Performance Results** section presents the Department's preliminary performance results for FY 2023 and describes the Department's approach to performance management. Final results will be published in the Department's FY 2023-2025 APR.

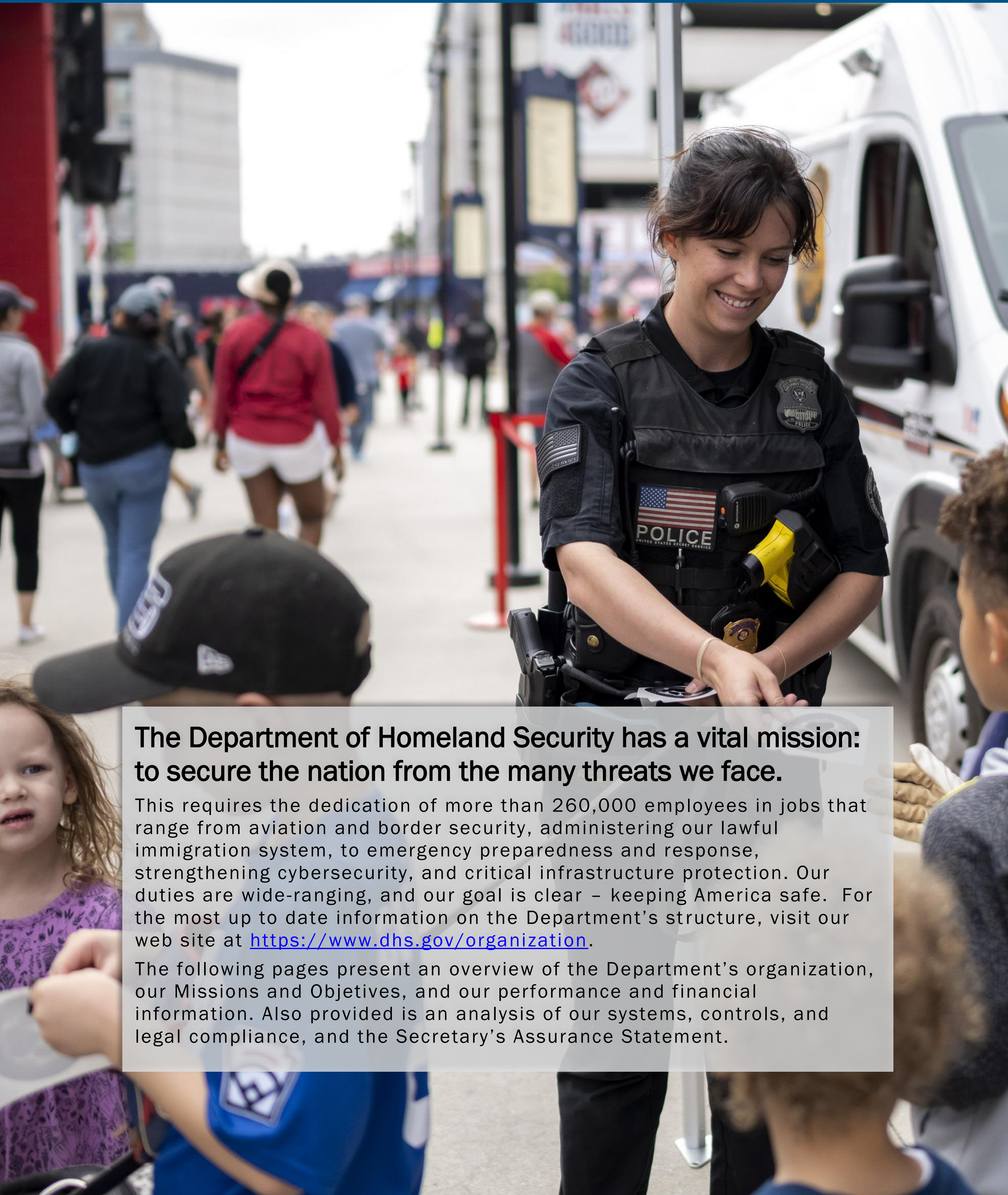
The **Agency Priority Goals** section highlights key initiatives for the Department.

The **Missions Highlights** section provides a summary of progress for each of the Department's Missions, along with 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.

Introduction



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 260,000 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.

The following pages present an overview of the Department's organization, our Missions and Objetives, and our performance and financial information. Also provided is an analysis of our systems, controls, and legal compliance, and the Secretary's Assurance Statement.

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 trade and travel.

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.

U.S. 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.

Transportation Security Administration (TSA)

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

U.S. Coast Guard (USCG)

USCG is one of the six military services, one of the eight uniformed services of the United States and the only component within DHS that has both military and law enforcement duties.

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.

U.S. 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.

Organization

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.

[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.

[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 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 Homeland Security Situational Awareness (OSA)]

OSA provides situational awareness, a common operating picture, and decision support for the homeland security enterprise on threats, incidents, hazards, and events impacting the homeland.

[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.

Countering Weapons of Mass Destruction

Federal Law Enforcement Training Centers

Intelligence and Analysis

Management Directorate

Office of Inspector General

Office of Homeland Security Situational Awareness

Science and Technology

DHS Missions and Objectives

DHS is pleased to present an overview of its performance results aligned by the Third Quadrennial Homeland Security Review (QHSR).

Released in April 2023, the QHSR assesses the threats and challenges the Department faces today and into the future and lays out the approaches DHS and the homeland security enterprise are adopting to carry out its missions.[1] The QHSR reaffirms the five enduring homeland security missions – and adds a new sixth mission: Combat Crimes of Exploitation and Protect Victims. Overall, this strategic guidance and updated mission framework will inform existing Departmental processes for translating priorities into resources, including the DHS Strategic Plan and the annual budget development process.

MISSION 1: COUNTER TERRORISM AND PREVENT THREATS

- 1.1 Collect, Analyze, and Share Actionable Intelligence and Information
- 1.2 Prevent and Disrupt Terrorist and Nation State Threats
- 1.3 Protect Leaders and Designated Individuals, Facilities, and Events
- 1.4 Identify and Counter Emerging and Chemical, Biological, Radiological, and Nuclear Threats

MISSION 2: SECURE AND MANAGE OUR BORDERS

- 2.1 Secure and Manage Air, Land, and Maritime Borders
- 2.2 Expedite Lawful Trade and Travel
- 2.3 Counter Transnational Criminal Organizations and Other Illicit Actors

MISSION 3: ADMINISTER THE NATION'S IMMIGRATION SYSTEM

- 3.1 Administer the Immigration System
- 3.2 Enforce U.S. Immigration Laws

MISSION 4: SECURE CYBERSPACE AND CRITICAL INFRASTRUCTURE

- 4.1 Support the Cybersecurity of Federal Civilian Networks
- 4.2 Strengthen the Security and Resilience of Critical Infrastructure
- 4.3 Assess and Counter Evolving Cyber and Emerging Technology Risks
- 4.4 Combat Cybercrime

MISSION 5: BUILD A RESILIENT NATION AND RESPOND TO INCIDENTS

- 5.1 Coordinate Federal Response to Incidents
- 5.2 Strengthen National Resilience
- 5.3 Support Equitable Community Recovery
- 5.4 Enhance Training and Readiness of First Responders

MISSION 6: COMBAT CRIMES OF EXPLOITATION AND PROTECT VICTIMS

- 6.1 Enhance Prevention through Public Education and Training
- 6.2 Identify, Protect, and Support Victims
- 6.3 Detect, Apprehend, and Disrupt Perpetrators

ENABLE MISSION SUCCESS BY STRENGTHENING THE ENTERPRISE

- E.1 Mature Organization Governance
- E.2 Champion the Workforce
- E.3 Harness Data and Technology to Advance Mission Delivery

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[1] Pub. L. No. 107-296 provides the legal requirement for the QHSR in Section 707 of *the Homeland Security Act* of 2002, as amended by the *Implementing Recommendations of the 9/11 Commission Act* of 2007 (Pub. L. No. 110-53).

Summary of Performance Results

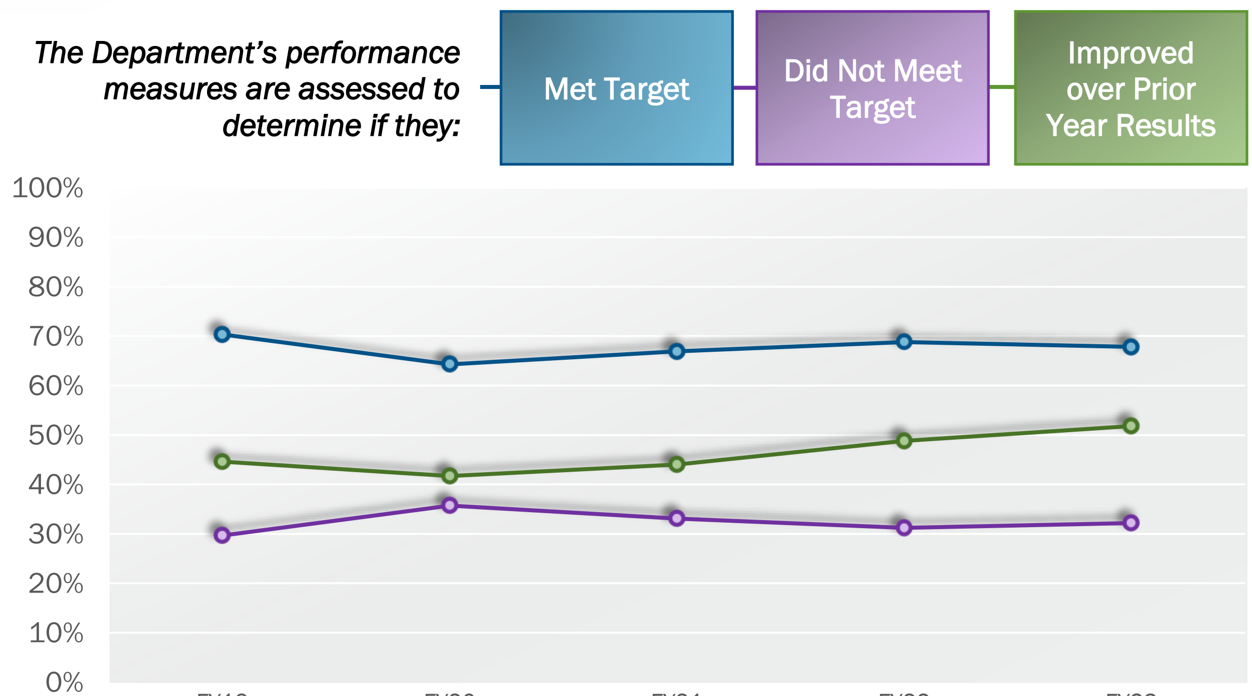
The DHS Agency Financial Report (AFR) provides the preliminary analysis of the Department's performance results for FY 2023.

Using a color coding scheme, the Department's performance measures are rated as having met their target (blue), not met their target (purple), and improved over prior year results (green).

A complete list of all strategic performance measures, targets, and final results will be published in the DHS FY 2023-2025 Annual Performance Report (APR) and will be available at: https://www.dhs.gov/performance-financial-reports. All previous reports can be found at this link as well.

DHS-Wide Performance Results

The below chart displays the Department's preliminary performances results from FY 2019 through FY 2023. Consistent with historical trends, 67.8% of the Department's performance measures met their targets in FY 2023 and 32.2% did not. Across all measures for FY 2023, 51.8% of results improved over the prior year.[2]



	FY19	FY20	FY21	FY22	FY23
Met	70.3%	64.3%	66.9%	68.8%	67.8%
Not Met	29.7%	35.7%	33.1%	31.2%	32.2%
Improved	44.6%	41.7%	44.0%	48.8%	51.8%

[2] From the Department's suite of performance measures, 218 strategic and management measures are being assessed in the above and below trend charts for FY 2023. The FY 2019 sample size was 184 measures; FY 2020 was 156; FY 2021 was 141; and FY 2022 was 207. At the time of reporting for the AFR (effective November 14, 2023), 204 of the 218 measures were reporting end of year (EOY) results for FY 2023. Once available, the above and below trend charts will be updated with all remaining EOY results for FY 2023 and reported in the DHS FY 2023-2025 APR. When published, the APR communicates the Department's final performance results and explanations for our FY 2023 strategic measures and establishes our Annual Performance Plan (APP) with performance targets for FY 2024-2025. A full listing of our strategic and management performance measure results, explanations, and targets will also be included with the Overview Chapter of the DHS Congressional Budget Justification (referred to as the Strategic Context).

DHS Performance Results by Mission

The below charts display the Department's performances results by Mission for FY 2019 through FY 2023. As the Department's FY 2024 Annual Performance Plan (APP) is the first that is aligned with the new QHSR Mission, *Combat Crimes of Exploitation and Protect Victims*, trend results for the Mission are not included below.

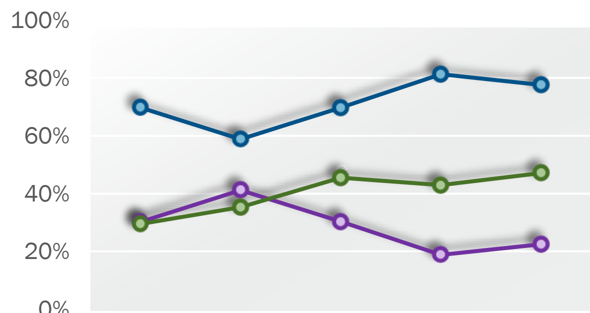
The Department's performance measures are assessed to determine if they:

Met Target

Did Not Meet Target

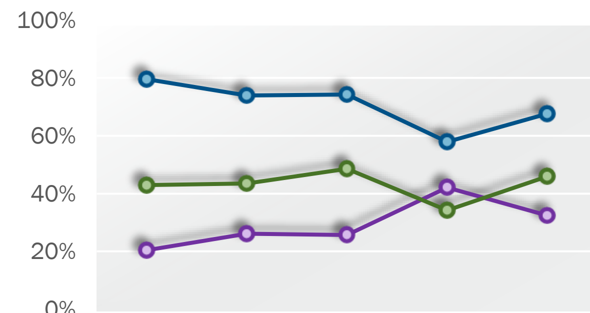
Improved over Prior Year Results

Mission 1: Counter Terrorism and Prevent Threats



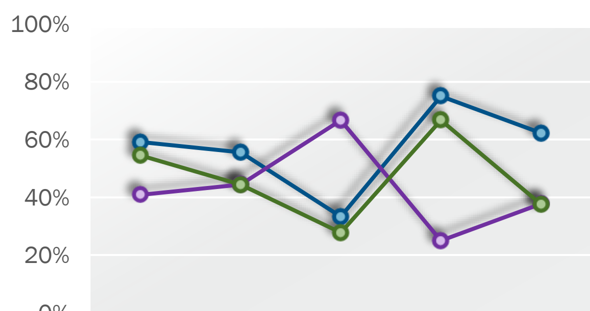
	FY19	FY20	FY21	FY22	FY23
Met	69.8%	58.8%	69.7%	81.3%	77.6%
Not Met	30.2%	41.2%	30.3%	18.8%	22.4%
Improved	29.5%	35.3%	45.5%	42.9%	47.1%

Mission 2: Secure and Manage Our Borders



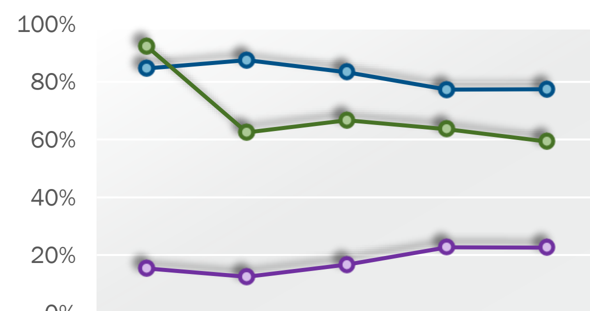
	FY19	FY20	FY21	FY22	FY23
Met	79.6%	73.9%	74.3%	57.9%	67.6%
Not Met	20.4%	26.1%	25.7%	42.1%	32.4%
Improved	42.9%	43.5%	48.6%	34.2%	45.9%

Mission 3: Administer the Nation's Immigration System



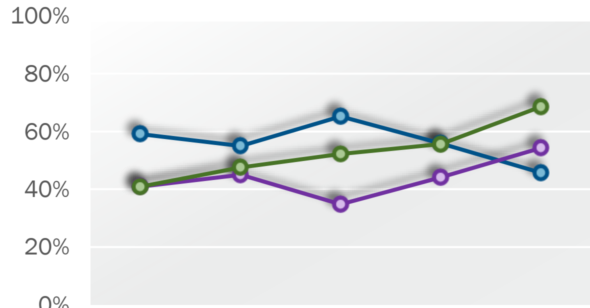
	FY19	FY20	FY21	FY22	FY23
Met	59.1%	55.6%	33.3%	75.0%	62.2%
Not Met	40.9%	44.4%	66.7%	25.0%	37.8%
Improved	54.5%	44.4%	27.8%	66.7%	37.5%

Mission 4: Secure Cyberspace and Critical Infrastructure



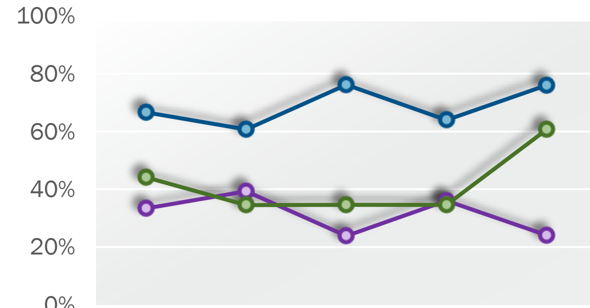
	FY19	FY20	FY21	FY22	FY23
Met	84.6%	87.5%	83.3%	77.3%	77.4%
Not Met	15.4%	12.5%	16.7%	22.7%	22.6%
Improved	92.3%	62.5%	66.7%	63.6%	59.3%

Mission 5: Build a Resilient Nation and Respond to Incidents



	FY19	FY20	FY21	FY22	FY23
Met	59.1%	55.0%	65.2%	55.9%	45.7%
Not Met	40.9%	45.0%	34.8%	44.1%	54.3%
Improved	40.9%	47.6%	52.2%	55.6%	68.6%

Enable Mission Success by Strengthening the Enterprise



	FY19	FY20	FY21	FY22	FY23
Met	66.7%	60.7%	76.2%	64.0%	76.0%
Not Met	33.3%	39.3%	23.8%	36.0%	24.0%
Improved	44.1%	34.5%	34.6%	34.6%	60.7%

Organizational Performance Management Framework

DHS leverages performance information produced through its implementation of Government Performance and Results Act (GPRA) and GPRA Modernization Act (GPRMA) initiatives to foster the integration of performance and budget information and other data and evidence to inform decision-making and other key operational and management processes. The graphic below shows how this performance management framework incorporates the initiatives that come from both GPRA and GPRAMA.

Since DHS is a complex and Federated organization, it primarily uses its Components and Level I Budget Programs, Projects, and Activities (PPA)—otherwise known as programs—as the primary units of analysis for performance and budget related purposes. A full listing of the Department's programs is available in the DHS Budget, available at: https://www.dhs.gov/dhs-budget.

Example	
DHS Objective:	2.2 Expedite Lawful Trade and Travel
Component:	CBP
Program:	Travel Operations
Program Performance Goal:	The Travel Operations program welcomes international travelers into the United States through inspection of foreign visitors, intending immigrants, legal permanent residents, and returning U.S. Citizens.
Performance Measure:	Percent of Global Entry members with no security-related violations

DHS programs are groups of activities that work in concert 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, performance targets, and are aligned to the DHS strategy. An example of this structure is provided in the figure to the right. This structure enables the Department to collect, analyze, and disseminate performance information that is consistent with internal and external resource allocation processes and foster better understanding of our Statement of Net Cost.

Following a brief overview of the Department's Agency Priority Goals (APGs), our FY 2023 performance information is highlighted in this report by Mission, along with high-level information about Component and program performance this past year, success stories and informative vignettes about our many efforts, and forward-looking notes about where the Department is heading. Information on performance targets, a detailed analysis and discussion of all the Department's strategic performance measure results, and information on all relevant GPRA/GPRAMA initiatives will be provided in the FY 2023-2025 APR at: https://www.dhs.gov/performance-financial-reports.

Internal Controls for Measure Completeness and Reliability

The Department recognizes the importance of complete, accurate, timely, and reliable performance data that is shared with leadership and external stakeholders. DHS implements a robust, multi-pronged approach to reduce measurement error and reinforce processes that enhance the Department's ability to report complete and reliable data for performance measure reporting. OMB Circular No. A-136, *Financial Reporting Requirements*, OMB Circular No. 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.[3]

[3] Note: Circular No. 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

This approach consists of:

- An annual measure improvement and change control process using our change control form, the Performance Measure Definition Form (PMDF)
- The PM system information technology repository for performance measure information
- Deep-dive assessments of the scope, source, data collection methodology, calculation, and review procedures on a small sample of our measures annually by an independent review team
- The Performance Measure Checklist for Completeness and Reliability annual certification by Component Performance Improvement Officers that they have complied with established internal control procedures over performance planning and reporting

Results published in this report have been determined to be reliable, unless stated otherwise.

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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.

Agency Priority Goals

APGs provide a tool for senior leadership to drive the delivery of results on key initiatives over a two-year period.

DHS 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 implemented one APG on improving cybersecurity. For the FY24-FY25 cycle, the Department will implement three APGs, one on advancing customer experience and missions delivery; one on combatting human trafficking, labor exploitation, and child exploitation; and one on removing barriers to disaster resilience and recovery programs. Below is the goal statement and an overview of outcomes for the FY22-FY23 APG, as well as the goal statements for the FY24-FY25 APGs. Action plans and updates are available at: https://www.performance.gov/agencies/dhs/

FY22-FY23 Agency Priority Goal: Strengthen Federal Cybersecurity

Impact Statement: Defend and secure the Federal Enterprise through a collaborative risk management effort with departments and agencies to coordinate risk response and interagency policy actions.

Achievement Statement: By September 30, 2023, 50% of federal agencies will meet the end of year Binding Operational Directive-22-01 [Known Exploited Vulnerabilities] requirement for leveraging automated Continuous Diagnostics and Mitigation reporting and CISA will achieve measurable progress toward enhancing operational visibility within the Federal Civilian Executive Branches by improving asset discovery and vulnerability enumeration.

Outcomes:

- The Executive Order on Improving the Nation's Cybersecurity empowers DHS with additional authority to gain visibility into the federal enterprise and take action to safeguard systems.
- Increased use of CISA-approved standardized tools and shared services have made federal networks more defensible and secure. Agencies can identify threats and vulnerabilities and report on them using the Vulnerability Disclosure Program in advance of network disruptions.
- CISA can identify cross-agency threats and vulnerabilities at the Federal Enterprise Level to provide a holistic view of the cyber threat, including access to host-level data and integration of data sources from across CISA's cyber programs.

Key Measure Result: Target Met

FY24-FY25 Agency Priority Goal:
Advance Customer Experience and Mission Delivery

Impact Statement: Advance the customer experience and mission delivery by enhancing our most critical services through the use of innovative technologies at airport security checkpoints and promoting paths for customers to connect directly with TSA.

Achievement Statement: By September 30, 2025, 80% of customers surveyed will continue to report an overall positive satisfaction rating for TSA, and the agency will incorporate measures of "trust" into its customer experience (CX) surveys.

FY24-FY25 Agency Priority Goal:
Combat Human Trafficking, Labor Exploitation, and Child Exploitation

Impact Statement: Decrease the ability of persons and transnational criminal organizations to engage in human trafficking, labor exploitation, and child exploitation by disrupting and dismantling their operations, assisting victims, and increasing awareness and education of crimes of exploitation.

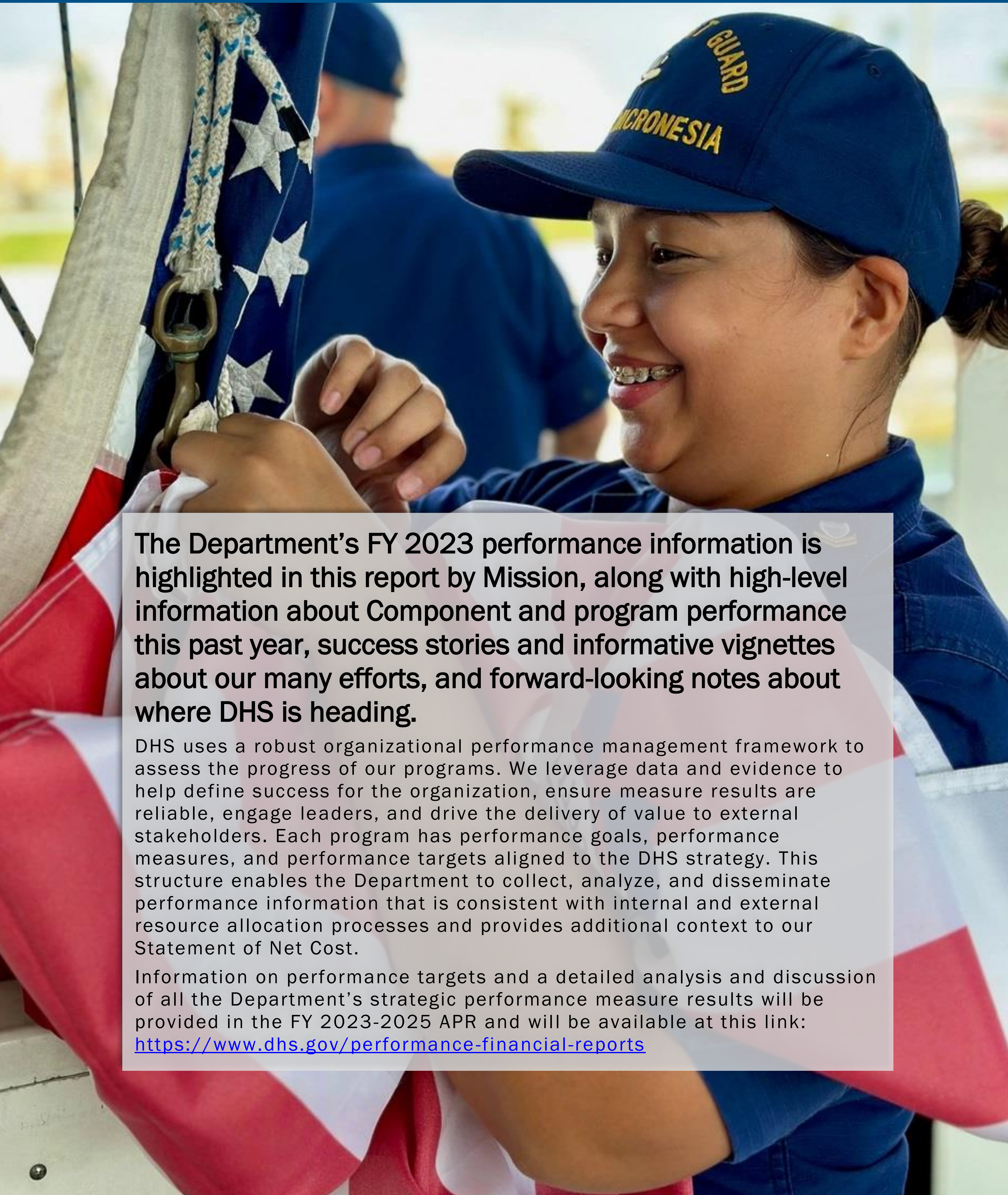
Achievement Statement: By September 30, 2025, 643 transnational criminal organizations engaged in significant human trafficking, labor exploitation, and child exploitation criminal activity will be disrupted and/or dismantled.

FY24-FY25 Agency Priority Goal:
Remove Barriers to Disaster Resilience and Recovery Programs

Impact Statement: Remove barriers to disaster resilience and recovery programs through a people first approach to achieve equitable outcomes for those we serve.

Achievement Statement: By September 30, 2025, 40% of benefits from Justice40-covered programs will flow to disadvantaged communities. For more on the whole-of-government Justice40 initiative, please refer here: https://www.whitehouse.gov/environmentaljustice/justice40/

Mission Highlights



The Department's FY 2023 performance information is highlighted in this report by Mission, along with high-level information about Component and program performance this past year, success stories and informative vignettes about our many efforts, and forward-looking notes about where DHS is heading.

DHS uses a robust organizational performance management framework to assess the progress of our programs. 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. Each program has performance goals, performance measures, and performance targets aligned to the DHS strategy. This structure enables the Department to collect, analyze, and disseminate performance information that is consistent with internal and external resource allocation processes and provides additional context to our Statement of Net Cost.

Information on performance targets and a detailed analysis and discussion of all the Department's strategic performance measure results will be provided in the FY 2023-2025 APR and will be available at this link: https://www.dhs.gov/performance-financial-reports

Mission 1: Counter Terrorism and Prevent Threats

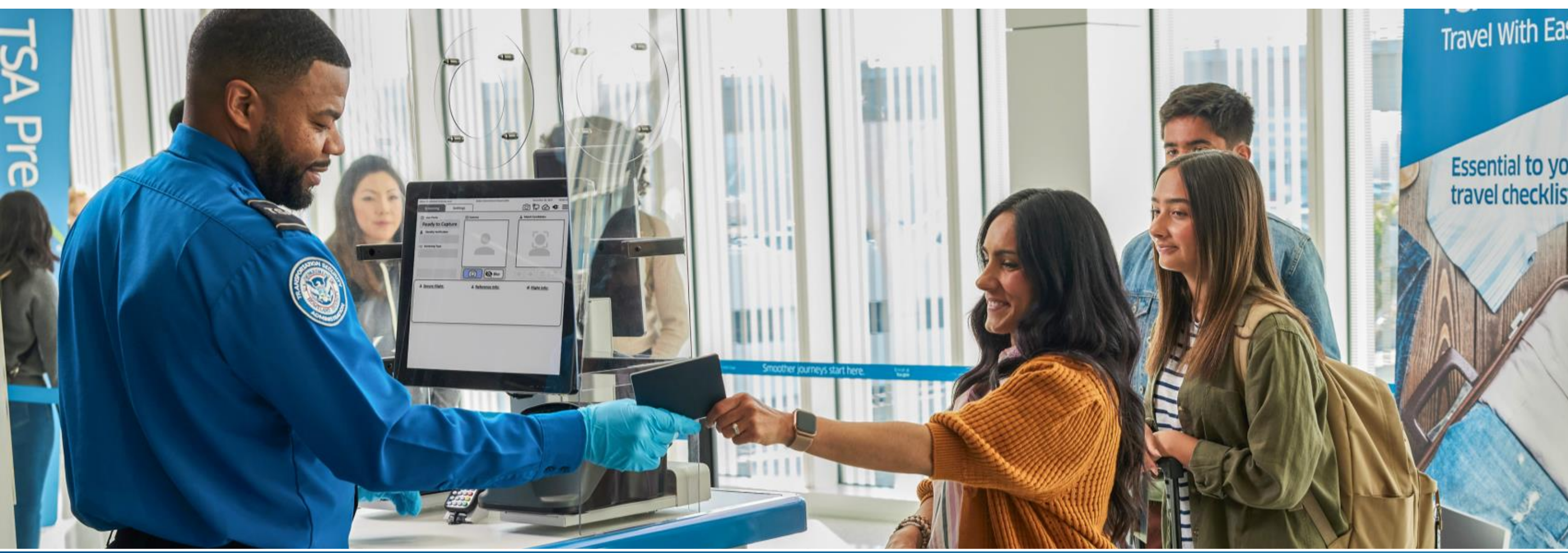
Overview

One of the Department's top priorities is to protect Americans from terrorism and other homeland security threats by preventing domestic and international actors who engage in terrorist or criminal acts from threatening the homeland.

While the Department has made significant progress and diminished the terrorist threat to the U.S., the country continues to face a diversified and dynamic threat environment from a broad array of actors.

DHS@20

After 9/11, joining the DHS workforce was a way for many Americans to answer a call to service to help ensure a safe and secure future for our country. Over 32,000 people, or 12% of the DHS workforce, are "plank holders" who have served the Department since its inception in 2003. This dedication to mission is at the heart of all we do in the Department every day — our workforce's legacy of service will ensure we accomplish our mission for the next 20 years and beyond.



TSA Pay Equity, investing in TSA's workforce

In FY 2023, TSA followed through with a pledge to commit to its people by implementing a pay initiative to bring employee salaries on par with their federal counterparts, effective in July 2023. Congress approved and President Biden signed the plan through passage of the FY 2023 omnibus spending bill. The funding impacted all non-executive TSA employees and provided TSA screening officers with an average 26% pay raise. The plan led to a significant increase in the agency's retention rate and employee morale.

Today, the most significant domestic terrorist threat facing the homeland stems from lone offenders and small groups of individuals. They are motivated by a broad range of racial, ethnic, political, religious, anti-government, societal, or personal ideological beliefs and grievances—often exacerbated by conspiracy theories and false and misleading narratives spread online. To counter domes tic terrorist threats, DHS, working closely with interagency partners, and will continue to align its mission to the core pillars of the first [National Strategy for Countering Domestic Terrorism](#).

Did you know?

I&A partnered with the Wisconsin Department of Justice (DOJ) and the Wisconsin Department of Public Instruction (DPI) to release an eLearning module for the public titled, "Foundations of Targeted Violence Prevention." Since its release in February 2023, over 8,400 community members from across the country have taken this training – learning how to recognize threats or potentially concerning behaviors, where to report information of concern, and how the reported information is used to keep their communities safe.

The threat of international terrorism to the homeland remains as well, as foreign terrorist organizations have proven adaptable and resilient over the past two decades and individuals inspired by their ideologies—homegrown violent extremists (HVEs)—have continued to launch attacks in their names. In the years since September 11, 2001, DHS has enhanced our nation's ability to identify and prevent individuals affiliated with these organizations from traveling to or entering the U.S. to conduct attacks. However, terrorists have and will continue to adapt to changing security environments and seek new and innovative ways to target the homeland. DHS will remain vigilant against all forms of terrorism, both domestic and international.

First International Operations Center Directors Meeting

The DHS National Operations Center (NOC) virtually hosted the first International Operations Center Directors Meeting comprised of operations centers from Australia, Canada, New Zealand, and the United Kingdom. The forum now meets monthly to maintain working relationships, discuss common interests, share best practices, and ensure lines of communication are open during a crisis.

Mission 1: Key Measure Highlights

Objective 1.1 Collect, Analyze, and Share Actionable Intelligence and Information

Component	*Program*	*Measure Name*					
I&A	Intelligence and Analysis	Percent of intelligence reports rated satisfactory and useful by customers					
FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved[4]
---	---	90%	89%	**80%**	**93%**	✓	✓
OSA	Office of Homeland Security Situational Awareness	Percent of National Operations Center incident reports and situational awareness products produced and disseminated to the homeland security enterprise within targeted timeframes					
FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
100%	97.7%	94.6%	94.2%	**94%**	**96.5%**	✓	✓

Objective 1.2 Prevent and Disrupt Terrorist and Nation States

Component	*Program*	*Measure Name*					
TSA	Aviation Screening Operations	Percent of passenger data submissions that successfully undergo Secure Flight watch list matching					
FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
100%	100%	100%	100%	**100%**	**100%**	✓	

TSA invests in critical screening technology

In April 2023, TSA awarded nearly $1.43 billion in contracts for Credential Authentication Technology (CAT-2) and Computed Tomography (CT) to enhance airport security screening. CAT-2 includes an integrated camera and self-service capabilities and substantially improves identity verification, validates the authenticity of a passenger’s ID, confirms pre-screening status, and validates flight reservations. CT scanners create 3D rotatable images to help officers detect explosives and prohibited items.

[4] “Met Target” is checked in our Key Measure tables if the measure met its target for FY 2023. “Improved” is checked in our Key Measure tables if the measure improved over the prior year result.

Objective 1.2 Prevent and Disrupt Terrorist and Nation States (cont'd)

Component	Program	Measure Name					
TSA	Other Operations and Enforcement	Percent of air carriers operating from domestic airports in compliance with standard security programs					
FY19 Result 89%	FY20 Result 86%	FY21 Result 92%	FY22 Result 92%	**FY23 Target 90%**	**FY23 Result 92%**	Met Target ✓	Improved
USCG	Maritime Security Operations	Percent risk reduction of coordinated anti-terrorism activities throughout the maritime transportation system					
FY19 Result ---	FY20 Result 27%	FY21 Result 32%	FY22 Result 31.7%	**FY23 Target 40%**	**FY23 Result 35.5%**	Met Target	Improved ✓

Objective 1.3 Protect Leaders and Designated Individuals, Facilities, and Events

Component	Program	Measure Name					
USSS	Protective Operations	Percent of protectees that arrive and depart safely					
FY19 Result 100%	FY20 Result 100%	FY21 Result 100%	FY22 Result 100%	**FY23 Target 100%**	**FY23 Result 100%**	Met Target ✓	Improved

U.S. Secret Service trains DOD Service Members assigned to CMCA

In June 2023, the U.S. Secret Service trained more than forty service members that are part of the Communications Management and Control Activity (CMCA). CMCA provides the Secret Service with communications support for National Special Security Events and other high-profile events. Within days of graduation, they deployed to the National Capital Region to prepare equipment used to support the 2023 U.N. General Assembly in New York City and the 2023 Asian Pacific Economic Cooperation in San Francisco.

Objective 1.4 Identify and Counter Emerging and Chemical, Biological, Radiological, and Nuclear Threats		
Component	*Program*	*Measure Name*
CWMD	Countering Weapons of Mass Destruction	Percent of Acquisition programs to counter CBRN threats that meet their Acquisition Program Baseline (APB) schedule, cost, and performance thresholds

FY19 Result	FY20 Result	FY21 Result	FY22 Result		
---	---	---	---	**New Measure**	*Targets will be reported in FY 2023-2025 APR*

Performance Highlights

Across Mission 1, performance improved despite challenges resulting from travel volume and supply chain logistics in the post-pandemic environment, which have impacted DHS internal operations and external customers alike.

Examples of DHS performance in this space include:

- Intelligence products continue to be efficiently and effectively distributed to relevant stakeholders who rate those products as satisfactory and useful in customer surveys.
- Air carrier compliance with standard security programs has improved over the past two years, up from a slight

Did you know?

TSA's deployed capabilities support and protect the nation's transportation systems. Daily, TSA screens more than 2 million passengers, 5 million carry-on bags, and 1.4 million pieces of checked baggage for explosives and other dangerous items. To enhance these efforts, TSA has integrated proven canine detection and deterrence capabilities, with over 1,000 canine teams at over 100 locations across the United States.

Securing the Cities

CWMD's Securing the Cities program started in 2007 to assist major metropolitan areas acquire radiological and nuclear (R/N) detection equipment and train their law enforcement and first responders in its use. In FY 2023, the program conducted tabletop exercises in San Francisco (CA), Boston (MA), Atlanta (GA), and Denver (CO). These exercises enable city and regional leaders to review roles, responsibilities, and critical decisions required to effectively protect their areas against R/N threats.

decrease during COVID because of new security requirements and the inability to conduct in-person inspections and engagements to assess compliance.

- TSA implemented a career progression program for Transportation Security Officers (TSOs), which will be bolstered by TSA's new Pay Equity initiative. Additionally, TSA anticipates the Checkpoint Property Screening System (CPSS) will enable remote screening of multiple lanes from a single location to help address labor challenges in high cost of living areas.
- The percent of risk reduction from coordinated anti-terrorism activities in the maritime transportation system has increased despite temporarily heightened fuel costs driven by post-pandemic related and other supply chain issues.
- 100% of protectees continued to arrive and depart safely, and the National Threat Assessment Center (NTAC) is taking steps to better measure and monitor its engagement with customers.

DHS@20

DHS Operational Components interact more frequently on a daily basis with the American public than any other federal department, from travelers moving through air, land, and seaports of entry, to businesses importing goods into the country, to immigrants applying for services.

Looking Forward

DHS is improving the customer experience for many of its most critical services and programs.

- For example, TSA and CBP have integrated their Secure Flight prescreening system with the Travel Verification System (TVS) to provide a better customer experience for

Record year for firearm and unusual catches at airport checkpoints across the U.S.

TSA stopped 3,251 firearms at airport checkpoints during the first half of 2023. TSA has increased the maximum civil penalty for a firearms violation to $14,950. Additionally, passengers with firearms at the checkpoint will lose TSA PreCheck® eligibility for five years, may require enhanced screening, and are subject to applicable state and local laws. The agency is expected to surpass last year's record of 6,542 firearm interceptions, of which 88% of those firearms were loaded. Unusual catches in FY23 included firearms hidden in a chicken and peanut butter, grenades, knives, drugs, and other contraband.

travelers, leveraging facial identification to verify a passenger's identity at secure checkpoints and streamlining the standard identity verification process.
- TSA also continues to expand TSA PreCheck®, including touchless identification, which will streamline and improve the customer experience for travelers. TSA has also seen an increase in PreCheck® enrollments, with almost all renewals now happening entirely online.

DHS is increasing prevention efforts to counter the threat of domestic violent extremists (DVEs), one of the most persistent and lethal threats facing our nation today.

- For example, the NTAC, which leads the field of threat assessment and targeted violence prevention, conducted over 250 events for over 25,000 participants in FY 2022, representing a historical high. To accommodate this new level of throughput, USSS is taking steps to enhance how it monitors engagement with NTAC customers.
- DHS is also increasing its capabilities to plan and implement security operations for National Special Security Events (NSSEs) and is enhancing DHS-wide incident management capabilities. These efforts are especially important given the DVE threat and an unprecedented number of NSSEs expected to occur between 2024 and 2028 (e.g., 2026 FIFA World Cup, 2028 Summer Olympics).

Enhancing targeted violence and terrorism prevention efforts nationwide

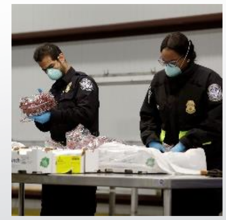
I&A continues to empower our homeland security partners to adapt to the changing threat environment by equipping communities with the tools and resources required to prevent acts of terrorism and targeted violence. I&A's National Threat Evaluation and Reporting (NTER) Program Office's Master Trainer Program, launched in 2020, has grown to over 320 Master Trainers across 42 states. These Master Trainers are certified in the instruction of behavioral threat assessment and management and are helping train their local communities in established methods and best practices proven to help public safety partners and community members identify persons of concern and provide opportunities for intervention to prevent acts of targeted violence. Collectively, this Master Trainer Network has now trained over 5,600 partners and is playing a key role in growing the nation's overall capacity to prevent targeted violence.

Mission 2: Secure and Manage Our Borders









Overview

Our missions to secure our borders and administer our immigration system with integrity and compassion are complementary, and DHS will continue to work with our partners across the homeland security enterprise to accomplish these missions.

DHS@20

The Department is home to more than 92,000 sworn law enforcement officers, the greatest number of law enforcement officers in the federal government. DHS committed to increasing the representation of newly hired women in law enforcement or related occupations at DHS to 30% by 2023.

Over the past decade, there has been a fundamental change in migratory patterns that has far-reaching impacts for DHS and the broader U.S. immigration system. Until 2013, more

The growing impact of the Team Awareness Kit (TAK) to USBP Operations

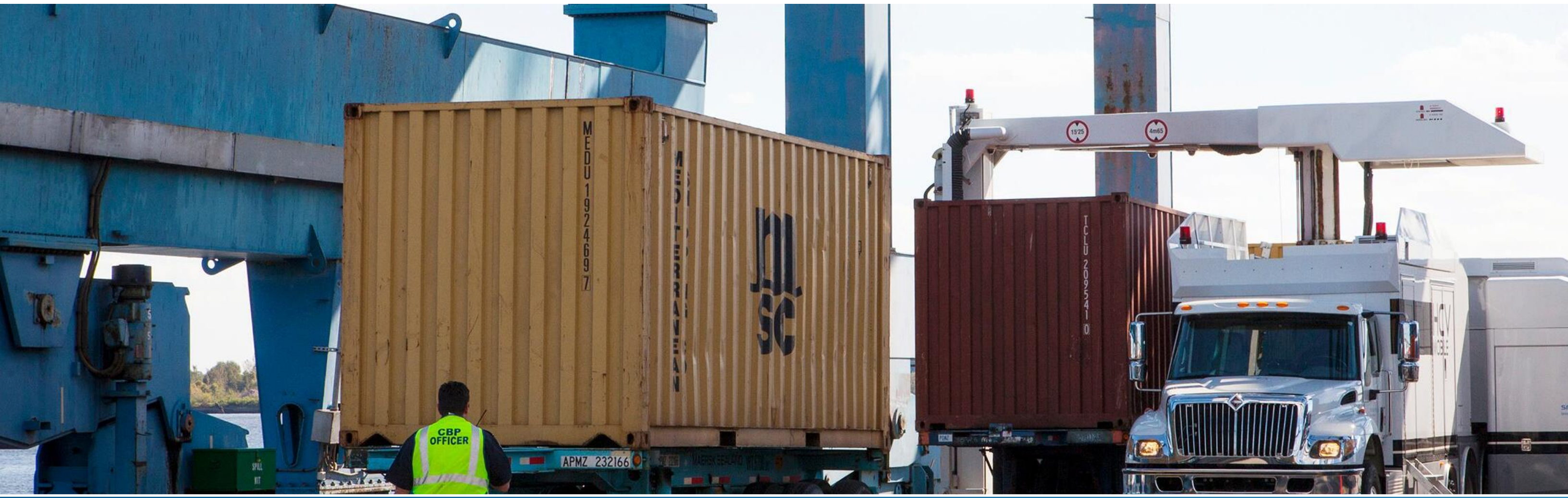
U.S Border Patrol (USBP) deployed over 18,000 Team Awareness Kits (TAKs), a digital tool that enhances access to real-time intelligence and enables collaboration for multi-jurisdictional response teams. USBP worked with the DHS Components like S&T to tailor the TAK devices to USBP's unique operational needs and deploy it at an enterprise level to strengthen public safety measures and maintain shared tactical awareness across organizations during disaster and national security events. TAK's exceptional operational value to the USBP border security mission has been proven with over 16,000 USBP personnel trained, improving operational effectiveness and efficiency, and providing a leading and innovative solution in the mission to secure the border.

than 90% of individuals encountered at the U.S. Southwest Border (SWB) were single adults, and the vast majority were Mexican citizens. In 2014, the U.S. began experiencing a surge in migration of family units and unaccompanied children, which have accounted for more than half of all encounters since 2018. Unaccompanied children and family units present humanitarian concerns that make having them in custody and conducting initial processing more complex and resource-intensive than processing single adults.

Did you know?

One of the greatest dangers to migrants along the SWB can be the environment. Every year before the start of summer, U.S. Border Patrol sectors spread awareness of heat related hazards through "Border Safety Events," which bring together media, consulate officials, and community leaders as part of this initiative. Additional rescue beacons have been placed along the SWB in areas with high traffic, so undocumented migrants are able to call for assistance should they be in medical distress.

The composition of migrant encounters will continue to change, requiring the Department to maintain maximum flexibility in its operations and processing capabilities. Today, DHS is facing a surge in migration from non-traditional sending countries, including Brazilians fleeing the devastation wrought by COVID-19. There have also been surges in Haitians fleeing their home country due to instability, indiscriminate violence, and economic collapse, as well as surges from South American countries due to economic recessions and changes in those countries' immigration policies. Repressive regimes in Cuba, Nicaragua, and Venezuela have fueled migration throughout the hemisphere, leading to large diasporas, including millions of Venezuelans who have fled to Brazil, Peru, Ecuador, Colombia, Costa Rica, and elsewhere in



Non-Intrusive Inspection enhances CBP cargo security

The Non-Intrusive Inspection Division (NII) continues to innovate and find the latest and greatest technology on the market. NII systems are an integral part of CBP's layered enforcement strategy to assist personnel screening for illicit goods. Currently, CBP officers use over 370 Large-Scale and more than 4,000 Small-Scale NII systems to scan cargo and vehicles. NII equipment allows frontline personnel to review the contents of a cargo container in a matter of minutes whereas a physical examination could take hours. This translates to billions of dollars in savings to both CBP and the trade industry. For example, in FY 2023, CBP utilized Large Scale NII to conduct more than 9.4 million exams, resulting in more than 1,000 seizures of nearly 52,219 kgs. of drugs and $2.5 million of undeclared U.S. currency.

South America. These diasporas may lead to much larger migratory flows over the coming years.

DHS@20

U.S. Customs turns 234 years old this year! The origin of CBP's trade and customs functions date back to 1789. Today, those same functions continue to play a critical role in facilitating economic prosperity and protecting American businesses from unfair competition.

To address these trends, DHS has developed and will continue to implement a plan consisting of six key pillars: surging resources; increasing efficiency to reduce strain on the border; administering consequences for unlawful entry; bolstering the capacity of nongovernmental organizations (NGOs) and working with state and local partners; targeting and disrupting networks of cartels and smugglers; and working with our federal regional partners to deter irregular migration. While CBP, ICE, and the U.S. Coast Guard wield powerful law enforcement authorities on land and at sea, DHS also works with other partners across the homeland security enterprise—including state, local, tribal, and territorial (SLTT) law enforcement agencies—to ensure border security operations are conducted in a safe, humane, and dignified manner.

Securing and managing our borders also means addressing trade and investment flows that touch us all. To that end, DHS will continue to facilitate the free flow of lawful trade and grow our trade partnerships with allies, strengthening economic security and resiliency here at home and abroad.

UAS deployment to Panama to combat Transnational Organized Crime

In January 2023, Air and Marine Operations (AMO), in coordination with Joint Interagency Task Force – South (JIATF-S), and Servicio Nacional Aeronaval (SENAN), conducted an integrated air and sea operation in Panama for 99 days utilizing Unmanned Aircraft System (UAS) technology to detect, identify, and facilitate the interdiction of maritime surface vessels attempting to use the Eastern Pacific, Central Caribbean, and Panamanian Territorial Waters to traffic people and contraband. The operation included 938 mission hours and resulted in 11,362 lbs. of cocaine and 23,261 lbs. of marijuana seized or disrupted.

Mission 2: Key Measure Highlights

Objective 2.1 Secure and Manage Air, Land, and Maritime Borders

Component	*Program*	*Measure Name*
CBP	Air and Marine Operations	Percent of detected contentional aircraft incursions resolved along all borders of the United States

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
99.1%	100%	100%	100%	**98.5%**	**100%**	✓	

Component	*Program*	*Measure Name*
CBP	Border Security Operations	Rate of interdiction effectiveness along the Southwest Border between ports of entry

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
86.3%	79.4%	82.6%	75.9%	**81%**	**75.6%**		

Objective 2.2 Expedite Lawful Trade and Travel

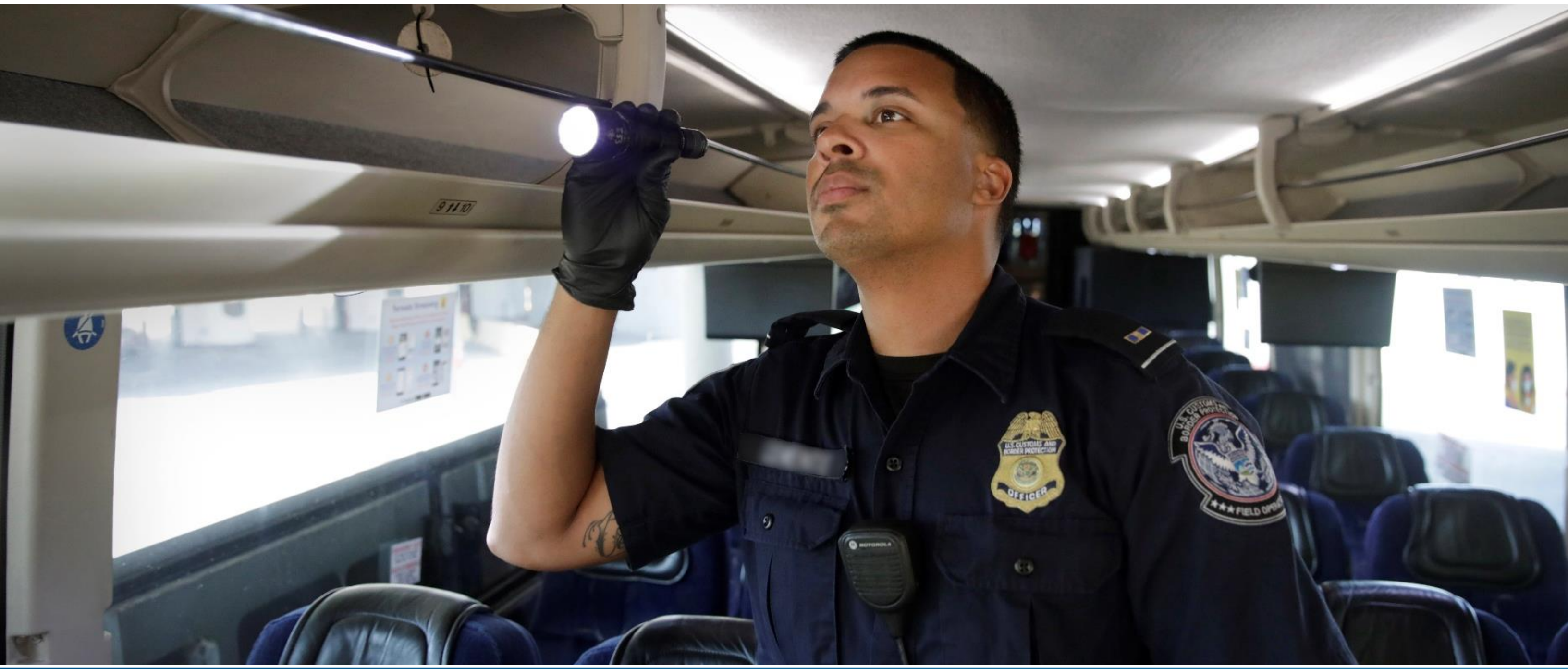
Component	*Program*	*Measure Name*
CBP	Trade Operations	Percent of imports compliant with U.S. trade laws

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
98.37%	98.37%	99.96%	99.69%	**97.5%**	**99.35%**	✓	

CBP creates approach to combat synthetic drugs

CBP's fentanyl seizures have increased more than 400% since FY 2019. In May 2023, CBP established a comprehensive and whole of government approach to anticipate, identify, mitigate, and disrupt fentanyl producers, suppliers, and traffickers. CBP serves as the nation's frontline of defense against contraband moving through clandestine means across our borders and throughout the interior of the U.S. This strategy has already brought unique and formidable capabilities for CBP to combat the illicit synthetic trade and build capacity with our partners—domestic and international—to ensure the safety of Americans.

Objective 2.2 Expedite Lawful Trade and Travel (cont'd)							
Component	*Program*	*Measure Name*					
CBP	Travel Operations	Percent of Global Entry members with no security-related violations					
FY19 Result 99.9%	FY20 Result 99.7%	FY21 Result 99.9%	FY22 Result 99.8%	**FY23 Target 99.5%**	**FY23 Result 99.8%**	Met Target ✓	Improved
USCG	Marine Transportation System Management	Availability of maritime navigation aids					
FY19 Result 96.8%	FY20 Result 96.5%	FY21 Result 96.2%	FY22 Result 96.3%	**FY23 Target 97.5%**	**FY23 Result 95.49%**	Met Target	Improved
USCG	Maritime Law Enforcement	Fishing regulation compliance rate					
FY19 Result 98%	FY20 Result 97.4%	FY21 Result 97.2%	FY22 Result 98.9%	**FY23 Target 97%**	**FY23 Result 99.1%**	Met Target ✓	Improved ✓



CBP hosted Forced Labor Technical Expo and launched interactive dashboard

From March 14-15, 2023 CBP hosted the Forced Labor Technical Expo, creating a global platform for industry to share best practices on the latest technologies in supply chain transparency from around the world. At the same time, CBP launched the Uyghur Forced Labor Prevention Act (UFLPA) enforcement statistics dashboard to provide the public with a single source of easily accessible data on UFLPA enforcement. Both efforts supported CBP's fight against forced labor, which is a top priority for the agency and the Department of Homeland Security. CBP is committed to transparency and working as a partner to industry looking to comply with forced labor laws.

Objective 2.3 Counter Transnational Criminal Organizations and Other Illicit Actors						
Component	*Program*	*Measure Name*				
ICE	Homeland Security Investigations	Number of significant Homeland Security Investigations cases that resulted in a disruption or dismantlement				
FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	*EOY results were not available at time of reporting. Please refer to the APR for EOY results and explanations.*
---	---	698	1,083	**545**	**—**	

Performance Highlights

While DHS continued to deliver its core programs and services, Mission 2 performance was negatively impacted by external factors such as post-pandemic travel volumes and supply chain challenges, as well as surge operations to address humanitarian crises.

Examples of DHS performance in this space include:

- CBP's rate of interdiction effectiveness along the SWB between ports of entry has declined since pre-pandemic as a result of the volume of migrant flows to the SWB, with the resulting operating tempo and environment negatively affecting employee health, morale, and retention.
- Persistent DHS-wide efforts to respond to the migration crisis at the SWB and maritime environments is putting a strain on DHS personnel.

Restoring maritime commerce after natural disasters

After Hurricane Ian made landfall in Florida in September 2022, Coast Guard personnel saved or assisted over 800 people in distress. To facilitate opening federal waterways to commerce and rescue supplies, the Coast Guard immediately completed aids to navigation assessments at ports in Florida, Georgia, South Carolina, North Carolina, and Virginia, returning 10 of the 13 major ports to normal operating status within 36 hours of the storm.

- Diversion of assets to respond to other priorities in the maritime environment impacted USCG operations, such as ensuring the availability of aids to navigation, the percent of time high priority waterways in the Great Lakes and along the eastern seaboard are open during ice season, and maintaining operational presence in the Arctic.
- Lawful trade and travel was impacted by post-pandemic volume changes, yet DHS continued to innovate in ways that improved effectiveness and efficiency in the delivery of services to stakeholders and customers.

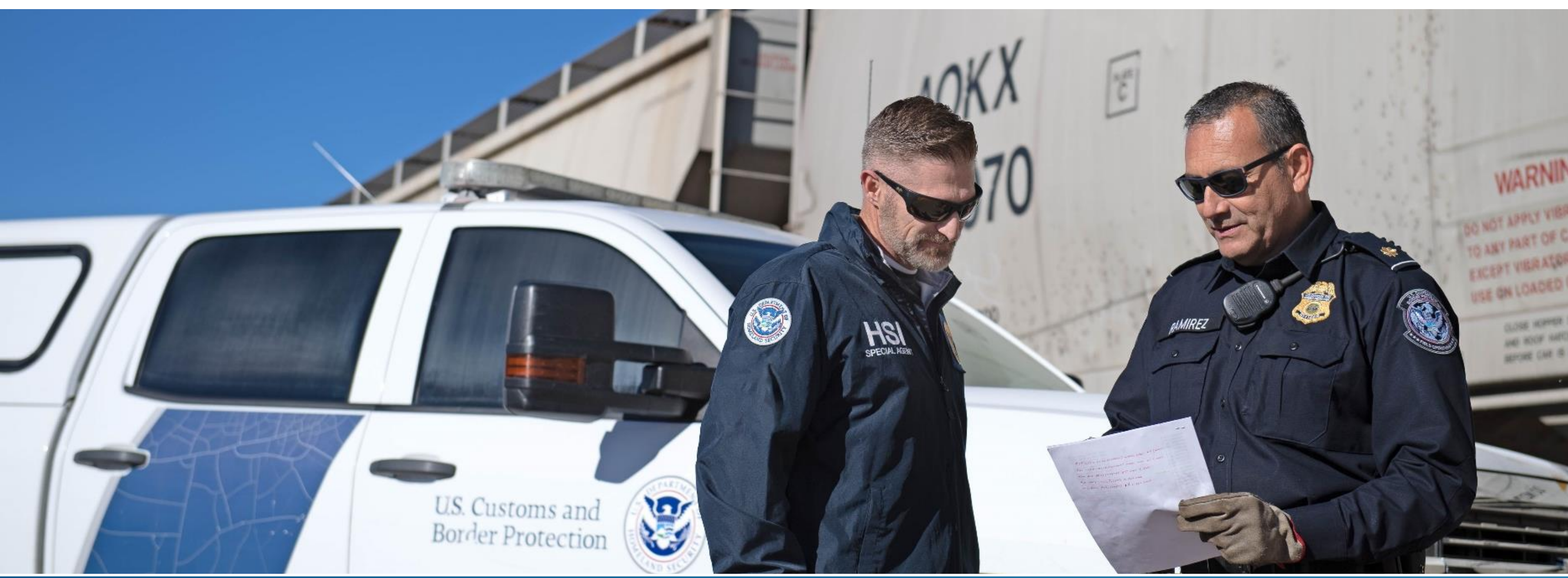
Did you know?

Through its Green Trade Strategy, CBP is establishing itself as a leader of environmental stewardship in the trade space – exemplifying higher, greener standards for global trade while creating an opportunity for government, industry, and the public to unify efforts in the creation of a more sustainable future.

Looking Forward

DHS is taking steps to ensure the capacity and capability of its workforce to respond to the historically high numbers of migrants arriving at our nation's SWB.

- For example, CBP is identifying workforce management solutions to close critical gaps in recruiting and retention efforts and is focused on developing incentives that



HSI San Diego FAST, countering the threat of fentanyl

The San Diego FAST (Fentanyl Abatement and Suppression Team) is an HSI led multi-agency task force focused on stopping the spread of fentanyl in San Diego County and bringing down the overdose rates. FAST was designed to provide support to state and local agencies seeking to attack the problem of fentanyl distribution in the County, and to target fentanyl distributors causing overdoses and deaths. During the two months of DHS's Operation Blue Lotus, HSI San Diego, including FAST and its partners, not only seized more than 2 tons of fentanyl and an additional 2 tons of other deadly drugs destined for our communities, but also greatly diminished the cartel's operating capabilities in San Diego County by arresting 216 cartel members, their smugglers, their traffickers, and their dealers, all of whom are now facing significant prison sentences.

improve the retention of skilled and experienced agents, establishing training for law enforcement and mission support personnel across career lifecycles, and continuing to implement the [Border Patrol Processing Coordinator (BPPC)]() role to ease agent workload and enable agents to focus their time on core law-enforcement competencies.

- In addition to recent pay differential initiatives undertaken by ICE Homeland Security Investigations (HSI) for difficult to staff positions, ICE Enforcement and Removal Operations (ERO) is also taking steps to train Enforcement and Removal Assistants (ERAs) to provide Non-Detained Docket (NDD) caseload support and enable ERO personnel to focus their time in core mission areas.

Did you know?

The Coast Guard operates on all seven continents and maintains over 60 bilateral agreements to leverage foreign partnerships to combat international threats like drug trafficking and illegal, unreported, and unregulated fishing. The Coast Guard also facilitates $5.4 trillion in annual economic activity via the MTS.

DHS is working to understand and plan for the short- and long-term factors that drive migration to the U.S. from Latin America and the Caribbean—including abuses perpetrated by authoritarian regimes, food insecurity, violence, corruption, lack of opportunities, and systemic poverty.

- DHS technology and systems enable near real-time sharing of information on local and short-term migration trends. For example, the U.S. Border Patrol (USBP) is implementing its Common Operating Picture (COP) at Tactical Operations Centers,

CBP hosts the first Green Trade Innovation and Incentives Forum

On July 11, 2023, CBP hosted the first ever Green Trade Innovation and Incentives Forum, where members of industry, non-governmental organizations, Government personnel, and experts in academia, research, and technology exchanged ideas related to green trade innovation, incentivizing clean and sustainable supply chains and environmental stewardship, and international trade decarbonization. The Forum supported CBP's Green Trade Strategy, which establishes the agency as a leader of environmental stewardship in the trade space – exemplifying higher green standards for global trade.

which fuses live input from surveillance technologies and other operational data into an automated system capable of assisting agents in making decisions in real-time.

- In the maritime environment, the U.S. Coast Guard is implementing new performance measures regarding migrant interdiction and other related activities which will help inform situational awareness regarding risks, impacts, and tradeoffs for USCG efforts.

DHS@20

Every day, the Department seizes $10.4 million worth of goods for intellectual property rights violations and fraud; clears 91,605 truck, rail, and sea containers, and 10,572 shipments of goods for entry to the U.S., collecting more than $306 million in duty, taxes, and fees in the process; and operate at 328 land, air, and sea Ports of Entry and screen 868,867 passengers and pedestrians entering the United States.

- To better understand long-term trends and contributing factors in this complex space, ICE-ERO is establishing a unit to survey the migration environment and prepare for future events. This unit will help ICE-ERO plan and set strategic direction and will be informed by continued advances in Discreet Event Simulation forecast capabilities.
- As outlined in the [DHS FY 2022-2026 Learning Agenda], DHS is also taking steps to evaluate push and pull factors at the national and local levels and their correlation with increases and decreases in the numbers of noncitizens arriving at the Southwest Border.

Countering the IUUF threat at home

On April 14, 2023, the Coast Guard seized over 1,000 pounds of shark caught by foreigners fishing illegally off the coast of South Texas. Illegal, unreported, and unregulated fishing (IUUF) is a threat to local economies and sustenance around the globe. Coast Guard law enforcement personnel from Stations Galveston and South Padre Island routinely interdict fishermen attempting to illegally catch highly valuable species, such as shark or red snapper, in U.S. waters.

DHS is streamlining and improving the accessibility of many key services and programs involved in securing and managing the nation's borders.

- For example, ICE-ERO has translated over 40 forms into Spanish, Portuguese, Punjabi, French, and Haitian Creole, and the ICE Health Service Corps (IHSC) has acquired national care guidelines to support oversight of medical referral pre-authorizations, inpatient care and services, and expanded telehealth programs, and has made updates to its public facing website for change of address applications.
- CBP also continues to improve the CBP One™ App, a mobile application that serves as a single portal to a variety of CBP services, and is offering added convenience to travelers under the Trusted Traveler Program (TTP) with the Enrollment on Arrival (EoA) program. The EoA program will enable approved Global Entry (GE) applicants to complete enrollment interviews while clearing CBP processing and has further benefited from CBP's continued rollout of Biometric Facial Comparison Technology (BFCT), which has reduced the average GE facial comparison transaction from 40-45 seconds at a legacy GE kiosk to less than 10 seconds with the new technology. CBP plans to deploy BFCT solutions to remaining air, sea, and land pedestrian environments, and refine BFCT deployment in the land vehicle environment.

DHS@20

The Coast Guard is the Nation's oldest, continuous, sea-going service, having been created as the Revenue Marine in 1790. The modern Coast Guard was formed in 1915 and is a combination of five historical federal agencies: the Revenue Cutter Service, the Lifesaving Service, the Lighthouse Service, the Steamboat Inspection Service, and the Bureau of Navigation.

HSI's largest commercial fraud loss of revenue investigation

Six importers were sentenced in federal court to five years' probation and ordered to pay $1.83 billion in restitution for participating in a conspiracy to defraud the U.S. via a customs-and-wire fraud scheme in which China-origin aluminum extrusions were disguised as "pallets" and imported fraudulently to avoid $1.8 billion in antidumping and countervailing duties. The case stemmed from a massive, multi-year probe conducted by HSI, CBP, and the Internal Revenue Service.

Mission 3: Administer the Nation's Immigration System





Overview

DHS continues to prioritize establishing safe, orderly, and lawful pathways to enter the country, and has respondend with unprecendented action to humanitarian crises.

Following the evacuation of U.S. and allied forces from Afghanistan, DHS led a whole-of-government effort to coordinate the entry, domestic processing, and resettlement of Afghans into the U.S. DHS created Uniting for Ukraine to provide Ukrainians with supporters in the U.S. a pathway to come and stay in the country for a temporary period, leading to a significant decrease in encounters of Ukrainians at the Southwest Border. In response to a sharp rise in the number of Venezuelans encountered at the Southwest Border, DHS created a similar process for Venezuelans meeting certain criteria to travel to and stay temporarily in the country while imposing consequences on those who cross the Southwest Border without authorization. DHS also created processes for nationals of certain other Western Hemisphere countries, including Cuba, Haiti, and Nicaragua, which has led to a significant decrease in the number of people seeking to enter the U.S. irregularly. Additionally, USCIS

Preparing tomorrow's citizens

On September 28, 2023, USCIS awarded over $22 million in grants to 65 organizations in 29 states to help prepare lawful permanent residents for naturalization. The Citizenship and Integration Grant Program provides funding to organizations that prepare immigrants for naturalization and promote civic integration through increased knowledge of English, U.S. history, and civics. In addition to the traditional programs that fund citizenship and English acquisition classes, FY 2023 grants include opportunities for creative and innovative approaches to preparing immigrants for naturalization.

has worked closely with the Department's Family Reunification Task Force by using its discretionary parole authority to allow previously separated family members to enter or remain in the U.S. temporarily.

DHS@20

Every day, DHS welcomes 3,800 new citizens at naturalization ceremonies across the country, including 42 members of the U.S. Armed Forces, and grants legal permanent resident status to 2,100 people.

DHS will also continue to work with the Department of State to expand access to legal pathways for migrants seeking opportunity or protection in the U.S., and to help enhance reception and reintegration for returnees to their home countries. In addition, DHS is enabling opportunities for safe and orderly migration through the Central American Minors program, in which lawfully present U.S.-based family members can petition for minors in their home country to be brought safely to the U.S.. We are also promoting labor pathways, specifically through the H-2A and H-2B programs, for temporary agricultural and non-agricultural workers, including allocating additional H-2B visas for certain Western Hemisphere countries under a time-limited statutory authority.

Larger migratory flows and the changing composition of border encounters will require the Department to develop innovative solutions to longstanding challenges with the processing and detention of individuals seeking protection. No matter the challenge, DHS will continue to break down barriers and promote access to immigration benefits and services for all who are eligible to seek them.

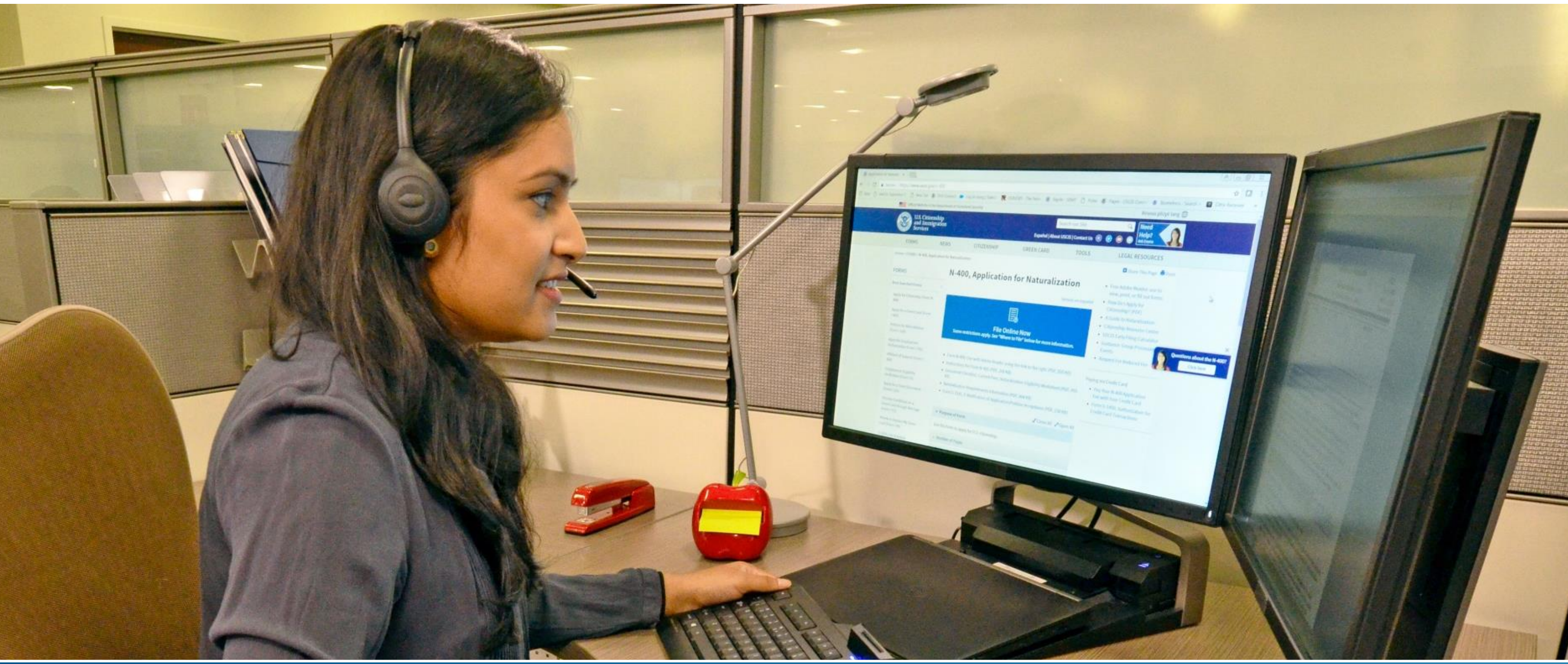
Incorporating DEIA principles at DHS

On April 20, 2023, USCIS released its 2023-2026 Diversity, Equity, Inclusion and Accessibility (DEIA) Strategic Plan, marking the agency's first comprehensive strategy to incorporate a culture of DEIA principles as a foundational element of its daily work. This effort is consistent with the USCIS core value to champion people, and the recently released USCIS FY 2023-2026 Strategic Plan, in which the agency made a commitment to invest in the workforce by promoting a DEIA culture.

Mission 3: Key Measure Highlights

Objective 3.1 Administer the Immigration System

Component	*Program*	*Measure Name*	FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
USCIS	Employment Status Verification	Percent of workers determined to be Employment Authorized after an initial mismatch	.21%	.23%	.13%	.11%	**≤ .30%**	**.13%**	✓	
USCIS	Fraud Prevention and Detection	Percent of completed social media checks found in compliance with applicable privacy policies	---	---	---	---	**New Measure**		*Targets will be reported in FY 2023-2025 APR*	
USCIS	Immigration Services	Percent of approved Applications for Naturalization that were appropriately decided	99%	99%	0%	100%	**99%**	**100%**	✓	



Expanding accessibility and enhancing the customer experience

USCIS continues to expand its online presence, increasing the number of forms available to file online, delivering on an agency priority to make operations more efficient and effective for the agency and its stakeholders, applicants, petitioners, and requestors. To help manage this process, the USCIS Contact Center has online tools and resources to give users the same information they would get by speaking to a representative, 24 hours a day, 7 days a week, from a cell phone, tablet, or computer.

Objective 3.2 Enforce U.S. Immigration Laws					
Program				*Measure Name*	
Enforcement and Removal Operations				Percent of detention facilities that meet the National Detention Standards Program during their full annual inspection	
FY19 Result ---	FY20 Result ---	FY21 Result ---	FY22 Result ---	**New Measure**	*Targets will be reported in FY 2023-2025 APR*
Office of the Principal Legal Advisor				Client satisfaction based on the annual OPLA Voice of the Client Survey	
FY19 Result ---	FY20 Result ---	FY21 Result ---	FY22 Result ---	**New Measure**	*Targets will be reported in FY 2023-2025 APR*

Performance Highlights

Despite negative impacts to performance largely driven by external factors in the regulatory and policy environment and by the increasing need for the Department to respond to humanitarian crises, some improvements in effectiveness and efficiency were realized as a result of the transition to a virtual work environment.

Did you know?

The ICE National Criminal Analysis and Targeting Center (NCATC) plays a leading role in the identification, location, and removal of criminal noncitizens in the United States, including foreign fugitives wanted for serious offenses committed abroad who flee to the United States to elude justice.

Examples of DHS performance in this space include:

- USCIS continues to address case backlog and is digitizing many of its forms and processes to externally improve accessibility and the customer experience, and to internally improve effectiveness and efficiency, such as through a digital oath process for military naturalization and through establishing the Humanitarian, Adjustment, Removing conditions and Travel documents (HART) Service Center to support humanitarian-based workloads.
- Although COVID reduced office capacity domestically, USCIS officers deployed overseas to conduct in-person refugee interviews and expanded teleconferencing to conduct naturalization interviews.
- The ICE Office of the Principal Legal Advisor (OPLA) implemented new virtual engagement processes that continue to be leveraged to address attorney shortages relative to the expansion of the Executive Office of Immigration Review (EOIR).

Looking Forward

DHS continues to streamline and improve access to many of the key programs and services involved in administering our nation's immigration system.

Did you know?

The Office of the Principal Legal Advisor is the largest legal program in DHS with over 1,446 attorneys and 267 support personnel. OPLA serves in an operational capacity as the exclusive representative of DHS in removal proceedings and in a support capacity, providing specialized legal advice and a full range of legal services to all ICE.

- For example, since January 2021, USCIS has implemented process efficiencies and leveraged hiring surge support to reduce the number of pending naturalization cases by approximately 450,000, a significant achievement in DHS and USCIS efforts to streamline case processing and reduce the backlog of pending naturalization cases.
- ICE-ERO has also expanded its Virtual Attorney Visitation (VAV) program from 13 to 24 of its detention facilities, increasing access to legal representatives by enabling them to meet with clients virtually and confidentially.
- ICE-ERO also developed a web-based Cash Electronic Bonds (CeBONDS) system, providing a fully automated, online capability to verify bond eligibility, make payments, and send notifications to bond obligors.

To address the increasing complexities facing our nation's immigration system, DHS is taking steps to ensure immigration

Continuous training and education in the Department

In FY 2023, OPLA's Strategic Management Division (SMD) produced extensive classroom and virtual training opportunities for OPLA employees nationwide. SMD executed three OPLA 101 new attorney training events, two OPLA 201 experienced attorney training events, one OPLA 301 training event for attorneys working on national security cases, one training event for attorneys working on HSI-related matters, two training events for OPLA's Field Legal Operations Deputy Chief Counsels, one trial advocacy training event for OPLA headquarters attorneys, and two training events for OPLA Headquarters and Field Legal Operations supervisors. Ensuring the Department's employees are equipped the knowledge, skills, and abilities to successfully administer our nation's immigration system continues to be a central priority.

processes and systems are delivered in a safe, orderly, and humane manner, upholding civil rights, civil liberties, and privacy in ways that embody our nation's highest values.

- For example, the ICE [Office of the Principal Legal Advisor (OPLA)] is implementing new performance measures to assess efforts to achieve just and fair outcomes in immigration cases, reduce the backlog of cases pending before the Executive Office for Immigration Review (EOIR), and support the ICE client.
- OPLA is also working to prioritize immigration court docket coverage for cases of public safety, national security, or where there would be an injustice if the agency was not represented. To facilitate these efforts, OPLA is expanding the use of video technology so that court coverage in understaffed locations can be augmented through nationwide assistance.

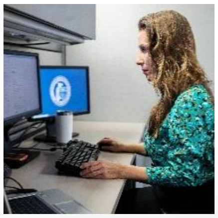
DHS@20

On March 1, 2003, USCIS assumed responsibility for the immigration service functions of the federal government. USCIS was founded to enhance the security and efficiency of national immigration services by focusing exclusively on the administration of benefit applications. The Homeland Security Act created ICE and Customs and Border Protection CBP to oversee immigration enforcement and border security.

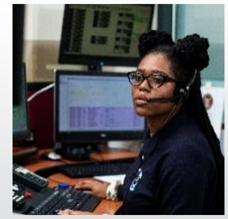
USCIS Opens the Humanitarian, Adjustment, Removing Conditions and Travel Documents (HART) Service Center

The HART Service Center is the first to focus on humanitarian and other workload cases. HART will promote cohesive and consistent adjudicative operations. Its dedicated workforce will improve the quality and efficiency of our humanitarian caseload processing. This workforce will continue to receive the robust, specialized training currently provided to employees who are processing these forms. These applications and benefits affect the most vulnerable of noncitizens, and the opening of this service center will make a positive impact in the quality, timeliness, and scale of our humanitarian processing abilities.

Mission 4: Secure Cyberspace and Critical Infrastructure







Overview

DHS will continue to protect the American people by preventing and mitigating active cyber threats, strengthening the nation's cyber resilience, driving a "security-by-default" approach with partners, and developing a cybersecurity workforce with the size, skills, diversity, and training necessary to meet our mission, protect our businesses and families, defend critical infrastructure, and forge a more secure future.

Nation-state threat actors are becoming increasingly sophisticated, targeting federal, state, and local government agencies, critical infrastructure, and others. Likewise, cyber criminals have increased their malicious activities motivated by the significant profits they can make from using relatively accessible and affordable ransomware and malware tools. Today, almost anyone can become a hacker.

Whether motivated by profit or ideology, cyber adversaries are willing to harm the American people by targeting businesses, schools, hospitals, police departments, state and local governments, and critical infrastructure. This includes America's election infrastructure, which is why the Department remains committed to supporting election officials in safeguarding and securing election infrastructure, including continuing efforts to secure all upcoming and future election cycles. There are also actors who have used ransomware during an unprecedented and ongoing global pandemic, disrupting hospitals dealing with surges of COVID-19 patients. We need only look at recent events, such as the SolarWinds supply chain compromise or the ransomware attacks affecting Colonial Pipeline, to see the impacts. In furtherance of the National Cybersecurity Strategy released in March 2023, DHS—through CISA, as the nation's cyber defense agency

DHS@20

Today, DHS leverages the Cyber Talent Management System (CTMS) to fill mission-critical cybersecurity positions more effectively and efficiently than through traditional hiring tools, screening applicants based on demonstrated competencies, competitively compensating employees, and reducing the time it takes to be hired into the Department. Employees hired through this system will join the new DHS Cybersecurity Service, the Nation's preeminent federal cybersecurity team working to protect U.S. critical infrastructure and the American people from cybersecurity threats, and increase nationwide resilience.

and national coordinator for critical infrastructure security and resilience, as well as other Components that include I&A, ICE, TSA, USCG, and USSS, and in tandem with private sector and SLTT partners, as well as the Intelligence Community, the interagency, and law enforcement as part of a whole-of-government approach—will continue its efforts to manage national cyber risk.

As the majority of the nation's critical infrastructure is owned by the private sector, effective responses to threats demand also close coordination between the public and private sectors. CISA will continue advancing national efforts to secure and protect against critical infrastructure risks, including implementing a national plan that recognizes both the expanding scale of terrorism and other threats and the emerging cybersecurity challenge of increasingly networked and internet-enabled infrastructure systems. The Department, in close partnership with Sector Risk Management Agencies (SRMAs), will continue its role as the coordinator of the national effort for critical infrastructure security and resilience.

Mission 4: Key Measure Highlights

Objective 4.1 Support the Cybersecurity of Federal Civilian Networks		
Component	*Program*	*Measure Name*
CISA	Cybersecurity	Percent of federal agencies who meet BOD-22-01 [Known Exploited Vulnerabilities (KEVS)] automated reporting requirement for leveraging CDM reporting

FY19 Result	FY20 Result	FY21 Result	FY22 Result		
---	---	---	---	**New Measure**	*Targets will be reported in FY 2023-2025 APR*

Cybersecurity workforce development and challenges for academia

DHS is working with our nation's private industry, academia, and government to develop and maintain an unrivaled, globally competitive cyber workforce. One of the biggest challenges is the lack of consistency in the way "cybersecurity" is defined. Job descriptions and titles for the same job roles vary from employer to employer. This makes it harder for universities and colleges to prepare students for their first job. Employers spend time and resources retraining new hires and employees don't have clear career options. The National Initiative for Cybersecurity Education (NICE) Workforce Framework is the foundation for increasing the size and capability of the U.S. cybersecurity workforce. It provides a common definition of cybersecurity, a comprehensive list of cybersecurity tasks, and the knowledge, skills, and abilities required to perform those tasks. In FY 2023, CISA developed 6 NICE Cybersecurity Challenges focused on commonly seen security issues at an electrical substation. The challenges map to the NICE Cybersecurity Workforce Framework and enable students to learn the tasks, knowledge, and skills needed to perform cybersecurity workforce roles. The challenges developed will be used in cybersecurity curriculum developed by the 400+ National Centers of Academic Excellence in Cybersecurity (NCAE-C) designated institutions.

Objective 4.2 Strengthen the Security and Resilience of Critical Infrastructure

Component	*Program*	*Measure Name*
CISA	Emergency Communications	Percent of landline priority calls successfully connected using the Government Emergency Telecommunications Service Landline Network

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
99.5%	99.7%	95%	99.5%	**99%**	**99.1%**	✓	

Component	*Program*	*Measure Name*
CISA	Infrastructure Security	Percent of facilities that are likely to integrate vulnerability assessment or survey information into security and resiliency enhancements

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
88%	86%	85%	91%	**85%**	**93%**	✓	✓

Component	*Program*	*Measure Name*
CISA	National Risk Management Center	Number of Committee on Foreign Investment in the United States (CFIUS) related cases reviewed, analyzed, and processed

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
---	---	---	---	**1,500**	**1,183**	✓	

CDM is transforming government cybersecurity operations

CISA's new Continuous Diagnostics and Mitigation (CDM) Federal Dashboard quickly detected vulnerable systems related to a recent exploit on federal agency networks. Within minutes, CISA leveraged this host-level visibility into federal agency infrastructure to confirm potential risks, alert affected agencies, and actively track mitigation – preventing an active exploit from causing widespread harm across agency systems and impacting essential services upon which Americans depend.

Objective 4.4 Combat Cybercrime							
Component	*Program*		*Measure Name*				
USSS	Field Operations		Financial Crime Loss Recovered (in billions)				
FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
---	---	---	---	**$1.00**	**$1.11**	✓	

Performance Highlights

Mission 4 performance improved, with DHS taking steps to increase cybersecurity in Federal Civilian Executive Networks. Despite challenges in competing with private industry, DHS also continues taking steps to attract, hire, and retain cyber skilled professionals.

Examples of DHS performance in this space include:

- CISA increased its capacity and capability to detect and respond to vulnerabilities, threats, and attacks in Federal Executive Civilian Branch (FECB) networks by reducing the Domain Name System egress traffic bypassing CISA's Domain Name System filtering capabilities and implementing cyber-related Binding Operational Directive (BOD) initiatives.

First Nationwide Alert, Warning & Notification Meeting

In April 2023, CISA's Emergency Communications Division, along with FEMA and the Federal Communications Commission (FCC), co-hosted the first ever Nationwide Alert, Warning, & Notification Meeting in St. Louis. The meeting brought together over 100 representatives from federal agencies, states, tribal nations, cities, and counties to share best practices and challenges to getting timely information out to the public during immediate crisis. Topics included multilingual alerts, reaching the deaf and hard of hearing community, crafting alerts to gain the best action, and future rulemaking for Wireless Emergency Alerts.

- USSS Field Operations processed steadily increasing volumes of data (over 26 petabytes during FY22) in efforts to combat pandemic-related and other cybercrime.
- CISA's Infrastructure Security Division (ISD) has increased engagements with election stakeholders, and despite pandemic and post-pandemic related challenges, critical infrastructure owners and operators continue to adopt recommendations to enhance security and resiliency at an increasing rate.

> **Did you know?**
>
> The National Summit on K-12 School Safety and Security, hosted by CISA, on November 1–3, 2022, was a first-of-its-kind, virtual event convening federal, state, and local school leaders to share actionable recommendations that enhance safe and supportive learning environments in K-12 schools.

Looking Forward

DHS continues leveraging the strength of its partnerships to address the proliferation of cyber threats facing our nation today.

- In 2021, CISA established the Joint Cyber Defense Collaborative (JCDC), which brings together partners from the federal government, SLTT governments, and private industry to address the most significant cyber threats. With representation from nearly all the 16 critical infrastructure sectors, the JCDC has improved communication and cooperation between industry and government, leading to strong strategic and operational alliances with the cybersecurity community; increased visibility and insight into the cyber threat landscape; diverse resources and expertise to fuel creative cybersecurity solutions; and vastly amplified capacity to gather, analyze, and share information to defend against cyber threats. Paired with the pre-planning capabilities of CISA's Cybersecurity Advisory Committee (established in 2021) and the after-action analysis capabilities of CISA's Cyber Safety Review Board (CSRB) (established in 2022), DHS will continue leveraging the JCDC for planning and real-time event coordination.

DHS continues its efforts to combat the illicit use of virtual currencies and digital assets, leveraging partnerships, new technologies, and other process improvements to counter this quickly evolving threat.

- While ICE-HSI's Cyber Crimes Center is working to enhance and expand HSI's intrusion response and investigative capabilities, the HSI Financial Crimes Unit (FCU) is leveraging its newly created Cyber Financial Section (CF) (established FY

> **DHS@20**
>
> Today, DHS will prevent millions of dollars of potential loss through cybercrime investigations, seize more than $14.5 million in currency and assets as a result of cybercrime investigations, triage more than 100 cyber incidents reports, complete 3 cybersecurity assessments for government agencies and private organizations, and process 110 requests for technical assistance for cyber threats, 4 of which will involve cases of ransomware.

2022) to educate and support HSI special agents with virtual currency investigations.

- The USSS National Computer Forensics Institute (NCFI) continues to successfully leverage innovative technology and experienced instructors to train state and local law enforcement officers, prosecutors, and judges on digital evidence collection and analysis, and the USSS Cyber Fraud Task Forces (CFTFs) continue to stand as a proven model for collaboration, ensuring special agents and support personnel have access to the tools, capabilities, training, and infrastructure to combat advanced criminal cyber actors that threaten the nation's financial systems.

DHS@20

In CISA's role as the nation's cyber defense agency and the national coordinator for critical infrastructure security, CISA works with critical infrastructure partners every day to address the evolving threat landscape. CISA's 2023-2025 Strategic Plan is the agency's first, comprehensive strategic plan since CISA was established in 2018, and represents a major milestone for the agency.

DHS remains committed to developing a cybersecurity workforce with the size, skills, diversity, and training necessary to forge a more secure future.

- The Department's Cyber Talent Management System (CTMS) is being leveraged by DHS Components to move more quickly than under traditional federal hiring authorities; compete with private sector compensation; and hire applicants based on skills, and aptitude. Components whose core missions have a cyber nexus—like CISA, ICE-HSI, and USSS—are continuing to engage with the Cyber Community through conferences like Women in Cybersecurity, coordinate in-person hiring and job fairs, and are aligning efforts to reach key talent pools (e.g., veterans). DHS continues to place diversity, equity, inclusion, and accessibility at the center of its cyber talent hiring and retention efforts because this is a challenge that affects all Americans, and every perspective is needed at the table.

Sharing resources and building capacity in partner nations

CISA Office of the Chief Learning Officer (OCLO) delivered a Cybersecurity Workforce Development Workshop in the Philippines in April 2023. Sponsored by CISA International and developed in coordination with a NIST colleague, the 3-day workshop gave representatives of the Filipino government information and best practices on development of a cybersecurity awareness program and to build, educate and train a national cybersecurity workforce. The 45 students represented 4 agencies and expressed excitement to use the tools presented to implement their national cybersecurity workforce strategy.

Mission 5: Build a Resilient Nation and Respond to Incidents

Overview

The Department is working to create a set of tools and reforms to promote national resilience and adaptation, bolster innovation and partnerships, and look internally at its own roles and responsibilities to decrease the risks posed to our nation by climate change.

Even with significant interventions, the planet will continue to warm, causing increasingly serious impacts on the American people and on DHS's missions and its workforce. Severe and frequent natural disasters, rising ocean temperatures, shrinking sea ice, rising sea levels, wildfires, heatwaves, droughts, and ocean acidification all produce serious threats. We have already experienced record rain events and wildfires, as well as increases in the number of coastal storms and inland flooding. Rising temperatures and natural disasters also increase the risk of infectious diseases. Such events disrupt our economy, result in loss

Improving potable water supply through Hazard Mitigation Grants

In January 2023, FEMA announced the approval of the first phase for the construction of a reservoir in the Valenciano River and expansion of the Valenciano Water Treatment Plant to address ongoing drought conditions in Guaynabo, Puerto Rico, and improve potable water supply. The reservoir will have a capacity of 12.7 million cubic meters of water and receive more than $18.5 million of funding from FEMA's Hazard Mitigation Grant Program (HMGP). The project will offer enough water storage and pumping capacity to ensure a steady water supply for the area.

of life and property, and cause suffering for millions of Americans and their communities. Moreover, chronic underinvestment in underserved communities leave residents more susceptible to the effects of severe weather events and make recovery more difficult afterwards.

Did you know?

Just one inch of water inside an average home can cause upwards of $25,000 in damage. Flood damage is generally excluded from standard homeowners' insurance policy. Insurance provided by FEMA's National Flood Insurance Program is a keyway to protect homes and property from flood losses.

To address these challenges, the Department is enhancing national resilience to ensure that a warmer country is not a more dangerous one, promoting climate literacy, driving innovation, and creaiting new incentives for resilience and adaptation. While we work to develop community resilience, we must also create the response capabilities that the nation needs in this new era of climate change-exacerbated natural disasters. Increasingly, DHS Components are responding year-round to severe weather events and other climate-related disasters, placing great strain on resources and personnel. To succeed in this environment, the Department is focused on reducing its carbon footprint, on creating a workforce structure that can function on a sustainable deployment and reset cycle, and on establishing a robust, integrated surge force capable of rapidly responding year-round to events.

DHS will continue to prioritize programs and projects based on their contribution to resilience, sustainability, energy, water efficiency, and benefit to historically disadvantaged communities with environmental justice concerns, while supporting the execution of DHS missions. We will continue to identify and consider potential effects of DHS's actions to ensure there is not a disproportionate impact on low-income or minority populations.

Recovery and investigation of the Titan submersible

From June 19-22, 2023, the Coast Guard led a Unified Command in the search for and recovery of the missing submersible Titan in the Northern Atlantic. The search effort included over 10 ships and remotely operated submersibles, as well as six aircraft across a lateral area of over 10,000 square miles and depths of over 4,000 feet. The Coast Guard convened a Marine Board of Investigation and is working with counterparts from Canada, France, and the United Kingdom to determine the causes of the incident.

Mission 5: Key Measure Highlights

Objective 5.1 Coordinate Federal Response to Incidents

Component	*Program*	*Measure Name*
USCG	Maritime Prevention	Three-year average number of serious marine incidents

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
748	612	605	522	**≤ 626**	**488**	✓	✓

Component	*Program*	*Measure Name*
USCG	Maritime Response	Percent of people in imminent danger saved in the maritime environment

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
78%	86.5%	81.7%	83.3%	**80%**	**88.5%**	✓	✓

Objective 5.2 Strengthen National Resilience

Component	*Program*	*Measure Name*
FEMA	Grants	Percent of capability building Homeland Security Grant Program projects that align to closing state, territory, and urban area identified capability gaps

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
---	79.5%	91.9%	86.2%	**90.5%**	**84.8%**		

Component	*Program*	*Measure Name*
FEMA	Mitigation	Percent of U.S. population (excluding territories) covered by planned mitigation strategies

FY19 Result	FY20 Result	FY21 Result	FY22 Result	**FY23 Target**	**FY23 Result**	Met Target	Improved
87%	84.4%	83.2%	85.5%	**85%**	**83.9%**		

Helping survivors recover after Hurricane Ian

FEMA's National Flood Insurance Program (NFIP) responded to more than 48,000 policyholders across Florida, Georgia, South Carolina, North Carolina, and Virginia following Hurricane Ian in September 2022. As of July 2023, the NFIP has paid more than $4.3 billion in claims, and the average payment on closed claims for Hurricane Ian is over $111,000. Across the nation the NFIP insures more than 4.7 million Americans and $1.3 trillion in assets against the financial devastation created by flooding.

Objective 5.2 Strengthen National Resilience (cont'd)

Component	Program	Measure Name	FY19 Result	FY20 Result	FY21 Result	FY22 Result	FY23 Target	FY23 Result	Met Target	Improved
FEMA	National Flood Insurance	Number of properties covered with flood insurance (in millions)	4.3	4.1	4.0	3.8	**5.0**	**4.7**		✓
FEMA	Preparedness and Protection	Percent of adults that took multiple preparedness actions at their workplace, school, home, or other community location in the past year	62%	68%	59%	55%	**52%**	**57%**	✓	✓
FEMA	Regional Operations	Average annual percentage of administrative costs for major disaster field operations, as compared to total program costs	29.2%	25.9%	26.4%	17.7%	**≤ 17.9%**	**33.8%**		

Objective 5.3 Support Equitable Community Recovery

Component	Program	Measure Name	FY19 Result	FY20 Result	FY21 Result	FY22 Result	FY23 Target	FY23 Result	Met Target	Improved
FEMA	Response and Recovery	Percent of applicants satisfied with simplicity of the Individuals and Households Program	78.1%	82%	80%	76.6%	**90%**	**78.1%**		✓

Confronting extreme heat

Ahead of FEMA's first ever "#SummerReady" campaign, Region 5 (Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin) hosted the first annual Extreme Heat Summit, where subject matter experts discussed the challenges extreme heat poses. This campaign will not only offer easy-to-understand messaging and safety tips for the public but will also provide government stakeholders, emergency managers, and members of the media with FEMA resources they can use to communicate these risks to residents and mitigate the impacts of extreme heat events in their communities.

Objective 5.4 Strengthen National Resilience (cont'd)							
Component	*Program*		*Measure Name*				
FEMA	Education, Training, and Exercises		Percent of supervisors of students trained who believe their staff are better prepared as a result of National Fire Academy training				
FY19 Result 89.4%	FY20 Result 92.2%	FY21 Result 92.5%	FY22 Result 93.3%	**FY23 Target 87%**	**FY23 Result 92.1%**	Met Target ✓	Improved

Performance Highlights

Mission 5 was impacted by workload increases in the post-pandemic environment, and the growing severity, frequency, and occurrence of disasters is contributing to downward trends in performance.

- In response to the COVID emergency and managing the transition into the post-pandemic environment, FEMA provided front-line support through mass vaccination sites and coordination across regions, providing over $87 billion in assistance for COVID-related events and developing COVID-19 Resource Roadmaps to help communities navigate pandemic recovery.

2023 Caribbean readiness initiative

From May 22-25, 2023, FEMA supported 17 exercises across ten locations in the United States Virgin Islands. The exercises included more than 300 participants and provided an opportunity for federal and territorial partners to evaluate disaster response plans, address gaps in evacuation and sheltering operations, and discuss long-term recovery considerations. These exercises also enhanced coordination efforts and strengthened the territory's knowledge of all phases of disaster management.

- The growing severity of disasters increases the time it takes for communities to recover, further complicated by repeat events in areas already struggling to bounce back. FEMA is implementing disaster customer service initiatives and other programmatic innovations such as Justice40 (see DHS APG) to advance equity across disadvantaged communities.
- Supporting both disaster and mission essential functions as non-Stafford Act capabilities expand—such as the pandemic response or supporting humanitarian crises—creates challenges for operational capacity.
- The Coast guard continues to respond to people in imminent danger in the maritime environment at approximately the same rate as historic trends, despite increases in maritime migration and the volume of recreational boaters in the post-pandemic environment.

DHS@20

As the nation celebrated the 33rd anniversary of the Americans with Disabilities Act (ADA) in July 2023, FEMA commemorated its ongoing efforts to advance accessibility in the agency's mission to help people before, during and after disasters. The ADA guides FEMA's commitment to improving services and programs to be equitably available to people with disabilities and others with access and functional needs.

Chemical, Ordnance, Biological and Radiological (COBRA) training facility upgrades

FEMA's Center for Domestic Preparedness (CDP) recently completed more than $3 million in upgrades to its Chemical, Ordnance, Biological and Radiological (COBRA) Training Facility—the only place in the country where civilian responders train with chemical agents and toxic biological materials. The upgrades provide more dynamic and challenging scenarios for the 2,500 responders who train in the facility each year to gain the confidence to deal with hazardous substances in real-world incidents.

Looking Forward

DHS is taking steps to address climate change that include new incentives for resilience and adaptation, modernizing grant programs, and increasing equity in preparedness and response efforts as underserved communities are often disproportionately impacted by climate change.

- Together with FEMA's Flood Mitigation Assistance and Hazard Mitigation Grant Programs, DHS will continue to prioritize making resources accessible to all communities, including those in underserved areas, and to empower them to take actions that reduce risk and increase resilience to environmental threats to life and property.
- As part of these forward-looking efforts, FEMA is developing a service delivery model for providing integrated, place-based assistance to disadvantaged communities; enhancing BRIC grant program direct technical assistance; and improving access to FEMA programs through Benefit-Cost Analysis (BCA) enhancements across all mitigation programs.

DHS@20

DHS staff often deploy to support response and recovery efforts. 2012 was the first activation of the DHS surge capacity force, with 1,100+ DHS employees working to respond to Hurricane Sandy. In 2017, 2,740 DHS surge force members responded to a series of devastating hurricanes (Harvey, Irma, and Maria) and to the California wildfires. Again in 2021, DHS employees surged to support the nation during the COVID-19 pandemic, providing critical support at vaccination centers.

DHS is leveraging data and technology to improve the services and programs that help to create a nation that is more resilient and better prepared to respond to incidents.

- For example, FEMA is conducting foundational research and development with S&T for a new interoperable fire information and analytics platform that will include direct data capture, analytics, dashboard reporting, and data exchange via an Application Programming Interface (API).
- In other areas, FEMA's Future of Flood Risk Data (FFRD) initiative is working to provide a more comprehensive picture of the country's flood hazards and risks by leveraging new technologies to include more efficient, accurate, and consistent flood risk information across the nation, and to communicate that information in new and innovative ways to motivate people to take action.
- Looking ahead, FEMA will continue efforts to develop enterprise data services, analytics, and geospatial capabilities and implement the FEMA 2023-2027 Data Strategy to create a "share by default" vision and culture across the agency.

Did you know?

FEMA is implementing the Community Disaster Resilience Zones Act, signed December 20, 2022, to build disaster resilience across the nation. FEMA will create and designate resilience zones, which will identify disadvantaged communities most at-risk to natural hazards to receive targeted support to access federal funding for resilience projects.

DHS is taking steps to address the strain put on personnel and resources as DHS increasingly responds year-round to severe weather events and other climate-related disasters.

Did you know?

FEMA's Grants Management Technical Assistance program is available at no cost to state, local, tribal, and territorial partners. Three hundred and ninety-four individuals attended the Fundamentals of Grants Management course in FY23, which covers the grant lifecycle for federal financial assistance. The program also includes a digital resource library for independent learning.

- FEMA remains focused on developing and implementing a workforce readiness cycle that accounts for sustained increases in operational tempo while allowing for adequate training, rest, and rest periods, with an additional focus on improving recruitment and retention efforts and enhancing training and professional qualification opportunities.
- FEMA and DHS will also continue efforts to strengthen the National Response Coordination Center and Regional Response Coordination Centers, and to establish a robust, integrated surge force capable of rapidly responding year-round to events.

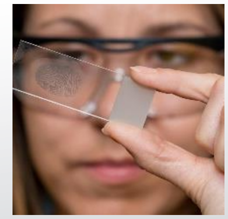
Responding to the Maui wildfires

The wildfires that occurred on the Hawaiian island of Maui in August 2023 were among the deadliest on record in the U.S. and devastated local communities. The Department responded to this crisis, working closely with state, county, and federal partners to aid active response and recovery efforts. More than 190 search and rescue team members and 420 FEMA employees were deployed to assist Hawaii residents in their greatest time of need, including 98 Disaster Survivor Assistance staff. As of September 8th, 2023, FEMA has approved more than $65 million in federal assistance for Maui survivors assisting more than 5, 000 survivors. Other DHS agencies are also assisted in response and recovery efforts. CISA conducted assessments of critical infrastructure and communication systems and coordinated with private sector partners to establish temporary communication solutions, the Coast Guard performed underwater surveys of the Lahaina harbor using sonar technology to identify structural damage, and CBP had special teams working around the clock providing search, rescue, and security assistance to the brave people of Maui.

Mission 6: Combat Crimes of Exploitation and Protect Victims





Overview

The Department is enhancing its efforts to combat crimes of exploitation—child sexual exploitation and abuse (CSEA), human trafficking, and labor exploitation—and protect victims.

These crimes, which occur at alarmingly high rates, represent not only a direct attack on our values and personal and public safety, but also threaten our physical and virtual borders, our immigration and customs systems, our prosperity, and our national security. Accordingly, the Department has redoubled its efforts to combat these crimes and is committed to further enhancing its work in this space.

To do this, a victim-centered approach that seeks to minimize additional trauma, mitigate undue penalization of victims, and provide needed stability and support to victims of trafficking and exploitation is critical. This approach helps survivors begin to repair their lives and enables law enforcement to better detect, investigate, and prosecute perpetrators. Across the Department, 11 Offices and Components that interact with victims or carry out related mission sets drafted plans in FY 2022 to incorporate a victim-centered approach into all relevant policies and programs. Going forward, DHS will continue to enhance and mature its work to combat crimes of exploitation.

Performance Highlights

Mission 6 workload increases are being driven by the growth in crimes committed in the virtual environment, which saw a dramatic spike during the COVID-19 pandemic.

Examples of DHS performance in this space include:

- Child exploitation cases and child rescues spiked during the COVID-19 pandemic and this trend continued as the pandemic changed to an endemic phase. A large majority of cases were

DHS@20

The HSI Victim Assistance Program (VAP) was established in 2008 to provide full time designated professionals to assist with victims identified in HSI investigations. VAP personnel consist of Forensic Interview Specialists, Victim Assistance Program Specialists, and Headquarters personnel. Since 2008, VAP has continued to contribute significantly to criminal investigations by recommending resources to help stabilize crime victims plus conducting forensic interviews of them to gain details about their offenders.

solved through cell phone forensics, as cell phones are the most common platform predators use. Child exploitation investigators have a limited exposure time in their career to exploitation images and need rotational assignments to limit exposure for mental health and wellness.
- COVID continued to impact the ability to train and onboard new agents in sufficient quantity.
- Most investigations now have a cyber-nexus but monthly changes in technology make it difficult to keep pace with the technology and equipment needed.

Looking Forward

DHS leverages leading-edge technology to counter crimes of exploitation and protect victims.

- S&T develops and deploys forensic tools and technologies that enable the ICE-HSI Child Exploitation Investigations Unit (CEIU) and other national and international law enforcement partners to identify and locate child victims of online sexual exploitation.
- S&T is also supporting the ongoing test and evaluation of field-portable handheld detection technologies and is coordinating a beta prototype deployment of advanced detection technologies to better target, interdict, and investigate illicit opioid and other narcotic smuggling into the U.S. (e.g., fentanyl).

DHS efforts to combat today's most heinous crimes

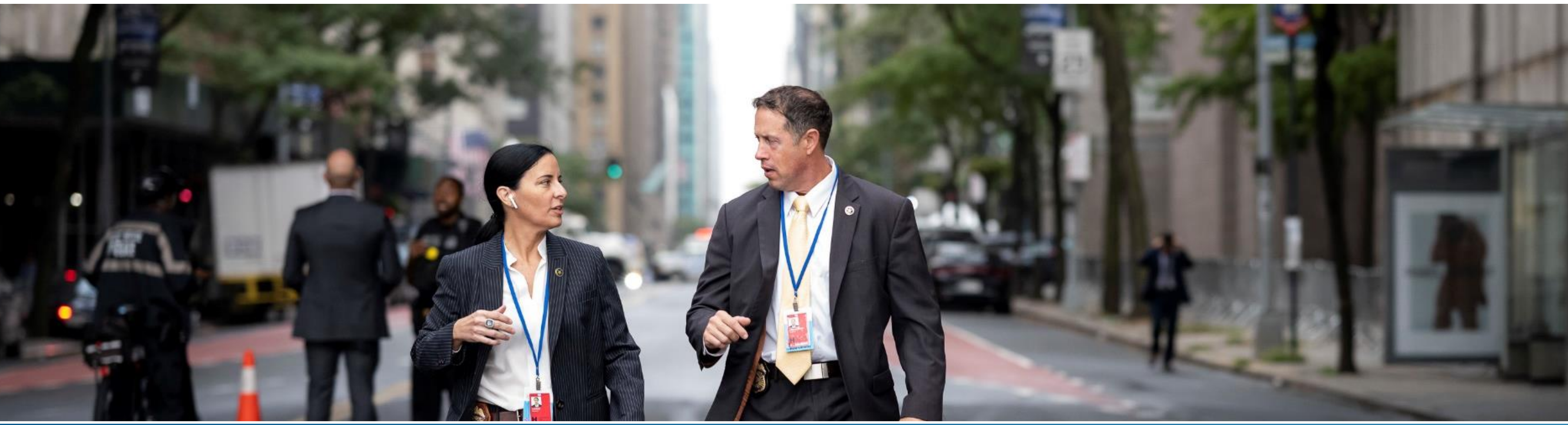
in light of the prevalence and severity of crimes of exploitation—including human trafficking, labor exploitation, and child exploitation—DHS has enhanced its efforts to combat these heinous crimes. This prioritization is reflected in their inclusion in the Department's 2022 and 2023 priorities, Departmental budget requests for fiscal years 2023 and 2024, and now the Third QHSR where this work is recognized as a full mission of the Department. This is the first time the mission to Combat Crimes of Exploitation and Protect Victims has been included as a homeland security mission in the QHSR. This step reflects the overriding importance of supporting victims and stopping perpetrators, as well as the heroic work of the DHS workforce and our partners in the homeland security enterprise. Every day they work to investigate, apprehend, and prosecute offenders, and to identify, protect, and support victims. DHS works to raise awareness of these threats and provides training to those who may encounter victims of human trafficking and other crimes of exploitation. This work will continue to grow and its identification as a full mission of the Department lays the groundwork for necessary enhancements, including planning, increased budget requests, operational cohesion, and partnerships.

DHS continues efforts to address crimes of exploitation and protect the victims of CSEA, human trafficking, and labor exploitation.

- DHS is prioritizing the fight against these crimes by establishing and growing the DHS Center for Countering Human Trafficking (CCHT) to enhance prevention through public education and training; identify, protect, and support victims; and detect, apprehend, and disrupt perpetrators of exploitation.
- As another example, ICE-HSI expanded the HSI Victim Assistance Program (VAP) in FY 2022 and continued expanding the program throughout FY 2023, leading to increases in the identification of victims of child sexual abuse and human trafficking, victim referrals for social services in local communities, and forensic interviews using trauma-informed, victim-centered methods.[5]

Did you know?

The HSI Forensic Laboratory processes over 23,000 pieces of evidence and completes over 1,500 cases a year. Fingerprint Specialists and Forensic Document Examiners provide expert witness testimony in U.S. District Court and Administrative Hearings.



Raising public awareness about human trafficking

Part of the DHS CCHT, the Blue Campaign is a national public awareness campaign designed to educate the public, law enforcement, and other industry partners to recognize the indicators of human trafficking, and how to appropriately respond to possible cases. The Blue Campaign works closely with DHS Components to develop general awareness trainings, as well as specific educational resources to help reduce victimization within vulnerable populations. The Blue Campaign leverages partnerships with the private sector, non-governmental organizations (NGO), law enforcement, and state/local authorities to maximize national public engagement on anti-human trafficking efforts. The Blue Campaign's educational awareness objectives consists of two foundational elements, prevention of human trafficking and protection of exploited persons.

[5] The HSI Victim Assistance Program (VAP) was established in 2008 in HSI. VAP personnel are responsible for assisting victims in HSI criminal investigations in accordance with federal victims' rights laws. VAP personnel consist of Forensic Interview Specialists, Victim Assistance Program Specialists, and Headquarters personnel. VAP personnel work in close coordination with HSI Special Agents to integrate victim assistance into HSI criminal investigations, including investigations of human trafficking, child exploitation, financial crimes, and human rights abuses. Using a victim-centered, trauma-informed, and culturally sensitive approach, and treating victims with dignity and respect, VAP personnel provide services and rights to victims and conduct forensic interviews of victims and witnesses in support of HSI criminal investigations. Fundamental to VAP's mission is assisting victims and restoring victims' well-being, all of which contribute to a victim's ability to become an effective witness and participate in the criminal justice process. Since 2008, VAP has continued to contribute significantly to HSI criminal investigations by recommending resources to help stabilize crime victims and conducting forensic interviews to obtain details beneficial to the investigation.

- DHS will also build on existing efforts at USSS and HSI's Cyber Crimes Center, leveraging public awareness campaigns to counter the rapidly escalating crisis of online CSEA, with the goal of educating children, caregivers, policymakers, and the broader public about this growing threat.

DHS@20

In 2010, Executive Order 13558 created the Export Enforcement Coordination Center (E2C2). The Executive Order delegates an E2C2 directorship, led by Homeland Security Investigations, as the lead executive agency of daily operations and functions. The E2C2 leads a whole-of-government approach to export enforcement by ensuring interagency coordination, facilitates multi-agency collaboration, minimizes duplication of efforts, and strengthens the critical links between law enforcement, the intelligence community, and the export licensing agencies.

DHS labor exploitation enforcement and other related efforts continue to have a significant impact on the well-being of individuals and the fairness of the labor market, with DHS efforts focused on addressing unscrupulous employers who exploit the vulnerability of undocumented workers and on upholding the dignity of the individual.

- As DHS continues its efforts to assist victims and combat and prevent crimes of exploitation such as human trafficking, labor exploitation, and CSEA, DHS will continue to deliver trainings and outreach as part of its nationwide efforts to raise public awareness and encourage victim identification.

DHS has become a global leader in forced labor enforcement

For example, CBP is one of the few government agencies in the world granted legal authority to take enforcement action against imported goods sourced from entities using forced labor to produce them. CBP is actively engaged in the expansion of Uyghur Forced Labor Prevention Act (UFLPA). In 2023, CBP has currently identified roughly 3,600 entries valued at close to $817 million for possible forced labor violations, including more than 1,500 entries valued at nearly $500 million targeted under the UFLPA. Through robust enforcement, CBP combats the economic incentive behind forced labor and undermines the profitability of forced labor practices while encouraging strong labor reforms from producers in international supply chains.

Enable Mission Success by Strengthening the Enterprise







Overview

DHS will continue to build its capacity to conduct its critical missions and anticipate the challenges to come. Essential to this is better understanding and protecting against threats from emerging technologies, as well as developing our most important assets: people, physical assets, data, and technology.

DHS will focus on developing and deploying new technologies and capabilities to execute our missions efficiently and effectively. DHS must be a leader in the responsible use and adoption of emerging technologies, including AI and biometric capabilities. At the same time, we must be alert to the ways in which threat actors could leverage such technologies and develop the necessary policies and means to mitigate those risks.

FLETC conducts ribbon cutting on new dormitory at FLETC-Artesia

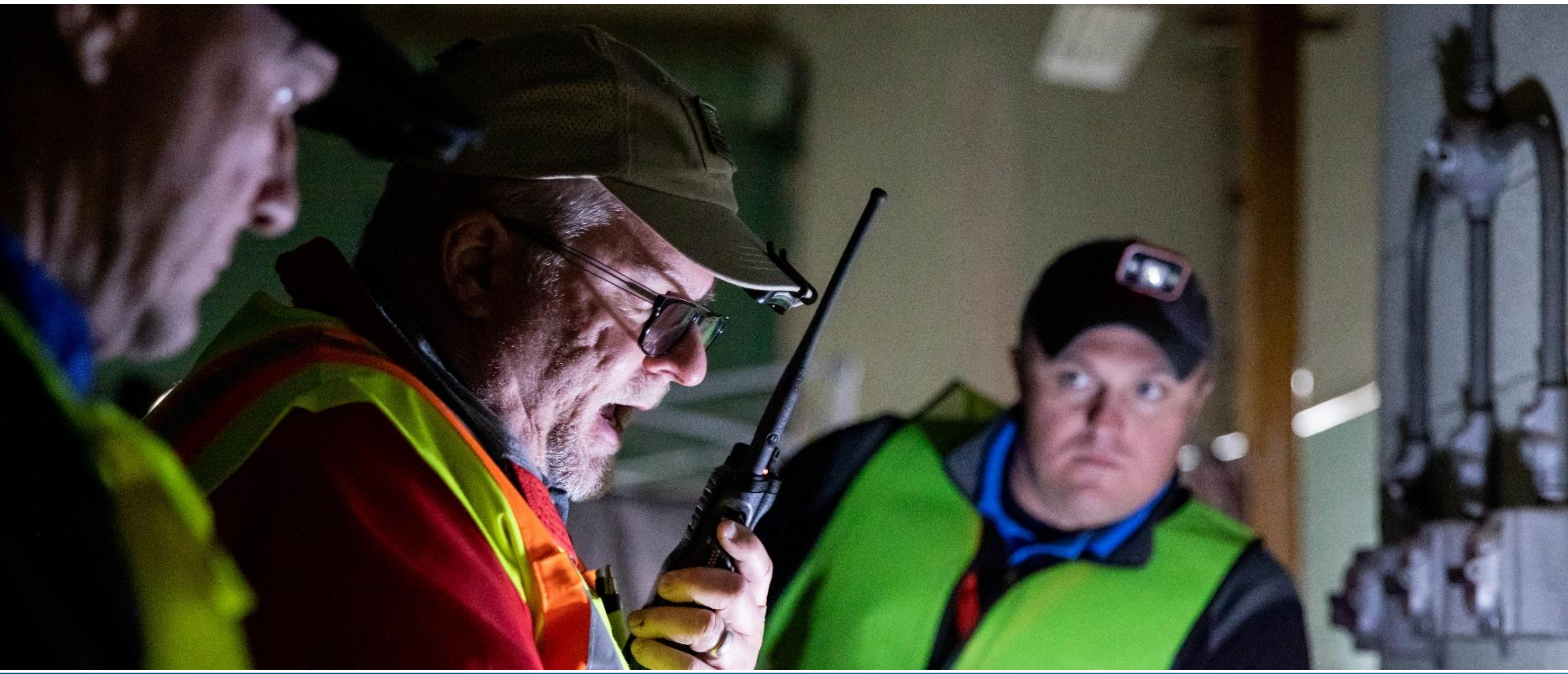
On April 12, 2023, FLETC conducted a ribbon cutting ceremony for the opening of a new dormitory at the FLETC-Artesia, New Mexico Training Delivery Point (TDP). The dormitory is a state-of-the art facility utilizing the latest innovative technology in construction, energy conservation, and information technology. It will provide FLETC a greater capacity to train America's future law enforcement officers. The new dorm contains 121 rooms and provides an additional 242 bed spaces for FLETC-Artesia. Construction started in August 2021, with the project concluding in March 2023.

Recognizing the value of science to many aspects of the homeland security mission, the Department is also seeking to expand its work in foundational and emerging research. To get solutions into the hands of operators, we must develop new business opportunities to promote technology transfer and commercialization of DHS-funded research. The Department's ability to eliminate or reduce gaps in transitioning from innovation to deployment will benefit the entire homeland security enterprise, increasing mission effectiveness and supporting a distinct market for homeland security solutions.

Did you know?

S&T's National Biodefense Analysis and Countermeasures Center is the only high containment facility in the country dedicated to providing biological threat characterization and forensic analysis on biological agents and features the nation's only Biosafety Level-4 aerosol capability.

In addition to these capability building efforts, the Department is focused on building capacity for the core of the homeland security mission—the DHS workforce, together with our partners across the homeland security enterprise. The Department is committed to strengthening the homeland security enterprise by increasing workforce morale; improving recruitment, hiring, and retention efforts; enhancing career development opportunities; and improving performance management. As the third-largest department in the Federal Government and the nation's largest law enforcement agency, the health and well-being of our workforce is at the center of the Department's efforts to put our people first and elevate the human experience at DHS.



Reaching the public faster and more effectively

S&T hosted a demonstration of its Wildland Urban Interface capability, highlighting research and development to enhance public emergency alerts. In partnership with FEMA and other organizations, S&T identified opportunities to integrate unattended flood and fire systems with FEMA's Integrated Public Alert & Warning System and create new alert delivery endpoints. Real-time alerting can save many lives while mitigating risks that pose an economic and environmental threat to the country.

As the third largest department in the Federal Government, DHS collects and holds significant amounts of data. It is critical to leverage this data and improve our technologies, processes, and services to the greatest effect possible to accomplish our missions, while ensuring legal requirements and privacy safeguards are met. DHS is entrusted with handling the sensitive personal information of Americans, visitors, and businesses when there is a nexus to homeland security, and it is our duty to handle it responsibly and securely. To do this effectively, we must conduct this work- in a manner worthy of the public's trust. While DHS endeavors to build its capacity and capability, we also recognize that the homeland security enterprise has never been more fit for the mission before us: we safeguard the American people with honor and integrity. The core capabilities of our Department have become key to solving the challenges of tomorrow.

DHS@20

As of September 30, 2023, FLETC has trained over 1.6 million federal, state, local, territorial, tribal, and international law enforcement officers in support of FLETC's mission to safeguard America's people, property, and institutions.

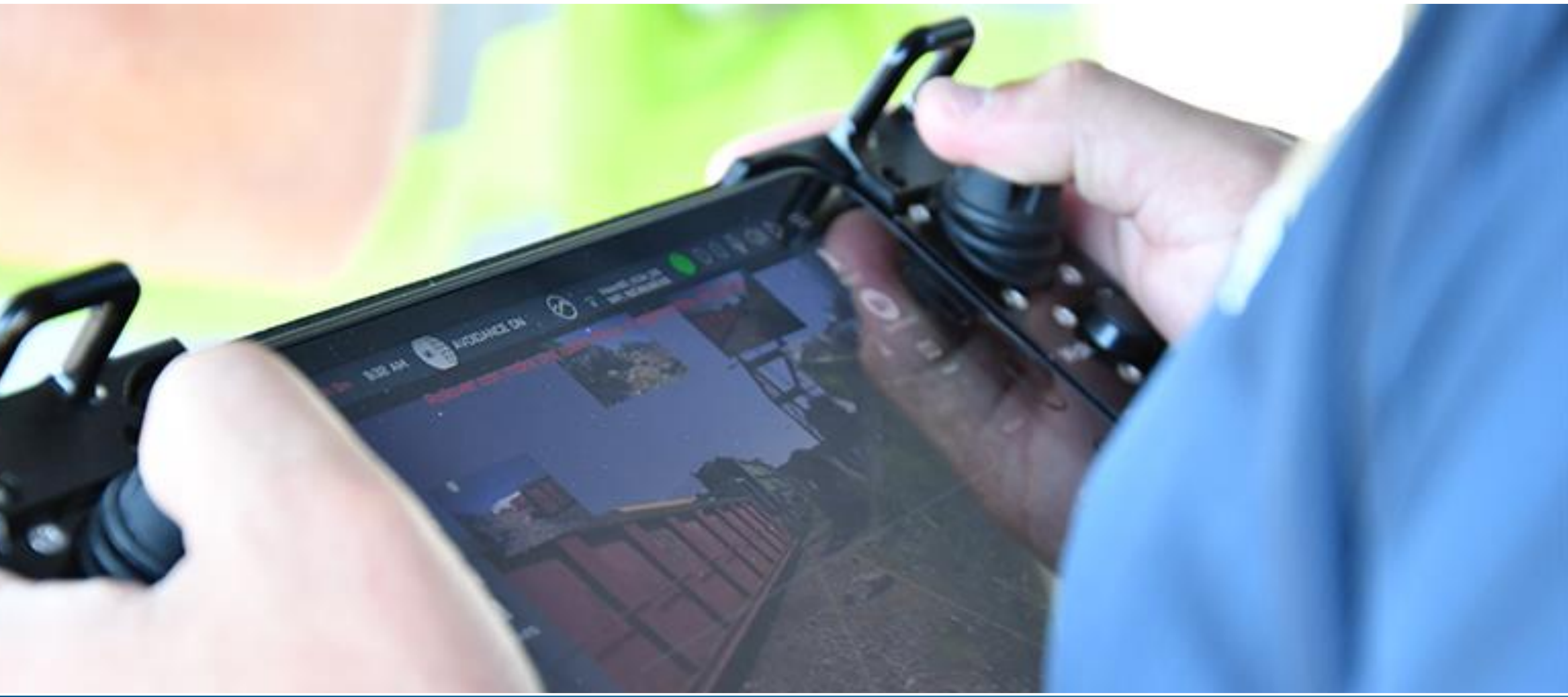
Big Wing

As the result of a cooperative developmental effort with S&T, CBP delivered the first MQ-9 Unmanned Aircraft System in the Big Wing configuration. Big Wing incorporates an enhanced de-ice capability and is designed to fly over the horizon via satellite for over 30 hours (a 50% endurance/range increase) while safely operating in both civil and international airspace, enabling DHS to provide real-time situational awareness day or night in the land and maritime domains.

Enabling Mission Highlights

Objective E.2 Champion the Workforce							
Component	*Program*	*Measure Name*					
FLETC	Federal Law Enforcement Training Centers	Percent of Partner Organizations satisfied with Federal Law Enforcement Training Centers' training					
FY19 Result 100%	FY20 Result 100%	FY21 Result 94%	FY22 Result 93%	**FY23 Target 92%**	**FY23 Result 98%**	Met Target ✓	Improved ✓

Objective E.3 Harness Data and Technology to Advance Mission Delivery							
Component	*Program*	*Measure Name*					
S&T	Science and Technology	Percent of technology or knowledge products transitioned to customers for planned improvements in the Homeland Security Enterprise					
FY19 Result ---	FY20 Result 66%	FY21 Result 72%	FY22 Result 68%	**FY23 Target 72%**	**FY23 Result 83%**	Met Target ✓	Improved ✓



Multi-energy portal demonstration

S&T installed, tested, and fixed multi-energy drive-through systems to enable CBP to non-intrusively inspect cargo at some Ports of Entry. The systems use low energies to safely scan an occupied cab and have higher penetrating x-rays to scan cargo. This is the first pre-primary cargo inspection system for CBP, and it has increased the daily average of cargo scanned from 24% to over 80%.

Performance Highlights

DHS interacts with more members of the public every day than any other federal agency, and is focused on using technology and other levers to improve customer experience, enhance service delivery, and maximize the Department's capacity and capability.

> **DHS@20**
>
> On September 19, 2022, DHS became the first federal agency to debut a battery electric vehicle (EV) fitted for performing law enforcement functions at the FLETC Office of Cheltenham Operations. The Ford Mustang Mach-E is the first of a variety of EVs DHS plans to field across its different law enforcement missions throughout the homeland. DHS is proactively seeking to reduce greenhouse gas emissions, EVs have the potential to significantly improve federal fleet efficiency and reduce vehicle operation and maintenance costs.

- As COVID-related travel and safety restrictions subsided, FLETC experienced high demand, training nearly 67,000 federal, state, local, tribal, and international officers and agents in basic and advanced programs, and FLETC continued to receive high customer satisfaction scores.
- New FLETC facilities and other physical infrastructure improvements are beginning to come online, which will help address training capacity challenges.
- In general, mission support offices (e.g., OSEM, MGMT) did not see significant (or any) decreases in performance and results remained overall steady despite the transition to virtual and hybrid work solutions in the post-pandemic environment.

Looking Forward

DHS is working to plan for and respond to advances in emerging technologies, which will present opportunities for improvements in commercial activity, public health, critical infrastructure, network connectivity, and aviation security.

- S&T is supporting this effort across DHS Components, coordinating with TSA to deliver a new, compact version of an advanced carry-on baggage screening system; with USCG to leverage space-based technologies and the versatility of commercially available solutions to improve the effectiveness and efficiency of its iceberg monitoring program; with CBP to develop technologies to increase the detection capability of CBP's existing fleet of standard wing MQ-9 Unmanned Aircraft Systems (UAS); and across DHS Components to deploy Team Awareness Kits (TAK) to support federal agency response during natural disasters and coordinated operations.
- DHS is also looking ahead and planning for the opportunities presented by trustworthy artificial intelligence (AI), quantum information science, advanced communications technologies, microelectronics, nontechnology, high-performance computing, biotechnology and biomanufacturing, robots, advanced manufacturing, financial technologies, undersea technologies, and space technologies. Continuing to support DHS efforts to keep pace with advances in science and technology. For example, the DHS AI Task Force (AITF) is conducting a program and mission space

analysis, and a Quantum Information Sciences and Technologies Workshop occurred late August 2023.

Did you know?

All detection systems in place at U.S. airports, from carry-on baggage checks to the personnel X-ray machines, were tested and evaluated at S&T's Transportation Security Laboratory.

DHS continues to test, train, and integrate new UAS detection and mitigation equipment to protect the homeland in collaboration with the Federal Aviation Administration (FAA) and interagency partners.

- For example, CBP AMO plans to conduct a technology demonstration of the medium UAS (M-UAS) in the maritime environment to characterize the performance and utility of M-UAS in an operational environment. The technology demonstration of M-UAS will provide evaluators with a proof of concept of a technology that could potentially bridge the gap between AMO's traditional light enforcement aircraft support and U.S. Border Patrol requirements in between ports of entry.
- Among other efforts, CISA is also partnering with S&T and the National Urban Security Technology Laboratory to establish counter UAS (C-UAS) interoperability guidance between federal and SLTT authorities. CISA is also developing UAS guidance for federal, SLTT, and private sector organizations owning and operating UAS to support sensitive or national security operations.

The evolving FLETC mission

Since it was established in 1970, the FLETC has provided basic and advanced training to federal, state, local, rural, tribal, territorial, and international law enforcement personnel. With decades of experience meeting the training needs of multiple law enforcement communities, the FLETC was poised to embrace a broadened mission when it formally transferred from the Treasury Department to the Department of Homeland Security in 2003.The transition to DHS prompted a refocusing of many FLETC training programs as well as the creation of new ones to meet emerging needs, such as anti/counter-terrorism, flying armed, intelligence awareness and critical infrastructure protection. The rapid advancement of technology and the borderless nature of many crimes highlighted a need for enhanced training in technical areas such as computer forensics, cyber investigations, and financial fraud. The recognition that terrorism can occur anywhere at any time led to a rural training initiative that ensures officers working in the most remote areas have access to critical training.

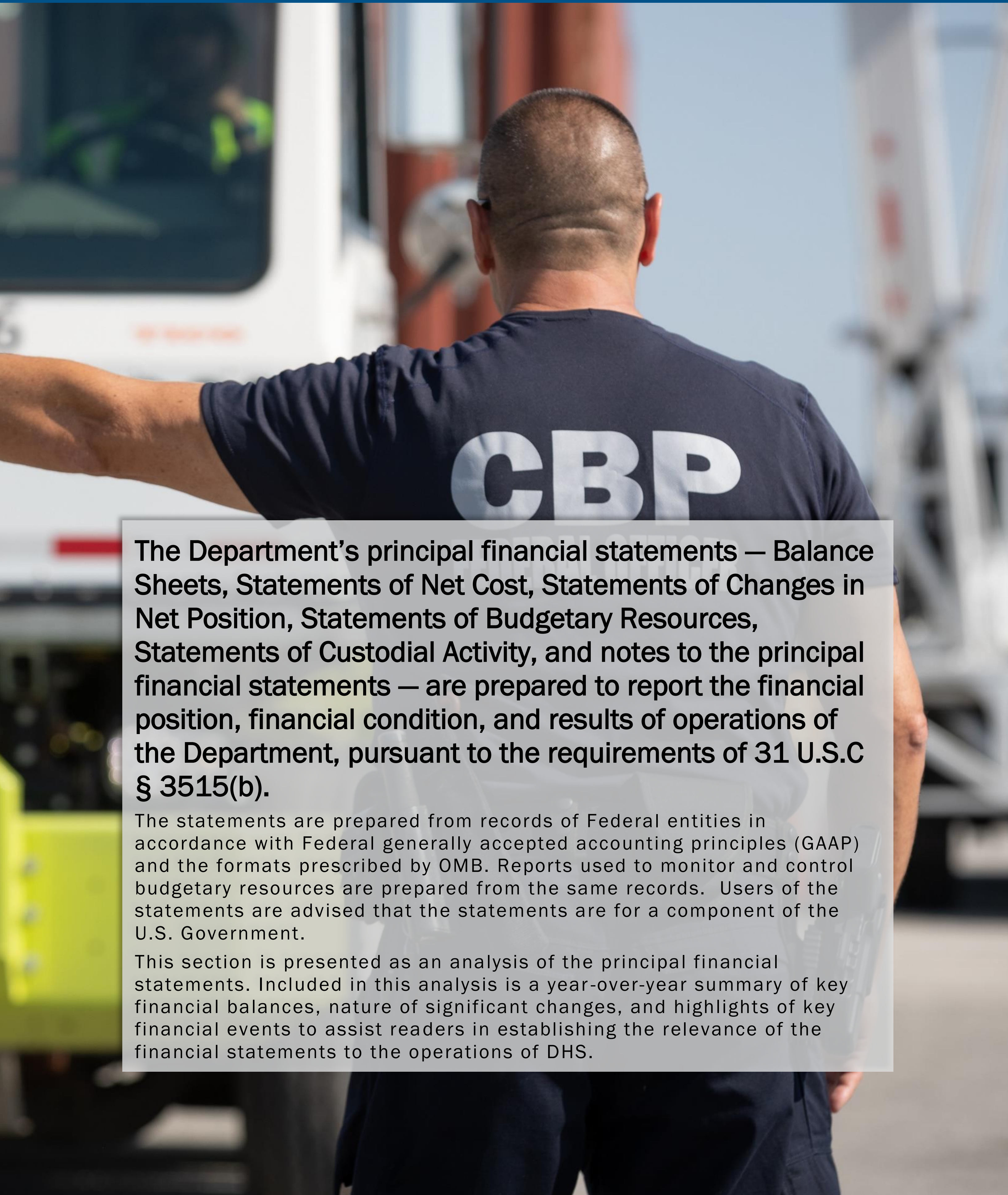
DHS continues to leverage digitization and automation to reduce the amount of time employees and partners spend on manual, repetitive tasks and to increase the time they spend on their critical homeland security missions.

- For example, ICE is continuing to modernize systems to enable law enforcement partners to receive intel-based leads tied to Title 8 violations, criminal activity, and national security risks. ICE will further develop Title 8 data to allow partners to track cases from start to finish, including real-time bedspace availability and individual transport and removal status.
- USSS is also working to develop a standardized infrastructure package for USSS field offices to support basic investigative tasks, ensuring that special agents and support staff have access to the technological resources and capabilities needed to counter advanced cyber actors that pose a threat to the country's financial systems.
- USCIS also continues to implement enterprise digitization efforts, with a focus on digitizing forms and transitioning USCIS operations to a fully electronic environment.

Did you know?

FLETC manages some unique facilities. For example, Danis City, opened in 2013, is a 35+ acre Urban/Suburban Training Facility that features replicas of commercial and residential training environments such as a café, pawn shop, police station, tavern, storage facility, mobile home park, apartments, medical facilities, and government offices. FLETC also manages the Forensic Science Training Complex, a 40,000 square foot facility that features 9 specialized classrooms, 3 forensic laboratories, a 4-bay garage, 14 crime scene modules, 16 staff offices, and a forensic library.

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.

Financial Position

The Department prepares its Balance Sheets, Statements of Net Cost, and Statements of Changes in Net Position on an accrual basis; 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 2023	FY 2022	$ Change	% Change
Fund Balance with Treasury	$ 154,066	$ 158,759	$ (4,693)	-3%▼
Property, Plant, and Equipment, Net	35,541	32,754	2,787	9%▲
Other Assets	30,867	28,290	2,577	9%▲
Total Assets	**220,474**	**219,803**	**671**	<1%▲
Debt	20,529	20,533	(4)	<0%▼
Federal Employee and Veteran Benefits Payable	18,372	16,940	1,432	8%▲
Accounts Payable	6,041	5,593	448	8%▲
Insurance Liabilities	4,087	5,848	(1,761)	-30%▼
Other Liabilities	17,069	13,381	3,688	28%▲
Due to the General Fund	8,853	8,605	248	3%▲
Total Liabilities	**74,951**	**70,900**	**4,051**	6%▲
Total Net Position	145,523	148,903	(3,380)	-2%▼
Total Liabilities and Net Position	**$ 220,474**	**$ 219,803**	**$ 671**	<1%▲

Results of Operations ($ in millions)	FY 2023	FY 2022	$ Change	% Change
Gross Cost	$ 116,761	$ 105,853	$ 10,908	10%▲
Less: Revenue Earned	(17,778)	(16,283)	(1,495)	9%▲
Net Cost Before Gains and Losses on Assumption Changes	**98,983**	**89,570**	**9,413**	11%▲
(Gains) and Losses on Assumption Changes	989	1,181	(192)	-16%▼
Total Net Cost	**$ 99,972**	**$ 90,751**	**$ 9,221**	10%▲

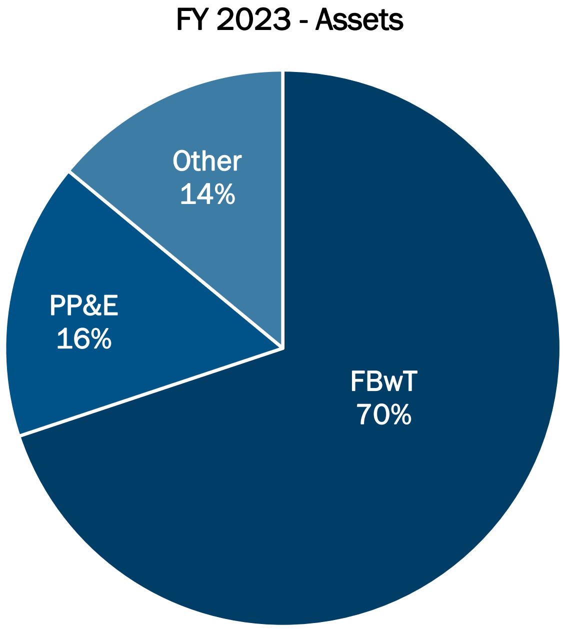
DHS celebrates 20th anniversary

As part of recognizing the Department's 20th anniversary, DHS unveiled a ceremonial American flag that had been presented by the New York City Police Department Counterterrorism Bureau following the 20th commemoration of the September 11, 2001 terrorist attacks. Over the past 14 months, it has been flown by 27 different agencies and offices in 36 different locations across the country and around the world. The new permanent flag display was placed in the St. Elizabeths ceremonial entrance. It stands as a symbol of resilience, resolve, and our everlasting memory of those whom we lost on and as a result of 9/11.

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.

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, 2023, the Department had $220 billion in assets, representing an increase of less than $1 billion from FY 2022.

DHS support for the Super Bowl

DHS provides critical support for Super Bowl every year. This past year, at Super Bowl LVI, DHS support included more than 500 DHS personnel providing extensive air and maritime security resources; anti-human trafficking prevention and enforcement support; intellectual property enforcement; chemical, biological, radiological, nuclear, and explosives detection technologies; venue, cyber, and infrastructure security assessments; intelligence analysis and threat assessments; and real-time situational awareness reporting for our partners.

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.

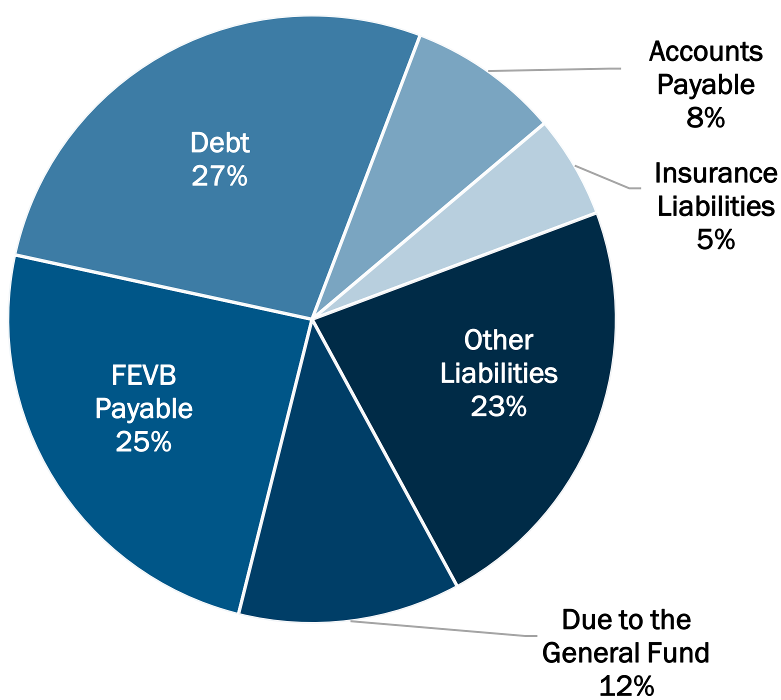
Debt is the Department's largest liability and results from Treasury loans to fund FEMA's National Flood Insurance Program (NFIP) and Disaster Assistance Direct Loan Program. Given the current premium rate structure, FEMA will not be able to generate sufficient resources from premiums to fully pay its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

Did you know?

DHS has added over 3,000 processing personnel to the Southwest border, helping return Border Patrol Agents to the field. By adding processing personnel, implementing facilities improvements, and digitizing files and procedures, DHS reduced the time noncitizens spend in U.S. Customs and Border Protection (CBP) custody by over 30%. CBP now has 23,000 Agents and Officers working along the Southwest border.

Federal Employee and Veteran Benefits (FEVB) Payable includes amounts owed to current and past personnel for pension and other post-employment benefits, as well as the liability for 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).

FY 2023 - Liabilities



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. Payments for insurance claims increased as a result of Hurricane Ian, which hit Southwest Florida and the Carolinas in late FY 2022, thus decreasing insurance liabilities for FY 2023.

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 environmental liabilities, refunds and drawbacks, and other. Additionally, as a result of fires in the Hermit's Peak/Calf Canyon area of New Mexico that occurred in FY 2022, claims have been submitted for individuals injured or impacted as a result increasing Other Liabilities in FY 2023. These claims can continue to be submitted through November 14, 2024.

Due to the General Fund consists of amounts due to the Treasury's general fund. These amounts primarily represent duty, tax, and fees collected by CBP to be remitted to various general fund accounts maintained by Treasury.

Did you know?

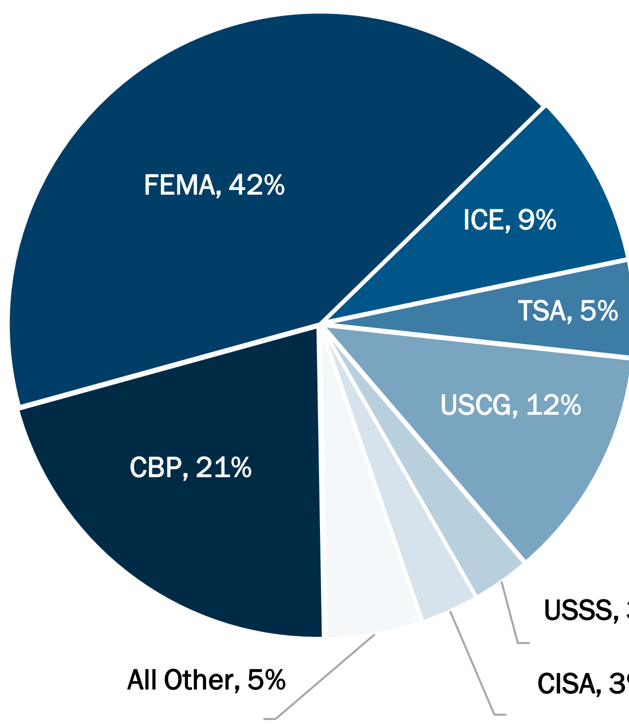
In FY 2023, CBP seized more than 27,000 pounds of fentanyl, compared with over 14,600 pounds in FY 2022. CBP's fentanyl seizures have increased more than 800% since fiscal year 2019. DHS efforts to safeguard communities and interdict narcotics and dangerous drugs are multifaceted, with examples ranging from historic investments in NII technology to be deployed at ports of entry, to standing up investigations to prosecute the Chinese chemical companies and their brokers providing precursors to the Mexican cartels behind the drastic rise in fentanyl production.

As of September 30, 2023, the Department reported approximately $75 billion in total liabilities. Total liabilities increased by $4 billion in FY 2023 mostly due to an increase in other liabilities for the Hermit's Peak/Calf Canyon Fire Assistance Claims.

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 $146 billion. Total net position decreased $3 billion from FY 2022, which is similar to last year.

FY 2023 - Net Cost of Operations



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 $99 billion in FY 2023, which is a $10 billion increase from the prior year. This is mainly due to the large increase in FEMA's disaster assistance through the Disaster Relief Fund (DRF), as well as recognizing the expenses for claims as a result of the Hermit's Peak/Calf Canyon fires.

During FY 2023, the Department earned approximately $18 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.

DHS@20

Technology has evolved significantly over the last 20 years, during which time DHS has worked consistently to keep pace with cutting edge advancements. As a recent example, DHS launched the Artificial Intelligence Task Force (AITF) with S&T and the Office of the Chief Information Officer to advance the use of artificial intelligence (AI) to combat child exploitation, disrupt opioids, secure our borders, and ensure AI is implemented responsibly and ethically. The AITF will research how AI can help secure critical infrastructure and supply chains.

DHS employees extract honey from bees at St. Elizabeths campus

DHS employees assist the DC Beekeepers Alliance with extracting honey from bees at the historic St. Elizabeths campus, the site of DHS Headquarters in Washington, DC. Efforts included uncapping frames, spinning extractors, and bottling honey. St. Elizabeths has on-staff horticulture and environmental specialists interested in how the site can support both managed and native pollinators. The bees at St. Elizabeths access to acres of prime green space and their numbers have been steadily growing.

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.

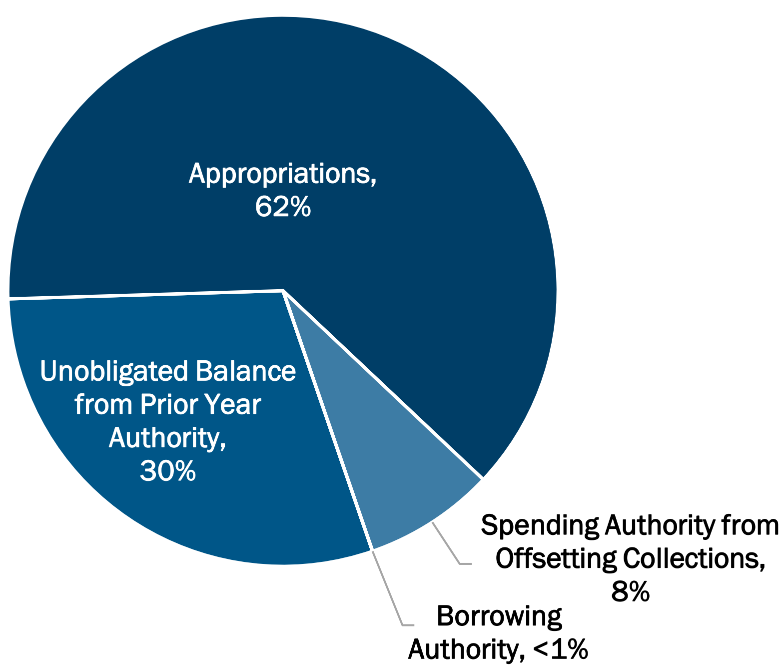
DHS@20

In June 2021, DHS recognized Pride Month and raised the LGBTQ+ flag for the first time in DHS history. DHS has continued the tradition ever since, and in June 2023 raised the flag at the DHS Nebraska Avenue Complex in Washington, DC. DHS celebrates the contributions of LGBTQ+ employees and stand with the community – our community – today and every day.

Sources of Funds ($ in millions)	FY 2023	FY 2022	$ Change	% Change
Unobligated Balance from Prior Year Budget Authority, Net	$ 50,778	$ 65,705	$ (14,927)	-23%▼
Appropriations	106,471	97,949	8,522	9%▲
Spending Authority from Offsetting Collections	13,123	11,097	2,026	18%▲
Borrowing Authority	2	4	(2)	-50%▼
Total Budgetary Resources	**$ 170,374**	**$ 174,755**	**$ (4,381)**	-3%▼

The Department's budgetary resources, both discretionary and mandatory, were $170 billion for FY 2023. The authority was derived from $51 billion in authority carried forward from FY 2022, appropriations of $106 billion, $13 billion in collections, and $2 billion in borrowing authority. Total budgetary resources decreased $4 billion from FY 2022. The Unobligated Balance from Prior Year Budget Authority, Net decreased $15 billion from FY 2022 mainly due to a large reduction in FEMA's DRF. FEMA did not receive as large of a supplemental appropriation in FY 2022 like they had in FY 2021, leading to a reduction in total resources carried over for FY 2023.

FY 2023 - Budgetary Resources



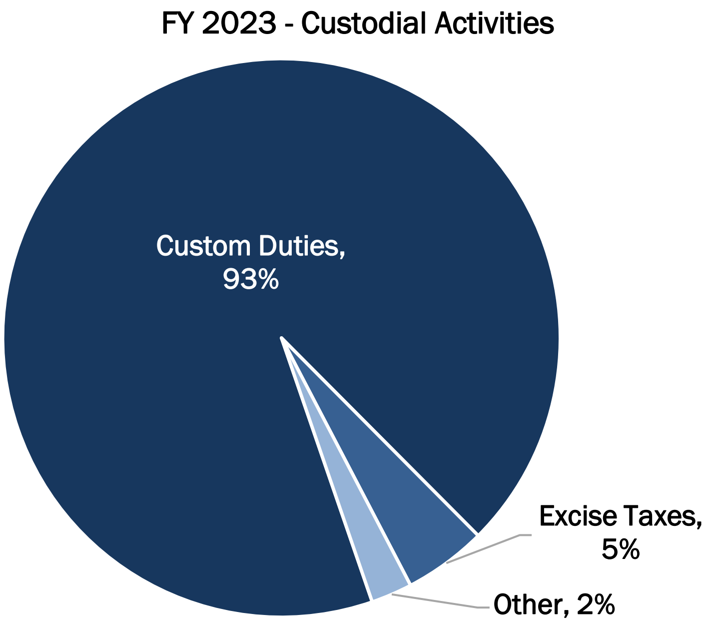
Custodial Activities

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 2023	FY 2022	$ Change	% Change
Duties	$ 85,088	$ 104,624	$ (19,536)	-19%▼
Excise Taxes	4,411	4,629	(218)	-5%▼
Other	2,187	2,366	(179)	-8%▼
Total Cash Collections	**$ 91,686**	**$ 111,619**	**$ (19,933)**	-18%▼

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 $92 billion, which is a $20 billion decrease from FY 2022, mainly due to a decrease in CBP's import activity in FY 2023.

Custom duties collected by CBP account for 93% of total cash collections. The remaining 7% is comprised of excise taxes, user fees, and various other fees.



The future of electric vehicles at DHS

DHS is leading the charge among federal agencies to transition its fleet vehicles from internal combustion engines to zero-emission electric vehicles (EVs). As the Nation's third largest federal agency and largest law enforcement agency, DHS has an inventory of more than 50,000 vehicles, with law enforcement vehicles making up 60% of its fleet. DHS is proud to be the first Federal agency to upfit an EV for law enforcement use. As EV adoption increases, we are excited to see how this and other EVs perform for our mission.

COVID-19 Activity

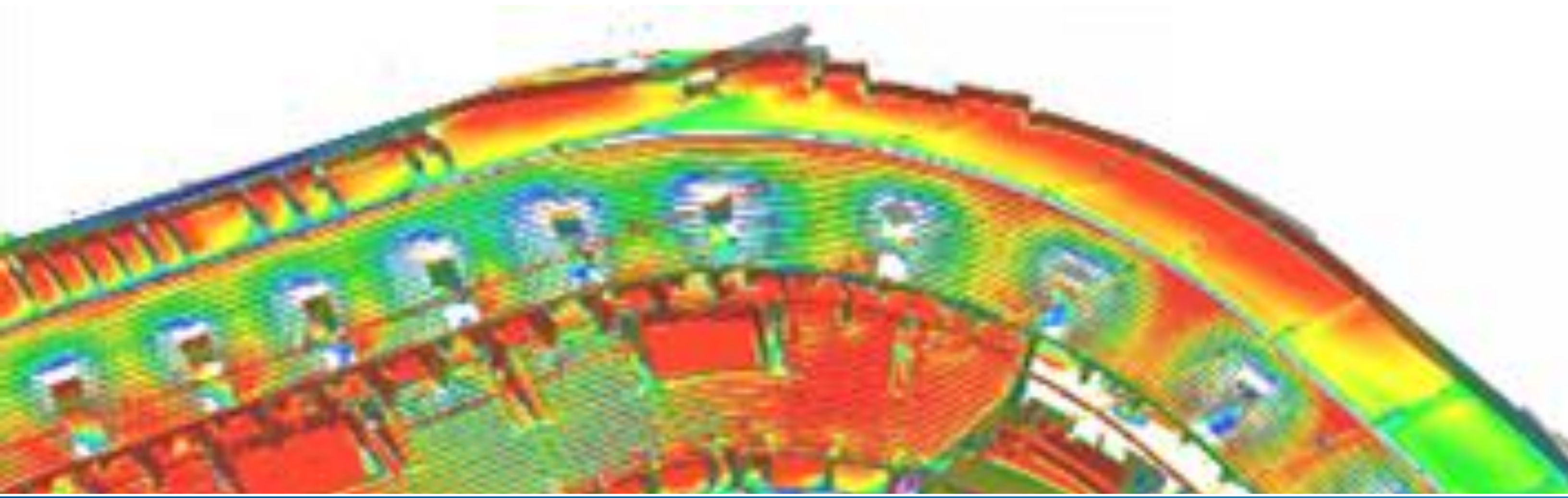
On May 11, 2023, the national emergency and public health emergency declarations related to coronavirus (COVID-19) pandemic ended. These emergency declarations had been in place since early 2020. In this post-pandemic environment, the Department continues to provide financial assistance through FEMA and under the Other Needs Assistance (ONA) provision of the Individuals and Households Program (IHP) to individuals and households with disaster-related funeral expenses. FEMA will continue to provide financial assistance for funeral costs specifically related to COVID-19 through FY 2025. The remaining available budgetary resources from COVID-19-specific funding the Department received during the early years of COVID-19, including Coronavirus Aid, Relief, and Economic Security (CARES) Act, and the American Rescue Plan Act (ARPA) of 2021, have significantly decreased and are expected to continue trending downward. Additional activities information and financial impact can be found on the financial information section under Note 31, COVID-19 Activity.

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 2023) in research and development, human capital, 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



3D Digital Twin and In-Building sensor testbed enhances public safety

A public/private partnership with S&T, Capital One Arena, and Monumental Sports established a 3D Digital Twin and deployed multiple sensor pods that were integrated into the existing building control systems. The result of the combined sensor suite and building control system integration allows enhancements to air handling procedures while adding public safety measures, including a suite of hazard detection and alerting capabilities for situational awareness and security operations. Near real-time airflow modeling and heat maps identify air refresh efficiencies and procedural changes to reduce daily operating costs while providing enhanced public safety.

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. S&T, CWMD, and USCG investments in research and development this fiscal year (in millions) are as follows:

Components ($ in millions)	FY 2023	FY 2022
S&T	$ 652	$ 846
CWMD	60	74
USCG	10	4
Total Research & Development	$ 722	$ 924

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 ($ in millions)	FY 2023	FY 2022
FEMA	$ 108	$ 108
S&T	7	4
Total Human Capital	$ 115	$ 112

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 ($ in millions)	FY 2023	FY 2022
TSA	$ 84	$ 128
Total Non-Federal Physical Property	$ 84	$ 128

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

Addressing the climate emergency is a priority for DHS as sea-levels rise, extreme weather events, workforce health risks, and other direct and indirect impacts of climate change affect the Nation's preparedness and national security. The Department is taking high impact actions to enhance resilience, reduce carbon emissions, and build a safer Nation.

Through FEMA, the Department has focused on how we can ensure that our programs advance equity for all and increase resilience especially among those who are disproportionately at risk from climate change impacts. During FY 2023, FEMA, the U.S. Small Business Administration, and other federal agencies partnered to provide assistance for Maui survivors after the devastating wildfires in Lahaina. FEMA provided assistance to individuals and households, including housing assistance, clothing, furniture, appliances, and cars. Around 420 FEMA personnel were deployed to assist Hawaii residents in their greatest time of need. FEMA continues to work with the victims of the Hawaii wildfires registering them for assistance and identifying and reporting critical needs.

DHS is committed to increasing resilience and adaptation through an assortment of measures designed to reduce the risk associated with climate change. For more information on DHS' Climate Action Plan, please visit http://www.dhs.gov/dhs-actions-climate-change.

Analysis of Systems, Controls, and Legal Compliance

Secretary's Assurance Statement

November 14, 2023

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, 2023, except for the disclosures noted in the subsequent sections.

Pursuant to the *DHS Financial Accountability Act* (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 No. 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 was designed and operating effectively, except for aspects of Financial Reporting, Receipt of Goods and Services, Insurance Management, 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 continues efforts in alignment with the 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 continuing previously initiated remediation efforts and incorporating 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, 2023

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 accepted 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, 2023, 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, 2023, DHS's internal controls over financial reporting are effective except for areas of material weaknesses in Financial Reporting, Receipt of Goods and Services, Insurance Management, 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. *Receipt of Goods and Services*: Ineffective controls and monitoring of budgetary resources to include undelivered orders, new obligations incurred, and the reimbursable authority related to unfilled customer orders.
3. *Insurance Management:* Ineffective design and implementation of controls over the data used in and the review of the valuation approach of the flood insurance liability.
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 and 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 continued this year related to the ongoing efforts to stabilize and standardize the financial processing and internal control environment of the United States Coast Guard. The transition from a legacy core accounting system to a modernized accounting system has resulted in substantial changes to the financial business processes but will have innumerable benefits for the United States Coast Guard financial operations and reporting going forward. In addition, FEMA maintains focus on disaster response and directly supported these efforts financially through grants, disaster loans, and flood insurance payments. However, areas for improvement continue to be noted regarding the valuation of flood insurance liabilities. 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 of Homeland Security

Stacy Marcott
Acting Chief Financial Officer

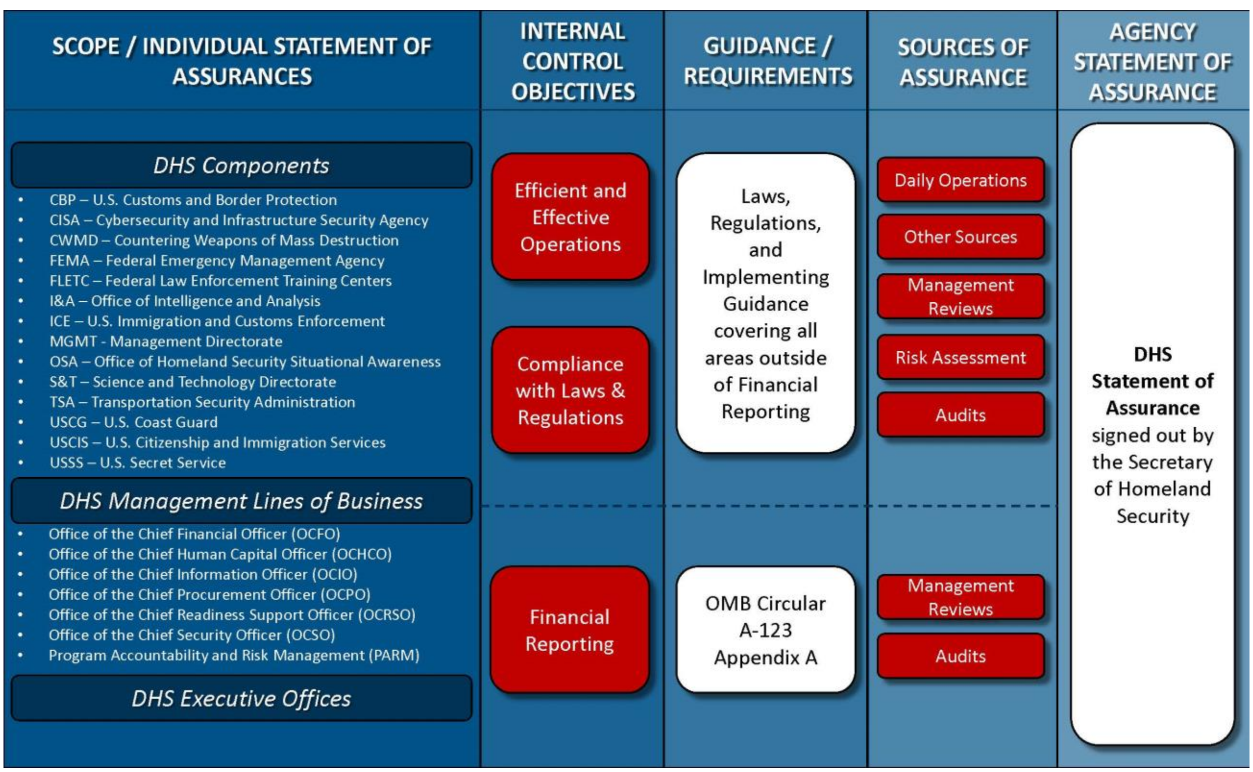
Management Assurances

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 U.S. Code 3512, Sections 2 and 4) and the Federal Financial Management Improvement Act of 1996 (FFMIA) (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 No. A-123, M*anagement'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 No. A-123, *Management of Financial Management Systems – Risk and Compliance*. In accordance with OMB Circular No. 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 operations, reliability of reporting, and compliance with laws and regulations.

Per OMB Circular No. 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 No. 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 2023, 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. The most recent progress includes development of a maturity model, implementation strategy, and governance structure for ERM implantation. The intent is to provide guidance to Components that allows them to tailor their programs to fit their individual needs while retaining a framework at the enterprise level that allows a common understanding of potential risks.

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 No. 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 Weaknesses Resolution Status

In FY 2022, management reported four areas of material weaknesses: 1) Financial Reporting, 2) Budgetary Accounting, 3) Insurance Liabilities, and 4) IT Controls and System Functionality. In FY 2023, DHS continued the ongoing remediation, initiated in prior years, over the Financial Reporting and IT Controls and System Functionality known areas of material weaknesses. In addition to working towards resolution of the prior year identified Budgetary Accounting material weakness, DHS continued to partner with the USCG to resolve the challenges with the initial USCG transition to the Financial Systems Modernization Solution (FSMS) from the legacy application and previous business processes. While these challenges have not resulted in a material misstatement for the Department, resolution in the outyears will be critical for efficient and effective internal control over financial reporting for USCG. Finally, FEMA has continued to mature and enhance the internal control environment related to Insurance, to include underwriting, claims, actuarial, and liability recording. As these remediation efforts remain ongoing, in FY 2023, DHS management is continuing to report four areas of material weaknesses: 1) Financial Reporting, 2) Receipt of Goods and Services (previously titled Budgetary Accounting), 3) Insurance Management (previously titled Insurance Liabilities), and 4) IT Controls and System Functionality. Refer to the tables below for specific areas contributing to each area of material weakness along, planned corrective actions, and estimation for remediation completion.

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 2027</td></tr>
<tr><td>Financial Reporting</td><td colspan="3">
Multiple deficiency areas exist that are attributed to the Financial Accounting 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>Corrective Actions Taken</u>
In FY 2023, DHS was able to complete the following efforts:

The Office of the Chief Financial Officer updated guidance related to Information Used in Controls (IUC).
Optional work guidance documentation provided for walkthrough questionnaires, as well as templates to support the documentation of IUC population and risk assessments.
Training provided through the DHS quarterly internal controls and risk management training events as well as through the annual CFO Symposium.

<u>Additional Corrective Actions Planned</u>
DHS continues to implement a multi-year, risk-based approach with actions to include:

Identifying the population of IUC relied upon for internal controls over financial reporting, performing a risk assessment over those IUCs to determine the highest risk items, and implementing procedures to obtain assurance related to the quality and reliability of IUC.

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>Corrective Actions Taken</u>
In FY 2023, DHS was able to complete the following efforts:

The Office of the Chief Financial Officer updated guidance related to Service Provider Monitoring (SPM).
Optional work guidance documentation provided for walkthrough questionnaires, as well as templates to support the documentation of population, risk assessments, and roles and responsibilities.
Training provided through the DHS quarterly internal controls and risk management training events.

<u>Additional Corrective Actions Planned</u>
DHS will continue to execute improvements and corrective actions as cost beneficial. Multi-year actions to be completed include:

Identifying and updating the population of service providers; conducting risk assessments; executing appropriate service provider risk response, management, and oversight; and ensuring that agreements with and utilization of new service providers enable adequate assurance related to service provider performed activities and controls.

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</table>

Table 1 (continued): 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 2027</td></tr>
<tr><td>Financial Reporting
(Continued)</td><td colspan="3">
Other (Contributing Component(s): All)

<u>Deficiency Details</u>
Deficiencies aggregated to substantiate inclusion into this area of material weakness, include:

Journal entries
Application Controls, to include posting logic
Intragovernmental trading partner activity reporting, related to payments and collections, due to system limitations (USCG Specific)
Payment management reporting (USCG Specific)
Property management reporting (USCG specific)

<u>Corrective Actions Taken</u>
In FY 2023, DHS was able to complete the following efforts:

Journal entry policies and processes were updated to reflect USCG roles and responsibilities as well as the population of expected recurring transactions in the post-FSMS environment.
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.
USCG continued its effort to enhance trading partner activity reporting to include identifying best practices at other Agencies and working with existing trading partners to obtain quality data.
USCG developed processes for the receipt of goods and services and continued efforts to reduce its suspense backlog.
USCG successfully partnered with the JPMO to develop and integrate a Military Pay interface to the core accounting system.
USCG developed revised construction in progress (CIP) policies and procedures to address issues resulting from the FSMS implementation.

<u>Additional Corrective Actions Planned</u>
DHS continues to implement process improvements utilizing a risk-based approach to provide effective monitoring and oversight of service providers.

Additional process improvements for journal entries will be developed, implemented, and assessed in accordance with remediation plans. While USCG volume for journal entries remains high due to continuing system challenges, it is expected that total journal entry activity will significantly reduce in volume and amount as these pain points are resolved.
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 continuing the implementation of G-Invoicing which is planned to reduce the risk of system limitations associated with federal trading partners going forward.
USCG will continue remediation of its payment management processes to reduce USCG suspense balances and ensure IPACs are appropriately applied to the correct obligation and accurately and timely processed.
USCG is continuing to work through its CIP transaction backlog in agreement with its established timeline.

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

Table 2: Internal Control over Financial Reporting Deficiency Details and Corrective Actions – Receipt of Goods and Services

<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>USCG, USSS, CISA</td><td>FY 2022</td><td>FY 2024</td></tr>
<tr><td>Receipt of Goods and Services</td><td colspan="3">Multiple deficiency areas exist that are attributed to the Receipt of Goods and Services area of material weakness, which include the following:

Budgetary Resource Mgmt. Monitoring (Contributing Component(s): USCG, USSS, & CISA)

<u>Deficiency Details</u>
o Following its financial system transition, USCG remains unable to properly oversee budget execution, including the monitoring of budgetary resources to include validating the completeness & accuracy of Undelivered Orders and review of expenditure activity.
o USSS continues to face deficiencies in monitoring and resolving open Undelivered Orders accurately and completely.
o CISA lacks an effective process to monitor closeout progress and confirm validity of open obligations.
<u>Corrective Actions Taken</u>
In FY 2023, DHS was able to complete the following efforts:
• USCG developed and released an open obligation management capability, a key remediation element to assist the Component with the review of obligations.
• USSS documented roles and responsibilities for stakeholders involved in the obligation review process and has begun updating procedural documentation to ensure consistent execution across the organization.
• CISA coordinated with its procurement service provider to monitor closeout progress and confirm the validity of open awards.
<u>Additional Corrective Actions Planned</u>
DHS corrective actions are expected to continue through FY 2024, to include:
• USCG to utilize the new obligation monitoring capability to identify obligations for additional review while also prioritizing required adjustments, as necessary.
• USCG 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.
• USCG to implement additional training to develop the knowledge, experience, and skill of personnel accompanied with enforced accountability.
• USSS publication of updated procedural documentation related to obligation monitoring and performance of training for program personnel and stakeholders.
• CISA to execute its multi-year strategy in FY2024 to provide closeout information and validate open obligations.

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>Corrective Actions Taken</u>
o Updated procedures mandating external trading partners include both Purchase Order and contract line-item numbers in agreements.
o Coordinated with trading partners to address specific issues and continue to reinforce USCG policies and procedures internally.
<u>Additional Corrective Actions Planned</u>
USCG corrective actions are expected to continue through FY 2024, to include:
• Further enhancement of reimbursable agreements and trading partner documentation.
• Increase trading partner activity coordinated through G-invoicing as USCG and its trading partners continue implementation efforts.</td></tr>
</table>

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

<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 2024</td></tr>
<tr><td>Insurance Management</td><td colspan="3">
Multiple deficiency areas exist that are attributed to the Insurance Management area of material weakness, which include the following:
Insurance Data and Process Assurances (Contributing Component(s): FEMA)
<u>Deficiency Details</u>
FEMA oversight and execution of the National Flood Insurance Program (NFIP) continues to note deficiencies in the following areas:

Lack of control over the NFIP financial data.
Inadequate monitoring of NFIP service providers and the Write Your Own program to ensure compliance with policies and procedures.
Insufficient assurance that rates comply with the applicable statutory and regulatory provision.
Ineffective implementation of controls over the NFIP Claim Payments process and the retrospective review analysis.

<u>Corrective Actions Taken</u>
In FY 2023, FEMA was able to complete the following efforts:

Continued execution against Risk Rating 2.0, which came into effect fully on April 1, 2022, and changed the way the NFIP calculates flood insurance premiums.
Execution of random auditing of claims and underwriting files.
Financial management procedures were developed to govern the Federal Insurance Directorate program office operations.

<u>Additional Corrective Actions Planned</u>
FEMA corrective actions are expected to continue through FY 2024, to include:

Continue to design and implement policies and procedures within the Federal Insurance Mitigation Administration (FIMA) to accurately reflect process changes.
Utilize the NFIP PIVOT system to help facilitate and consolidate NFIP core business processes and improve data quality.
Enhance reporting capability to support oversight over the validity, accuracy, and completeness of the Write Your Own program financial data.

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>Corrective Actions Taken</u>
In FY 2023, FEMA was able to complete the following efforts:

Conducted oversight over the independent actuary's calculations to include the documentation of chosen assumptions and year-end storm projections.
Implemented an additional layer of review over the independent actuary's statement of actuarial opinion.
Gathered and reviewed relevant supporting documentation to support the preparation of a final actuarial liability package for FY 2023 reporting.

<u>Additional Corrective Actions Planned</u>
FEMA will continue to:

Design and implement policies and procedures that will include the review and approval by FIMA over the rating methodology.
Update actuarial liability procedures to reflect all relevant processes when changes in the loss reserve estimates result in significant variances.

Enhance processes to validate that assumptions, methods, or models in the calculation of the year-end flood insurance liability are accurate, valid, and complete.
</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 2028</td></tr>
<tr><td>IT Controls and Information Systems</td><td colspan="3">
Multiple deficiency areas exist that are attributed to the Information Technology (IT) Controls and Information Systems area of material weakness, which include the following:

Financial System Requirements (Contributing Component(s): All)

<u>Deficiency Details</u>
Insufficient design and implementation of controls in accordance with the DHS Information System Security program, Sensitive Systems policy and federal information security requirements.
<u>Corrective Actions Taken</u>
In FY 2023, the Department continued to utilize a risk-based approach for the IT Internal Control Program to help with scoping for systems as well as controls to prioritize remediation and internal assessments.
• Management developed and executed Plans of Action and Milestones (POA&Ms) to facilitate the remediation of the Information Technology General Controls (ITGC) deficiencies.
• DHS Components prioritized remediation efforts related to Access Control, Audit Logging, and Segregation of Duties deficiencies.
<u>Additional Corrective Actions Planned</u>
Due to the extent and pervasiveness of the deficiency, multi-year corrective actions are expected to continue, to include:
• Execution of a find, fix, test, and assert strategy that allows for risk-based prioritization and adjustments.
• Utilization of IT Commitment Letters, signed by both the respective CFO and the Chief Information Officer (CIO) leadership.
• Leadership support, oversight, and accountability over the design and implementation of internal controls in accordance with DHS information technology policy requirements.
• Continued modernization of legacy financial systems and applications.

Service Provider Monitoring (Contributing Component(s): All)

<u>Deficiency Details</u>
o Ineffective internal control related to service organizations, including the monitoring of Information Technology General Controls (ITGC) for external systems to ensure adequate reliance.
o Insufficient evaluation and documentation of service organizations roles, performing effective reviews of Service Organization Controls (SOC) reports, and addressing service provider risk in absence of SOC reports.
<u>Corrective Actions Taken</u>
In FY 2023, DHS was able to complete the following efforts:
• The Office of the Chief Financial Officer updated guidance related to Service Provider Monitoring (SPM).
• Optional work guidance documentation provided for walkthrough questionnaires, as well as templates to support the documentation of population, risk assessments, and roles and responsibilities.
• Training provided through the DHS quarterly internal controls and risk management training events.
</td></tr>
</table>

Table 4 (Continued): 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 2028</td></tr>
<tr><td>IT Controls and Information Systems
(Continued)</td><td colspan="3">
<u>Additional Corrective Actions Planned</u>
DHS will continue to execute improvements and corrective actions as cost beneficial. Multi-year actions to be completed include:
• Identifying and updating the population of service providers; conducting risk assessments; executing appropriate service provider risk response, management, and oversight; and ensuring that agreements with and utilization of new service providers enable adequate assurance related to service provider performed activities and controls.

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.
<u>Corrective Actions Taken</u>
In FY 2023, DHS was able to complete the following efforts:
• The Office of the Chief Financial Officer released guidance related to Business Process Application Controls and updated guidance related to Information Used in Controls (IUC).
• Optional work guidance documentation provided for IUC walkthrough questionnaires, as well as IUC templates to support the documentation of population, and risk assessments.
• Training provided through the DHS quarterly internal controls and risk management training events as well as through the annual CFO Symposium.
<u>Additional Corrective Actions Planned</u>
As compliance with system security requirements is improved, additional focus will be applied in these areas. In the interim, DHS will continue to execute improvements and corrective actions as cost beneficial. Multi-year actions to be completed include:
• Identifying automated controls within business processes, assessing the design and effectiveness of automated controls that address business process risks and objectives, and validating the effectiveness of automated controls.
• Identifying the population of IUC relied upon for internal controls over financial reporting, performing a risk assessment over those IUCs to determine the highest risk items, and implementing procedures to obtain assurance related to the quality and reliability of IUC.
</td></tr>
</table>

In FY 2023, DHS continued to identify a significant deficiency related to the reporting of seized and forfeited property that is in the custody of the Department[6]. DHS noted: 1) a lack of effective controls over the complete and accurate recording of seized and forfeited property transactions in the system of record by CBP and ICE; 2) instances of ineffective internal communication between DHS Components and external communication with

[6] Additional transparency is being provided related to this deficiency area as the external auditor did report this as a material weakness in FY 2023. Please refer to the Summary of Financial Statement Audit and Management Assurances that has been provided in Other Information.

agencies receiving transferred seized property from DHS; and 3) lack of controls over high seas seizures.

Seized and forfeited property, in alignment with Statement of Federal Financial Accounting Standards (SFFAS) No. 3 and OMB Circular No. A-136, are reported with a non-financial value in the notes to the financial statements. While deficiencies were identified related to the reporting of seized and forfeited property, the Department has determined they do not rise to the level of a material weakness. SFFAS No. 3 states the concept of materiality includes both qualitative and quantitative considerations, and that an item may be considered qualitatively material if it would influence or change the judgment of the financial statement user. DHS believes that the issues identified, as reviewed collectively, do not materially impact the judgment of a user of the financial statements.

The Department plans to continue its efforts to remediate the identified significant deficiency in seized and forfeited property reporting in FY 2024. In FY 2023, CBP made improvements to the seized and forfeited property system of record to enhance data quality and fiscal reporting. ICE developed new capabilities to improve data quality and provided enhanced guidance and trainings. Going forward, CBP and ICE will continue remediation efforts in this area to improve controls over the property system of record to include timely and accurate initial entries. CBP and ICE will also develop policies and procedures for high seas seizures and communicate the new procedures through training. By remaining diligent and continuing to improve collaboration efforts to address known deficiencies in this area, the Department is confident that controls around the reporting of seized and forfeited property can be efficiently and effectively designed and operating going forward.

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 U.S. 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 No. 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: FFMIA Non-compliance Details and Corrective Actions

<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 2028</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>Corrective Actions Taken</u>
Refer to the corrective actions taken for the IT Controls and System Functionality area of material weakness.
<u>Additional Corrective Actions Planned</u>
Refer to the additional 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, MGMT, & USCG*)
<u>Non-Compliance Details</u>
CBP, FEMA, ICE, MGMT (as supporting the financial core accounting system for CWMD, TSA, and USCG), 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.
<u>Corrective Actions Taken</u>
Refer to the corrective actions taken for the IT Controls and System Functionality area of material weakness.
<u>Additional Corrective Actions Planned</u>
Due to the extent and pervasiveness of the non-compliance, multi-year corrective actions are expected to continue, to include:
• DHS OCFO and Components will continue to design, document, and implement compensating controls to reduce the severity of legacy system application / functionality limitations.
• Continued modernization of legacy financial systems and applications.</td></tr>
</table>

Digital Accountability and Transparency Act of 2014

Pursuant to OMB Circular No. A-123, Appendix A, Management of Reporting and Data Integrity Risk, the Department issued its latest 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 the Government accountable for its stewardship over its assets.

DHS 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 2023, FEMA and USCG noted a material inadequacy associated with DATA Act reporting. The FEMA inadequacy has been substantially compensated due to DHS validation pre-check processes as well as regular oversight and metrics reporting. Alternately, USCG continues to face challenges generating a complete and accurate financial data report following its core accounting system transition. Despite the FEMA and USCG noted exceptions, DHS has successfully matched over 99.5 percent of financial data (File C) and award data (File D) dollars that correspond to approximately $54.5 billion as of June 30, 2023.

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, 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. The first major project was to transition CWMD, TSA, and USCG (known as the Trio). out of their current shared 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 October of 2019, the Department completed upgrading CWMD to the latest version of the solution. In October of 2020, TSA went live on the FSMS platform followed by USCG in December of 2021. Despite the massive change management and data migration effort, DHS was able to sustain an unmodified financial statement opinion after each of these transitions.

Building on the Trio modernization, DHS has commenced efforts to modernize the financial systems used by FEMA, ICE, and certain other Components that leverage ICE's current system including USCIS and CISA. During FY 2023, DHS awarded contracts for software and system integration services at these components. The FEMA modernization project was formally kicked off in October 2023, and the ICE project is anticipated to begin later in FY 2024. Lessons learned from the Trio implementations will be further leveraged as the JPMO moves forward with these projects.

Beyond the standardization benefits discussed above, the transition to modern financial systems is expected to improve financial management efficiency, strengthen cyber security, and help the Department mitigate areas of material weakness in Financial Reporting and Information Technology Controls and Information Systems. Over time, these improvements will move DHS closer to its goal of a clean audit opinion on Internal Control over Financial Reporting.

In addition to the DHS FSM efforts, the DHS Chief Information Officer (CIO) and Component CIOs met federal mandates to develop IT strategic plans, analyze legacy IT infrastructure requirements, and identify modernization needs. The DHS Office of the Chief Information Officer (OCIO) issued the FY 2024-2028 Information Technology Strategic Plan on March 28, 2023. The DHS IT Strategic Plan FY 2024-2028 enables the Department to set goals and support cross-functional and cross-organizational priorities to achieve our mission. This plan is intended as a guide to help define goals and objectives for the DHS workforce and support delivery of modern, innovative, and efficient services and solutions to safeguard the homeland. The DHS IT Community will align to these strategic goals to support our mission during the next five years. The plan will be executed collaboratively across DHS Headquarters, Agencies and Offices.

The backbone of this plan and the most critical factor to its success will be the 5,000 talented and committed professionals that comprise the DHS IT workforce. This strategy ensures we continue to invest in our talented workforce and prepare our colleagues for the future in an ever-changing IT landscape. Moreover, much of this modernization plan originated from countless conversations, meetings, town halls, and site visits with the IT workforce across the Department.

The IT Strategic Plan outlines the following six goals:

Goal 1: Invest in the DHS IT Workforce

- Build a diverse, equitable, and inclusive workplace.
- Create department-wide training programs.
- Fully leverage modern hiring practices.
- Enhance cohesion within the IT community.

Goal 2: Responsibly Use Artificial Intelligence (AI) to Transform Operations

- Adopt AI technologies.
- Ensure sage, trustworthy, and responsible use.
- Develop enabling AI infrastructure.
- Build an AI-ready workforce.

Goal 3: Leverage Data as a Strategic Asset

- Integrate data across disparate systems and data sources.
- Strengthen data inventory and discovery.
- Ensure adherence to records retention requirements.
- Refine mission-aligned data governance.
- Partner to drive evidence-based policymaking.
- Publish more usable open data and Application Programming Interfaces.

Goal 4: Improve Customer Experience and Transform Service Delivery

- Transform critical services.
- Use accountability and compliance processes to improve accessibility and reduce public burden.
- Build and strengthen a human-centered decision-making culture.
- Mature and measure Customer Experience organizations and practices.

Goal 5: Build Modern, Effective Software

- Modernize in place.
- Ensure government accountability and ownership.
- Research, develop, test, and deploy iteratively and continuously.
- User enterprise services.

Goal 6: Secure Our Systems & Data

- Advance cybersecurity capabilities through the Unified Cybersecurity Maturity Model (UCMM).
- Secure IT supply chains.
- Implement Zero Trust architecture.
- Partner to increase cybersecurity resilience.

DHS is committed to a comprehensive IT modernization approach that strategically integrates statutory CIO authorities. Our goal is to seamlessly infuse IT modernization priorities into existing DHS decision-making processes, in alignment with the objectives set forth in the Modernizing Government Technology Act of 2017 and this strategic plan.

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.

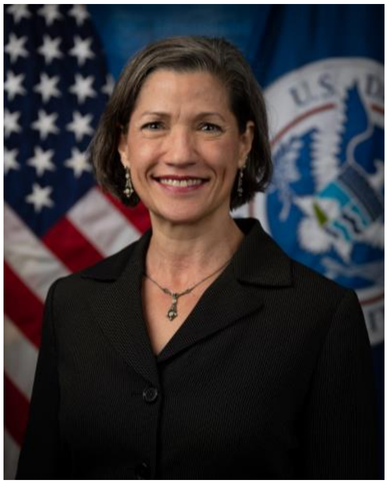
The **Basic Information** includes DHS's **Financial Statements**, which includes the Balance Sheets, Statements of Net Cost, Statements of Changes in Net Position, Statements of Budgetary Resources and Statements of Custodial Activity—as well as the **accompanying Notes to the Financial Statements**.

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 Auditors' Report is provided by KPMG LLP on the Department's Financial Statements and accompanying Notes.

Message from the Acting Chief Financial Officer

November 14, 2023



I am honored to join Secretary Alejandro Mayorkas in presenting the Department of Homeland Security (DHS) Fiscal Year (FY) 2023 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.

The DHS Financial Community remains focused on innovating new and improved ways of streamlining our work while maintain strong controls. This year, the Department's Financial Management Division deployed two new Robotic Process Automation (RPA) bots to identify purchase cardholders and approving officials who fail to comply with the monthly statement transaction review and approvals. These bots will save an estimated 1,500 work hours each year. Meanwhile, the Financial Management Division worked to develop several new DHS Treasury Information Executive Repository (TIER) reports to replace previously manual processes with automated processes. Not only will this improve the Department's reporting accuracy, but it will also save DHS Agencies' financial staffs hundreds of hours that would have been required under the previous methods. The DHS Financial Community remains committed to building innovative solutions that ensure we can spend less time on manual, repetitive processes while increase financial and data accuracy.

Per the external audit report, the Department holds five areas of material weakness in Internal Controls for Financial Reporting, Receipt of Goods and Services, Insurance Liabilities, Seized and Forfeited Property, and Information Technology. DHS also holds one significant deficiency in Grants Management. Additionally, DHS was noncompliant with Section 803(a) of the *Federal Financial Management Improvement Act* (FFMIA), regarding Federal Financial Management System Requirements, Applicable Federal Accounting Standards, and U.S. Standard General Ledger (USSGL) at the Transaction Level.

The Department continues to prioritize its efforts to modernize its outdated financial management systems. These modernization efforts will provide us with the tools to achieve an unmodified, or "clean," opinion on DHS's internal controls over financial reporting (ICOFR). Recognizing that the remaining areas of material weakness are complex and challenging, the Department has developed a multi-year plan to achieve its remediation efforts. During FY 2022, the Department successfully transitioned the U.S. Coast Guard to the Financial Systems Modernization Solution (FSMS) and continued stabilization efforts through FY 2023. The Department anticipates making substantial annual progress while continuing to build upon its successful internal control enterprise approach, demonstrating incremental and sustainable progress each year. As we prepare to transition our next Component, the Federal Emergency Management Agency (FEMA), to a modern, integrated financial system, additional time will be necessary to achieve remediation. Therefore, DHS has adjusted the target date for an unmodified ICOFR opinion to FY 2028. Additional information on the FSMS is included in the Management's Discussion and Analysis. The Department is confident that this transition will provide us with the tools and the path to reach an unmodified ICOFR opinion.

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 resources to maximize the return on taxpayer investment.

Sincerely,

Stacy Marcott
Acting 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, and their 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, 2023 and 2022.
- The Consolidated **Statements of Net Cost** present the net cost of DHS operations for the fiscal years that ended on September 30, 2023 and 2022. 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 due to financing sources and net cost of DHS operations for the fiscal years that ended on September 30, 2023 and 2022.
- The Combined **Statements of Budgetary Resources** present how and in what amounts budgetary resources were made available to the Department during fiscal years 2023 and 2022, the status of these resources at September 30, 2023 and 2022, the changes in the obligated balance, and outlays of budgetary resources for the fiscal years that ended on September 30, 2023 and 2022.
- 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, 2023 and 2022.
- **The Notes to the Financial Statements** provide detail and clarification for amounts on the face of the financial statements as of September 30, 2023 and 2022.

Department of Homeland Security
Consolidated Balance Sheets
As of September 30, 2023 and 2022
(In Millions)

	2023	2022
ASSETS (Note 2)		
Intragovernmental Assets		
Fund Balance with Treasury (Note 3)	$ 154,066	$ 158,759
Investments, Net (Note 5)	14,868	13,407
Accounts Receivable, Net (Note 6)	646	684
Other Assets (Note 13)	827	587
Total Intragovernmental Assets	**$ 170,407**	**$173,437**
With the Public		
Cash and Other Monetary Assets (Note 4)	96	26
Accounts Receivable, Net (Note 6)	1,700	1,461
Taxes Receivable, Net (Note 7)	8,906	8,633
Loans Receivable, Net (Note 8)	1	1
Inventory and Related Property, Net (Note 9)	2,798	2,597
Property, Plant, and Equipment, Net (Note 11)	35,541	32,754
Other Assets (Note 13)	1,025	894
Total With the Public	**$ 50,067**	**$ 46,366**
TOTAL ASSETS	**$ 220,474**	**$ 219,803**
Stewardship Property, Plant, and Equipment (Note 12)		
LIABILITIES (Note 14)		
Intragovernmental Liabilities		
Accounts Payable	$ 2,818	$ 2,323
Debt (Note 15)	20,529	20,533
Other Liabilities (Note 18)		
Liability to the General Fund of the U.S. Government for Custodial and Other Non-Entity Assets	8,853	8,605
Other Liabilities (Without Reciprocals)	(202)	(186)
Other Liabilities	1,317	1,412
Total Intragovernmental Liabilities	**$ 33,315**	**$ 32,687**

(Continued)

Department of Homeland Security
Consolidated Balance Sheets
As of September 30, 2023 and 2022
(In Millions)

	2023	2022
With the Public		
Accounts Payable	3,223	3,270
Federal Employee and Veteran Benefits Payable (Note 16)	18,372	16,940
Environmental and Disposal Liabilities (Note 17)	852	808
Insurance and Guarantee Program Liabilities (Note 20)	4,087	5,848
Other Liabilities (Notes 18, 19, and 21)	15,102	11,347
Total With the Public	**$ 41,636**	**$ 38,213**
Total Liabilities	**$ 74,951**	**$ 70,900**
Commitments and Contingencies (Note 21)		
NET POSITION		
Unexpended Appropriations		
Unexpended Appropriations-Funds from Dedicated Collections (Note 22)	$ 1,588	$ 891
Unexpended Appropriations-Funds from Other than Dedicated Collections	128,837	$ 130,973
Total Unexpended Appropriations	**$ 130,425**	**$ 131,864**
Total Cumulative Results of Operations		
Cumulative Results of Operations-Funds from Dedicated Collections (Note 22)	(1,527)	(1,802)
Cumulative Results of Operations-Funds from Other than Dedicated Collections	16,625	18,841
Total Cumulative Results of Operations	**$ 15,098**	**$ 17,039**
Total Net Position	**$ 145,523**	**$ 148,903**
TOTAL LIABILITIES AND NET POSITION	**$ 220,474**	**$ 219,803**

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, 2023 and 2022
(In Millions)

	2023	2022
Operational Components		
U.S. Customs and Border Protection		
Gross Cost	$ 20,896	$ 18,721
Less Earned Revenue	(347)	(311)
Net Cost	**20,549**	**18,410**
Federal Emergency Management Agency		
Gross Cost	46,296	37,680
Less Earned Revenue	(4,598)	(4,775)
Net Cost	**41,698**	**32,905**
U.S. Immigration and Customs Enforcement		
Gross Cost	9,673	9,111
Less Earned Revenue	(324)	(311)
Net Cost	**9,349**	**8,800**
Transportation Security Administration		
Gross Cost	10,102	9,104
Less Earned Revenue	(4,999)	(4,144)
Net Cost	**5,103**	**4,960**
U.S. Coast Guard		
Gross Cost	12,382	15,886
Less Earned Revenue	(440)	(94)
Net Cost	**11,942**	**15,792**
U.S. Citizenship and Immigration Services		
Gross Cost	5,445	4,632
Less Earned Revenue	(5,501)	(5,166)
Net Cost	**(56)**	**(534)**
U.S. Secret Service		
Gross Cost	2,897	2,615
Less Earned Revenue	(11)	(12)
Net Cost	**2,886**	**2,603**
Cybersecurity and Infrastructure Security Agency		
Gross Cost	2,730	2,190
Less Earned Revenue	(3)	(6)
Net Cost	**2,727**	**2,184**

(Continued)

Department of Homeland Security
Consolidated Statements of Net Cost
For the Years Ended September 30, 2023 and 2022
(In Millions)

	2023	2022
Departmental Operations and Other Support Components		
Gross Cost	6,340	5,914
Less Earned Revenue	(1,555)	(1,464)
Net Cost	**4,785**	**4,450**
Total Department of Homeland Security		
Gross Cost	116,761	105,853
Less Earned Revenue	(17,778)	(16,283)
Net Cost Before (Gain)/Loss on Pension, ORB, or OPEB Assumption Changes	98,983	89,570
(Gain)/Loss on Pension, ORB, or OPEB Assumption Changes (Note 16)	989	1,181
NET COST OF OPERATIONS	**$ 99,972**	**$ 90,751**

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, 2023
(In Millions)

	2023			
	Funds from Dedicated Collections (Note 22)	All Other Funds	Eliminations Between FFDC & All Other Funds	Total
Unexpended Appropriations:				
Beginning Balance	$ 891	$ 130,973	$ -	$ 131,864
Appropriations Received	700	87,430	-	88,130
Appropriations Transferred In/(Out)	(2)	128	-	126
Other Adjustments	-	(1,187)	-	(1,187)
Appropriations Used	(1)	(88,507)	-	(88,508)
Net Change in Unexpended Appropriations	697	(2,136)	-	(1,439)
Total Unexpended Appropriations: Ending	**$ 1,588**	**$ 128,837**	**$ -**	**$ 130,425**
Cumulative Results of Operations:				
Beginning Balance	(1,802)	18,841	-	17,039
Other Adjustments	-	(1)	-	(1)
Appropriations Used	1	88,507	-	88,508
Non-Exchange Revenue (Note 32)	2,834	4	-	2,838
Donations and Forfeitures of Cash and Cash Equivalents	5	-	-	5
Transfers In/(Out) without Reimbursement	(4,252)	5,365	-	1,113
Donations and Forfeitures of Property	38	23	-	61
Imputed Financing	436	2,519	-	2,955
Other	4,172	(1,620)	-	2,552
Net Cost of Operations	(2,959)	(97,013)	-	(99,972)
Net Change in Cumulative Results of Operations	275	(2,216)	-	(1,941)
Cumulative Results of Operations: Ending	**$ (1,527)**	**$ 16,625**	**$ -**	**$ 15,098**
NET POSITION	**$ 61**	**$ 145,462**	**$ -**	**$ 145,523**

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, 2022
(In Millions)

	2022			
	Funds from Dedicated Collections (Note 22)	All Other Funds	Eliminations Between FFDC & All Other Funds	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.

Department of Homeland Security
Combined Statements of Budgetary Resources
For the Years Ended September 30, 2023 and 2022
(In Millions)

	2023		2022	
	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)	50,773	5	65,695	10
Appropriations (discretionary and mandatory)	106,471	-	97,949	-
Borrowing Authority (discretionary and mandatory) (Note 23)	-	2	-	4
Spending Authority from Offsetting Collections (discretionary and mandatory)	13,119	4	11,096	1
TOTAL BUDGETARY RESOURCES	**$ 170,363**	**$ 11**	**$ 174,740**	**$ 15**
STATUS OF BUDGETARY RESOURCES				
New Obligations and Upward Adjustments (total)	$ 133,646	$ 10	$ 133,184	$ 15
Unobligated Balance, End of Year				
Apportioned, Unexpired Accounts	31,705	1	36,635	-
Exempt from Apportionment, Unexpired Accounts	21	-	7	-
Unapportioned, Unexpired Accounts	2,356	-	2,597	-
Unexpired Unobligated Balance, End of Year	34,082	1	39,239	-
Expired Unobligated Balance, End of Year	2,635	-	2,317	-
Unobligated Balance, End of Year (total)	36,717	1	41,556	-
TOTAL BUDGETARY RESOURCES	**$ 170,363**	**$ 11**	**$ 174,740**	**$ 15**
OUTLAYS, NET AND DISBURSEMENTS, NET				
Outlays, Net (total) (discretionary and mandatory)	109,619	-	100,447	-
Distributed Offsetting Receipts (-)	(13,773)	-	(13,397)	-
AGENCY OUTLAYS, NET (discretionary and mandatory)	**$ 95,846**	**$ -**	**$ 87,050**	**$ -**
Disbursements, Net (total) (mandatory)		$ (5)		$ (93)

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, 2023 and 2022
(In Millions)

	2023	2022
Revenue Activity (Note 28)		
Sources of Cash Collections:		
Duties	$ 85,088	$ 104,624
Excise Taxes	4,411	4,629
User Fees	1,949	2,002
Fines and Penalties	124	112
Interest	73	77
Miscellaneous	41	175
Total Cash Collections	91,686	111,619
Accrual Adjustments, Net	706	307
Total Custodial Revenue	**92,392**	**111,926**
Disposition of Collections		
Transferred to Federal Entities:		
Treasury General Fund Accounts	56,461	70,319
U.S. Department of Agriculture	25,895	31,791
U.S. Army Corps of Engineers	1,849	1,905
Other Federal Agencies	49	76
Transferred to Non-Federal Entities	178	399
(Increase)/Decrease in Amounts Yet to be Transferred	902	615
Refunds and Drawbacks (Note 28)	7,058	6,821
Total Disposition of Collections	**92,392**	**111,926**
NET CUSTODIAL ACTIVITY	**$ -**	**$ -**

The accompanying notes are an integral part of these statements.

Notes to the Financial Statements

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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 U.S. 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[7]:

- **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 Homeland Security Situational Awareness (OSA), 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 No. 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

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

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(custodial) functions performed by the Department on behalf of the Federal Government. Accounting standards 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. 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. For 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. Similarly, the transactions and balances between funds from other than dedicated collections are eliminated in the consolidated Funds from Other than Dedicated Collections column. Transactions between funds from dedicated collections and funds from other than dedicated collections are shown in the Eliminations column. The Statements of Budgetary Resources are reported on a combined basis; therefore, intradepartmental balances have not been eliminated.

In FY 2023, OMB Circular No. A-11 was revised to restrict agencies from recording an obligation against the budgetary resources for year-end accruals that are made for financial statement purposes, unless there is an underlying legally binding obligation, as defined in 31U.S.C.§1501. As a result, FEMA's Funeral Assistance and Hermits Peak liability accruals are made without recording budgetary obligations.

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

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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 pension, retirement, and post-retirement benefits; and other liabilities resulting from major, new programs.

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.

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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, grant programs, contracts, and related accrued interest.

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

Advances and prepayments are presented as a component of other assets in the accompanying Balance Sheets.

Intragovernmental advances are primarily for support of border security, as well as disaster recovery and assistance to other federal agencies.

Advances and prepayments to the public consist primarily of disaster recovery and assistance grants to states, allowances and commission expenses to insurance companies, and other grant activity.

Allowances and commission expenses are amortized over the lives of the insurance policies. Disaster recovery and assistance grant advances are expensed as they are used by the recipients, and are limited to the amount of the grant obligations.

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 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. The composition of seized property will vary from year to year and is dependent upon the nature and status of investigative activities.

Nonprohibited seized property includes items that are not inherently illegal to possess or own, such as monetary instruments, real property, intangible and tangible personal property of others. Intangible personal property can include digital assets, for example Bitcoin and various other cryptocurrencies. 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 U.S. 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. 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

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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 PP&E.

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

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

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O. Stewardship Property, Plant, and Equipment

Stewardship PP&E includes heritage assets that generally are not included in 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 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 with the Public 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.

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As technology and FEMA's understanding of flood risk have evolved over time, in FY 2022, FEMA began the transition to the new NFIP rating methodology (also referred to as "Risk Rating 2.0"). 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 the NFIP rating methodology, FEMA's subsidized rates were charged on a countrywide basis for certain classifications of the insured. These subsidized rates produced a premium less than the loss and loss adjustment expenses expected to be incurred in a historical average loss year. Under the NFIP rating methodology, certain subsidies that are mandated by Congress continue to be applied to the policyholders' full risk premium.

For additional NFIP information, see Note 15, Debt; 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, Debt, 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

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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 retirement plans, 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 employees' pension benefits. The assets of the plan and liability associated with civilian pension costs are recognized by OPM rather than the Department. The assets of the plan and liability associated with USCG military pension costs are recognized by the Department of Defense (DoD) Military Retirement Fund (MRF) rather than the Department because the USCG military pension liability was assumed by the DoD MRF at the end of FY 2022, when it became the administrative entity in accordance with the *National Defense Authorization Act (NDAA) of 2021* (P.L. 116-283). Accordingly, the Department does not display gains and losses from changes in long-term assumptions used to measure pension liabilities on the Statement of Net Cost.

Civilian Pension Benefits. Most 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

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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 1% of base pay and matches employee contributions up to an additional 4% of base pay. The Department also contributes the employer's Social Security matching share for FERS participants. Less than 1% of DHS employees were hired prior to January 1, 1984 and 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.

Military Pension Benefits. For the Military Retirement System (MRS), USCG contributes 36.9% of base pay for full-time (active-duty) and 24.5% for part-time (reservist) military service members for FY 2023. These normal cost percentage (NCP) rates are determined and published by the DoD Board of Actuaries annually. USCG contributions are paid monthly into the DoD MRF effective October 1, 2022 and retirees are paid out of the DoD MRF. Prior to October 2022, USCG paid retirees directly.

Other Retirement Benefits and Other Post-Employment Benefits. 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 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 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

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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. 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. As of the FY22 Actuarial Valuation, there were no active participants in this 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 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 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.

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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

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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 Homeowner Flood Insurance Affordability Act (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 U.S. 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

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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 any applicable 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.

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2. Non-Entity Assets

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

	2023	2022
Intragovernmental:		
Fund Balance with Treasury	$ 3,179	$ 3,988
Total Intragovernmental	3,179	3,988
With the Public:		
Cash and Other Monetary Assets	13	13
Accounts Receivable, Net	39	25
Taxes Receivable, Net	8,906	8,633
Total With the Public	8,958	8,671
Total Non-Entity Assets	12,137	12,659
Total Entity Assets	208,337	207,144
Total Assets	**$ 220,474**	**$ 219,803**

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, 2023 and 2022. Taxes, duties, and trade receivables from the public represent amounts due from importers for goods and merchandise imported to the U.S..

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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):

	2023	2022
Budgetary Status		
Unobligated Balances:		
Available	$ 31,727	$ 36,642
Unavailable	4,991	4,914
Obligated Balance Not Yet Disbursed	117,137	116,080
Total Budgetary Status	153,855	157,636
Reconciling Adjustments:		
Receipt, Clearing, and Deposit Funds	2,901	3,190
Borrowing Authority (Note 23)	(9)	(9)
Investments	(14,682)	(13,313)
Receivable Transfers and Imprest Funds	(321)	(370)
Authority Unavailable for Obligation	9,617	9,135
Offsetting Collections Previously or Temporarily Precluded from Obligation	32	30
Sport Fish Restoration and Boating Trust Fund; Oil Spill Liability Trust Fund	1,788	1,789
Temporary Reduction of Budget Authority	486	461
Temporary Reduction of Specific Invested Treasury Account Symbol	(6)	(6)
Receipts and Appropriations Temporarily Precluded from Obligation	405	216
Total Fund Balance with Treasury	**$ 154,066**	**$ 158,759**

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 24% of the unobligated balances available, and 52% of the Total Fund Balance with Treasury at September 30, 2023; and 43% of the unobligated balances available, and 55% of the Total Fund Balance with Treasury at September 30, 2022. In FY 2023, increased gross costs resulted in a decreased unobligated balance due to the additional spending on significant disasters related to Hurricanes Ian and Idalia, Hawaii fires, and more regional flooding and storms that occurred during this fiscal year.

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The Unobligated Balance Available includes amounts apportioned for future fiscal years. For FY 2024, there is $8,324 million available to be obligated.

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, 2023 and 2022.
- 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.

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- 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):

	2023	2022
Total Cash and Other Monetary Assets	$ 96	$ 26

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, 2023 and 2022, (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, 2023, 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	$ 9,242	$ (97)	$ 21	$ 9,166	$ 8,736
SFRBTF	Effective interest method	2,384	(54)	11	2,341	2,310
General Gift Fund	Effective interest method	1	-	-	1	1
National Flood Insurance Reserve Fund	Effective interest method	3,391	(32)	1	3,360	3,271
Total Nonmarketable, Market-Based		15,018	(183)	33	14,868	14,318
Total Intragovernmental Securities and Investments, Net		**$ 15,018**	**$ (183)**	**$ 33**	**$ 14,868**	

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Investments 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:						
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**	

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.

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6. Accounts Receivable, Net

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

	2023	2022
Intragovernmental	$ 646	$ 684
With the Public:		
Accounts Receivable, Gross	1,825	1,660
Allowance for Doubtful Accounts	(125)	(199)
Total with the Public	1,700	1,461
Accounts Receivable, Net	**$ 2,346**	**$ 2,145**

As of September 30, 2023, and 2022, total restricted non-entity accounts receivable were $39 and $25 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 2023, accounts receivable, net included $29 million of gross receivables related to criminal restitution orders, of which $2 million is determined to be collectible. In FY 2022, accounts receivable, net, included $40 million of gross receivables related to criminal restitution orders, of which $4 million was 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). In FY 2023, gross receivables and net collectible amounts related to CBP's criminal restitution orders are $1,827 million and $744 million, respectively. In FY 2022, gross receivables and net collectible amounts related to CBP's criminal restitution orders were $196 million and $18 million, respectively. The increase in gross receivables is attributed to Department of Justice enforcement actions against importers.

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7. Taxes Receivable, Net

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

As of September 30, 2023:	Gross Receivables	Allowance	Total Net Receivables
Duties	$ 6,532	$ (329)	$ 6,203
Antidumping and Countervailing Duties	4,010	(3,153)	857
Excise Taxes	212	(12)	200
User Fees	123	(1)	122
Fines/Penalties	3,450	(2,153)	1,297
Interest Receivable	2,108	(1,881)	227
Total Taxes Receivable, Net	**$ 16,435**	**$ (7,529)**	**$ 8,906**

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**

CBP assesses duties, taxes, and fees on goods and merchandise brought into the U.S. 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 62% and 75% at September 30, 2023 and 2022. 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).

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The increase in Fines and Penalties is primarily due to the Department of Justice case received in FY 2023 (see Note 6, Accounts Receivable, Net).

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 U.S. 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.

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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):

	2023	2022
	Loans Receivable, Net	Loans Receivable, Net
Community Disaster Loans	$ 1	$ 1

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
2023	$ 47	$ 1	$ (47)	$ 1
2022	$ 38	$ -	$ (37)	$ 1

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

	2023	2022
Community Disaster Loans	$ 9	$ 38

The decrease in disbursement activity is associated with disaster declarations for Puerto Rico earthquakes (DR-4473-PR) in 2020, Florida Hurricane Michael (DR-4399-FL) in 2018, and Puerto Rico Hurricane Maria (DR-4339-PR) in 2017, which historically draw at a much higher rate the year the disaster occurs and decreases over time.

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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
2023	$ -	$ -	$ 7	$ 7
2022	$ 1	$ -	$ 29	$ 30

Direct Loan Modifications and Re-estimates:

Community Disaster Loans	Total Modifications	Interest Rate Re-estimates	Technical Re-estimates	Total Re-estimates
2023	$ -	$ -	$ 2	$ 2
2022	$ 78	$ -	$ (62)	$ 16

Total Direct Loan Subsidy Expense:

	2023	2022
Community Disaster Loans	$ 9	$ 46

E. Direct Loan Subsidy Rates at September 30:

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

	2023 Community Disaster Loans	2022 Community Disaster Loans
Interest Subsidy Cost	3.51%	0.59%
Default Costs	0.03%	0.51%
Other	75.40%	76.64%
Total	78.94%	77.74%

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.

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

	2023	2022
Beginning balance of the subsidy cost allowance	$ 37	$ 863
Add subsidy expense for direct loans disbursed during the reporting years:		
Interest rate differential costs	-	1
Other subsidy costs	7	29
Adjustments:		
Loan Modifications	-	78
Loans written off	-	(871)
Subsidy allowance amortization	1	(1)
Ending balance of the subsidy cost allowance before re-estimates	45	99
Add subsidy re-estimate:		
Technical/default re-estimate	2	(62)
Ending balance of the subsidy cost allowance	**$ 47**	**$ 37**

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

	2023	2022
Community Disaster Loans	**$ 3**	**$ 3**

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

	2023	2022
Beginning balance of Loans Receivable, Net	**$ 1**	**$ 8**
Loan disbursements	9	38
Interest accruals	1	-
Loans written off	-	(871)
Subsidy expense	(7)	(30)
Upward re-estimate	(2)	(7)
Downward re-estimate	-	69
Subsidy allowance	(1)	871
Loan modifications	-	(78)
Other non-cash reconciling items	-	1
Ending balance of Loans Receivable, Net	**$ 1**	**$ 1**

The decrease in loans written off in FY 2023 is the result of re-estimate calculations resulting from repayment cancellations for outstanding balances as of September 30, 2021.

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9. Inventory and Related Property, Net

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

	2023	2022
OM&S		
Items Held for Use	$ 1,604	$ 1,493
Items Held for Future Use	85	80
Items Held for Repair	1,441	1,330
Less: Allowance for Losses	(483)	(448)
Total OM&S, Net	2,647	2,455
Inventory		
Inventory Purchased for Resale	47	50
Less: Allowance for Losses	(7)	(7)
Total Inventory, Net	40	43
Stockpile Materials Held in Reserve	111	99
Total Inventory and Related Property, Net	**$ 2,798**	**$ 2,597**

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10. Seized and Forfeited Property

Prohibited seized property item counts as of September 30 and seizure and forfeiture activity for FY 2023 and 2022 are as follows:

For the Fiscal Year Ended September 30, 2023:

Seized Property:	Beginning Balance	New Seizures	Remissions and Adjustments	New Forfeitures	Ending Balance
Illegal Drugs (in kilograms):					
Marijuana	-	94,377	(32)	(94,345)	-
Cocaine	-	84,953	5	(84,958)	-
Heroin	-	925	(7)	(918)	-
Methamphetamine	-	77,034	(309)	(76,725)	-
Khat	-	35,752	-	(35,752)	-
Synthetic Marijuana	-	319	3	(322)	-
Fentanyl	-	16,904	8	(16,912)	-
Other Drugs	27,156	69,625	(26,459)	(22,833)	47,489
Firearms and Explosives (in number of case line items)	3,024	4,963	(2,011)	(2,121)	3,855
Counterfeit Currency (US/Foreign, in number of items)	3,922,014	1,727,316	(3,966,530)	-	1,682,800
Counterfeit Goods (in number of case line items)	36,827	104,978	(7,916)	(92,296)	41,593

Forfeited Property:	Beginning Balance	New Forfeitures	Transfers and Adjustments	Destroyed	Ending Balance
Illegal Drugs (in kilograms):					
Marijuana	15,824	94,345	(39,874)	(45,784)	24,511
Cocaine	30,978	84,958	(68,926)	(21,611)	25,399
Heroin	2,425	918	(334)	(1,480)	1,529
Methamphetamine	84,724	76,725	(6,886)	(96,408)	58,155
Khat	3,065	35,752	629	(39,256)	190
Synthetic Marijuana	1,260	322	(341)	(289)	952
Fentanyl	7,854	16,912	(3,587)	(10,466)	10,713
Other Drugs	4,577	22,833	(666)	(22,051)	4,693
Firearms and Explosives (in number of case line items)	2,171	2,121	(1,573)	(2)	2,717
Counterfeit Goods (in number of case line items)	26,904	92,296	2,123	(95,540)	25,783

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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

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, with the exception of drugs, which may

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be transferred to another federal, state, and or local government if deemed necessary and for prosecution purposes.

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. Cases containing trace or residue amounts of illegal drugs are excluded from the footnote. Schedule I and II drugs are presented as summarily forfeited[8]. Other drugs include insignificant amounts of controlled substances that do not warrant being isolated to an individual category.

When narcotics are seized by CBP/ICE, the property will either be destroyed or transferred to another law enforcement agency. For high sea seizures, USCG interdicts the narcotics in international waters and turns the property over to CBP/ICE where a seized weight is obtained, entered into Seized Assets and Case Tracking System (SEACATS), and on the chain of custody.

For firearms, the ending balance 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 CBP/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.

[8] 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.

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11. Property, Plant, and Equipment, Net

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

As of September 30, 2023:	**Useful Life**	**Cost**	**Accumulated Depreciation/ Amortization**	**Total Net Book Value**
Land and Land Rights	N/A	$ 345	N/A	$ 345
Improvements to Land	2-50 yrs	5,530	1,707	3,823
Construction in Progress	N/A	10,745	N/A	10,745
Buildings, Other Structures and Facilities	10-50 yrs	10,659	5,544	5,115
Equipment:				
Information Technology Equipment	5 yrs	877	680	197
Aircraft	20 yrs	7,372	4,151	3,221
Vessels	5-30 yrs	12,802	5,521	7,281
Vehicles	5-15 yrs	924	824	100
Other Equipment	5-15 yrs	8,233	6,092	2,141
Assets Under Capital Lease	2-20 yrs	70	70	-
Leasehold Improvements	2-50 yrs	3,326	2,352	974
Internal Use Software	2-13 yrs	6,105	4,807	1,298
Internal Use Software – in Development	N/A	301	N/A	301
Total Property, Plant, and Equipment, Net		**$ 67,289**	**$ 31,748**	**$ 35,541**

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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 Property, Plant, and Equipment, Net		**$ 62,852**	**$ 30,098**	**$ 32,754**

Total PP&E and Accumulated Depreciation Reconciliation:

	FY 2023 Net PP&E	FY 2022 Net PP&E
Beginning Balance of Year	**$ 32,754**	**$ 27,893**
Capitalized Acquisitions	4,448	3,199
Dispositions	(235)	(82)
Transfers in/out without reimbursement	940	4,064
Revaluations	(5)	(1)
Less: Depreciation Expense	(2,462)	(2,471)
Donations	28	39
Other	73	113
Balance at End of Year	**$ 35,541**	**$ 32,754**

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12. Stewardship Property, Plant, and Equipment

DHS' Stewardship PP&E is comprised of items held by DHS. These heritage assets are in the U.S. 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:

2023	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	-	(1)	67
Multi-use Heritage Assets				
CBP	4	-	-	4
FEMA	1	-	-	1
ICE	1	-	-	1
S&T	3	-	-	3
USCG	95	-	-	95
Total Stewardship PP&E	253	-	(1)	252

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

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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 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.

Information concerning deferred maintenance and repairs and estimated land acreage is discussed in Unaudited Required Supplementary Information.

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. Elizabeth 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.

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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 U.S. 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. In FY 2023, USCG disposed of a marine railway at Station Humboldt Bay in

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California for safety reasons, due to advanced deterioration.

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 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 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):

	2023	2022
Intragovernmental:		
Advances and Prepayments	$ 827	$ 587
Total Intragovernmental	827	587
With the Public:		
Advances and Prepayments	1,023	892
Other Assets	2	2
Total With the Public	1,025	894
Total Other Assets	**$ 1,852**	**$ 1,481**

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14. Liabilities Not Covered by Budgetary Resources

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

	2023	2022
Intragovernmental:		
Debt (Note 15)	$ 20,525	$ 20,525
Accrued FECA Liability (Note 18)	412	353
Other	143	144
Total Intragovernmental	21,080	21,022
With the Public:		
Federal Employee and Veteran Benefits Payable:		
Accrued Payroll and Benefits	2,240	2,181
Actuarial FECA Liability (Note 16)	2,496	2,396
Military Service and Other Retirement Benefits (Note 16)	13,562	12,284
Actuarial Liabilities for Federal Insurance and Guarantee Programs	786	672
Environmental and Disposal Liabilities (Note 17)	852	807
Contingent Legal Liabilities (Note 21)	182	254
Capital Lease Liability (Note 19)	-	4
Other (Note 18)	3,873	32
Total With the Public	23,991	18,630
Total Liabilities Not Covered by Budgetary Resources	45,071	39,652
Total Liabilities Not Requiring Budgetary Resources	9,270	9,176
Liabilities Covered by Budgetary Resources	20,610	22,072
Total Liabilities	**$ 74,951**	**$ 70,900**

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.

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15. Debt

Debt at September 30 and activity for fiscal years ended FY 2023 and 2022 consisted of the following (in millions):

Debt to the Treasury General Fund:	**2023**	**2022**
NFIP:		
Beginning Balance	$ 20,525	$ 20,525
New Borrowing	-	-
Interest Payable	-	-
Repayments	-	-
Ending Balance	20,525	20,525
DADLP (Credit Reform):		
Beginning Balance	8	93
New Borrowing	2	9
Interest Payable	-	-
Repayments	(6)	(94)
Ending Balance	4	8
Total Debt	**$ 20,529**	**$ 20,533**

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 1.5% to 4.75% as of September 30, 2023, and 0.125% to 2.375% as of 2022. Interest is paid semi-annually on March 31 and September 30. The total interest paid for the year was $467 million and $300 million as of September 30, 2023 and 2022, 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

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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 2023 and FY 2022 were 2.14% and 1.09%, 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):

	2023	2022
USCG Healthcare Benefits	$ 9,211	$ 7,914
USSS Uniformed Division and Special Agent Pension	4,351	4,370
Actuarial FECA Liability	2,496	2,396
Unfunded Leave	2,240	2,180
Other	74	80
Total Federal Employee and Veteran Benefits Payable	**$ 18,372**	**$ 16,940**

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, 2023:	**USCG Military Health System**	**USSS Uniformed Division and Special Agent Pension**	**Total**
Beginning Liability Balance:	$ 7,914	$ 4,370	$ 12,284
Expenses:			
Normal Cost	448	-	448
Interest on the Liability Balance	260	110	370
Actuarial Losses/(Gains):			
From Experience	(31)	68	37
From Assumption Changes	915	74	989
Total Expense	1,592	252	1,844
Less: Amounts Paid	295	271	566
Ending Liability Balance	**$ 9,211**	**$ 4,351**	**$ 13,562**

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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**

USCG MRS and MHS. The USCG's military service members (both current active component and reserve component) participate in the MRS. Prior to FY 2023, the USCG received an annual "Retired Pay" appropriation to pay MRS benefits for all retirees and their beneficiaries during the year. 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 MRF 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. In FY 2023, USCG began recognizing 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 annual "Retired Pay" appropriation now covers the amount that the USCG must pay into this fund, which differs from the amount paid out to retirees.

Actuarial accrued liabilities represent retired pay for retirees. 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

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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).

The USCG's MHS is a post-retirement medical benefit plan that covers all active component and reserve component members of the USCG until they become eligible for Medicare (normally age 65). 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 the present value of the future payments that are expected to be paid under the provisions of the medical benefit plan.

In FY 2023, a change was made to the Entry Age Normal attribution methodology. In prior years, the same methodology was used for the MRS and the MHS, and that methodology increased annual normal cost at the same rate as future salary increases. In FY 2023, the methodology was changed for the MHS, to increase the annual normal cost at the rate of the future medical inflation. In addition, actuarial assumptions changed including an increase in prospective medical costs as determined by the DoD. Changes in methodology and assumptions resulted in a liability increase.

The significant actuarial assumptions used to compute the accrued liability for the MHS as of September 30, 2023, 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. 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. The current discount rate for MHS increased from 2.75% for the health system to 2.82% effective March 31, 2023, and again to 2.86% on September 30, 2023.
5. Post-Retirement health benefit assumptions include a single equivalent medical cost trend rate of 3.98% and an ultimate medical trend rate of 4.30% after 25 years.
6. The FY 2023 valuation was prepared as of September 30, 2022 using economic assumptions based on a ten-year average that reflects the June 30, 2023 Treasury

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Rates. The accrued liability was then projected to September 30, 2023, using these same June 30th rates.

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, were 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.

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

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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, 2023, 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 2.21% for the GS group, 2.33% for the UD group, and 2.76% for the SES group. The ten-year average equalization pays for all groups is more than the Consumer Price Index (CPI) assumption derived from a ten-year average (same period as the discount rate) of the TBI curve of 2.00%. The equalization pay assumption decreased from 2.03% for all annuitants to 2.00%. Since the ten-year average of the equalization pays for all groups is greater than the TBI curve, their Cost of Living Allowance (COLA) assumption was set to equal to the same rates, 2.21% for the GS group, 2.33% for the UD group, and 2.76% for the SES group.
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 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 seven such awards over the last ten years, 70 basis points were added to the results. The basis point adjustment is reviewed annually based on the number of COLA awards over the past ten years. The slight decrease in the implicit rate combined with one or more COLA awarded in the ten-year period ending June 30, 2023, resulted in the COLA assumption for survivors increasing from 2.63% last year to 2.70% this year.
5. The discount rate was changed from 2.39% to 2.51%. 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.

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Comparatively, 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-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 (GS, UD, and SES), or
   - CPI assumption as determined by the 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 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 COLA awards over the last ten years. The implicit inflation from Treasury securities is derived from a ten-year average of the 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.

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 $2,496 million and $2,396

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million at September 30, 2023 and 2022, respectively.

17. Environmental and Disposal Liabilities

Environmental and Disposal Liabilities at September 30, 2023 and 2022 are $852 million and $808 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).

Most of the Department's environmental liabilities are related to USCG shore facilities, USCG vessels, S&T's Plum Island Animal Disease Center, and asbestos-related liabilities for abatement of both friable and nonfriable asbestos. Most of the Department's asbestos-related liabilities are those of the USCG.

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.

Environmental contingencies are disclosed in Note 21, Commitments and Contingent Liabilities.

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18. Other Liabilities

Other Liabilities consisted of the following (in millions):

As of September 30, 2023:	Current	Non-Current	Total
Intragovernmental:			
Advances from Others	$ 75	$ -	$ 75
Other Liabilities (Without Reciprocals)			
Employer Contributions and Payroll Taxes Payable	82	-	82
Other Unfunded Employment Related Liability	13	-	13
Liability for Clearing Accounts	(297)	-	(297)
Due to the General Fund	8,853	-	8,853
Due to Other than General Fund	146	-	146
Other Liabilities – Benefit Contributions Payable			
Employer Contributions and Payroll Taxes Payable	425	-	425
Other Post Employment Benefits Due and Payable	63	41	104
Accrued FECA Liability (Note 14)	151	261	412
Other Unfunded Employment Related Liability	4	-	4
Other Liabilities – Reimbursable Activities			
Other Liabilities With Related Budgetary Obligations	3	-	3
Other Liabilities Without Related Budgetary Obligations	98	50	148
Total Intragovernmental Other Liabilities	**$ 9,616**	**$ 352**	**$ 9,968**
With the Public:			
Accrued Liability for COVID-19 Funeral Assistance Program (See B. below)	$ 139	$ -	$ 139
Accrued Liability for Hermit's Peak/Calf Canyon Fire Assistance Claims (See B. below)	3,716	-	3,716
Accrued Funded Payroll and Leave (See B. below)	1,611	-	1,611
Deferred Revenue and Advances from Others (See B. below)	3,468	831	4,299

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Contingent Legal Liabilities (Note 21)	144	75	219
Capital Lease Liability (Note 19)	-	-	-
Refunds and Drawbacks	423	-	423
Contract Holdbacks	35	16	51
Other Liabilities with Related Budgetary Obligations	2,000	-	2,000
Liability for Nonfiduciary Deposit Funds and Undeposited Collections	968	1,448	2,416
Liability for Clearing Accounts	(117)	-	(117)
Custodial Liability	261	-	261
Other Liabilities without Related Budgetary Obligations	53	31	84
Total Other Liabilities With the Public	**$ 12,701**	**$ 2,401**	**$ 15,102**
Total Other Liabilities	**$ 22,317**	**$ 2,753**	**$ 25,070**

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	8,605	-	8,605
Due to Other than General Fund	317	-	317
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
Other Liabilities – Reimbursable Activities			
Other Liabilities Without Related Budgetary Obligations	88	53	141
Total Intragovernmental Other Liabilities	**$ 9,513**	**$ 318**	**$ 9,831**

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With the Public:			
Accrued Liability for COVID-19 Funeral Assistance Program (See B. below)	$ 593	$ -	$ 593
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
Contract Holdbacks	38	9	47
Other Liabilities with Related Budgetary Obligations	1,123	-	1,123
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**

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 $234 million and $216 million, respectively, for the fiscal years ended September 30, 2023 and 2022.

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 408I(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 Hermit's Peak/Calf Canyon Fire Assistance Claims. Congress enacted the Hermit's Peak/Calf Canyon Fire Assistance Act ("Act") as part of the Continuing

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Appropriations and Ukraine Supplemental Appropriations Act, 2023, P.L. 117-180, 136 Stat. 2114 (2022). Congress passed the Act to compensate those parties who suffered loss of property from the Hermit's Peak/Calf Canyon Fire ("Fire"). The Act appropriated an initial $2,500 million in no-year money and requires FEMA to design and administer a claims program to compensate victims of the Fire for injuries resulting from the Fire to provide for the expeditious consideration and settlement for those claims and injuries. The Act further directs FEMA to establish an arbitration process for disputes regarding claims. On December 29, 2022, the Consolidated Appropriations Act, 2023, P.L. 117-328, 136 Stat. 4459 provided an additional $1,450 million of funding, totaling $3,950 million for the Act's implementation. As of September 30, 2022, those regulations had not been finalized and published; therefore, no claims had been filed. As a result, a liability related to the Hermit's Peak/Calf Canyon Fire was not sufficiently estimable at the time and based on information currently available, the liability was not accrued in DHS FY 2022 financial statements.

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

	2023	2022
Accrued Funded Payroll and Benefits	$ 1,439	$ 1,334
Other	172	73
Total Accrued Funded Payroll and Leave	**$ 1,611**	**$ 1,407**

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

	2023	2022
USCIS Application Fees	$ 3,420	$ 3,479
FEMA Unearned NFIP Fees	635	597
Advances from Others	244	195
Total Deferred Revenue and Advances from Others	**$ 4,299**	**$ 4,271**

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.

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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, 2023.

As of September 30, 2023, estimated future minimum lease commitments for non-cancellable operating leases were as follows (in millions):

	Land and Buildings		
	Federal	Non-Federal	Total
FY 2024	$ 524	$ 30	$ 554
FY 2025	501	24	525
FY 2026	470	20	490
FY 2027	443	15	458
FY 2028	424	10	434
After FY 2028	3,099	41	3,140
Total Future Minimum Lease Payments	**$ 5,461**	**$ 140**	**$ 5,601**

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, vehicles, and equipment. The liabilities associated with capital leases 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 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):

	2023	2022
Land and Buildings	$ 69	$ 68
Vehicles and Equipment	1	1
Accumulated Amortization	(70)	(66)
Assets under Capital Lease, Net	**$ -**	**$ 3**

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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):

	2023	2022
Beginning Balance	$ 3,227	$ 1,255
Incurred Claim Losses	3,122	3,384
Incurred Claim Loss Adjustment Expenses	276	188
Less Payments to Settle Claims		
Claim Losses	(5,142)	(1,499)
Loss Adjustment Expenses	(340)	(114)
Recoveries and Other Adjustments		
Claim Losses	3	13
Ending Balance	**1,146**	**3,227**
Liability for Unearned Insurance Premiums	**2,155**	**1,949**
Liability for Losses on Remaining Coverage	**786**	**672**
Total Insurance Liability	**$ 4,087**	**$ 5,848**

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.

Claims losses increased as a result of paying claims for Hurricane Ian, in Southwest Florida and the Carolinas, which occurred at the end of 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, 2023, and 2022, were $3,521 million and $3,264 million, respectively. The total amount of coverage provided through insurance in-force[9] as of September 30, 2023, and 2022, was $1,281,858 million and $1,286,227 million, respectively. However, it is unlikely that there would be flooding events across the U.S. requiring the entire insurance in force amount to be filed at one time.

In FY 2022, FEMA began the transition to the new NFIP rating methodology, also referred to as "Risk Rating 2.0." 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 No. 51 is termed a liability for loss on remaining coverage. The reason for the UPR deficiency is that policyholders with premium decreases will receive

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

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those decreases immediately, while those with premium increases will go up on a phased approach. 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, 2023, and 2022, was $786 million and $672 million, 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, 2023:			
Legal Contingencies			
Probable	$ 196	$ 196	$ 322
Reasonably Possible	-	2,497	3,678
Environmental Contingencies			
Probable	23	23	23
Reasonably Possible	-	-	-

	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	-	-	-

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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, 2023, and 2022, was $219 million and $266 million, respectively, of which $37 million and $12 million, respectively, was funded.

As of September 30, 2023, and 2022, 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.

<u>B. Duty and Trade Refunds</u>

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, 2023 and 2022 have been recorded.

<u>C. Loaned Aircraft and Equipment</u>

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, 2023 and 2022, CBP had 16 aircrafts on loan from DoD with a total replacement value of up to $23 million per aircraft. As of September 30, 2023 and 2022, the USCG had four vessels on loan from DoD with a total replacement value of $48 million.

<u>D. Other Contractual Arrangements</u>

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, 2023, and 2022, the Department estimates total payments related to cancelled appropriations to be $313 million and $277 million, respectively, of which $245 million and $146 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

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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 2022 or FY 2023. As of September 30, 2023, and 2022, TSA received invoices or documentation for costs incurred totaling $16 million and $58 million, 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 2023 and 2022, Congress appropriated $14 million and $30 million, respectively, to begin reimbursing airports for these costs, leaving a future funded liability of $14 million and $28 million, respectively, for reimbursing airports for eligible costs.

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):

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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, 2023										
ASSETS										
Intragovernmental Assets:										
Fund Balance with Treasury	$ 747	$ 23	$ 3,960	$ 4,985	$ 25	$ 1,043	$ 1,844	$ 12,627	$ -	$ 12,627
Investments, Net	-	2,341	-	3,360	9,166	-	1	14,868	-	14,868
Accounts Receivable, Net	-	175	8	-	143	-	4	330	147	183
Other Assets	-	-	31	4	5	-	8	48	-	48
Total Intragovernmental Assets	**$ 747**	**$ 2,539**	**$ 3,999**	**$ 8,349**	**$ 9,339**	**$ 1,043**	**$ 1,857**	**$ 27,873**	**$ 147**	**$ 27,726**
With the Public:										
Cash and other monetary assets	-	-	42	37	-	-	4	83	-	83
Accounts Receivable, Net	556	-	-	3	717	-	106	1,382	-	1,382
Property, Plant, and Equipment, Net	-	-	1,108	3	-	566	23	1,700	-	1,700
Other Assets	-	-	38	604	-	-	11	653	-	653
Total With the Public	**$ 556**	**$ -**	**$ 1,188**	**$ 647**	**$ 717**	**$ 566**	**$ 144**	**$ 3,818**	**$ -**	**$ 3,818**
Total Assets	**$ 1,303**	**$ 2,539**	**$ 5,187**	**$ 8,996**	**$ 10,056**	**$ 1,609**	**$ 2,001**	**$ 31,691**	**$ 147**	**$ 31,544**
LIABILITIES										
Intragovernmental Liabilities:										
Accounts Payable	$ -	$ 1,645	$ 77	$ -	$ 144	$ -	$ 12	$ 1,878	$ 143	$ 1,735
Debt	-	-	-	20,525	-	-	-	20,525	-	20,525
Other Liabilities	27	-	45	2	-	-	31	105	4	101
Total Intragovernmental Liabilities	**$ 27**	**$ 1,645**	**$ 122**	**$ 20,527**	**$ 144**	**$ -**	**$ 43**	**$ 22,508**	**$ 147**	**$ 22,361**
With the Public:										
Accounts Payable	-	32	151	144	9	111	38	485	-	485
Federal Employee and Veteran Benefits Payable	-	-	266	-	-	-	2	268	-	268
Insurance and Guarantee Program Liabilities	-	-	-	4,087	-	-	-	4,087	-	4,087
Other Liabilities	-	-	3,590	620	1	52	19	4,282	-	4,282
Total With the Public	**$ -**	**$ 32**	**$ 4,007**	**$ 4,851**	**$ 10**	**$ 163**	**$ 59**	**$ 9,122**	**$ -**	**$ 9,122**
Total Liabilities	**$ 27**	**$ 1,677**	**$ 4,129**	**$ 25,378**	**$ 154**	**$ 163**	**$ 102**	**$ 31,630**	**$ 147**	**$ 31,483**

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	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	$ 1,395	$ -	$ -	$ -	$ 1,588	$ -	$ 1,588
Cumulative Results of Operations	1,276	862	865	(17,777)	9,902	1,446	1,899	(1,527)	-	(1,527)
Total Liabilities and Net Position	**$ 1,303**	**$ 2,539**	**$ 5,187**	**$ 8,996**	**$ 10,056**	**$ 1,609**	**$ 2,001**	**$ 31,691**	**$ 147**	**$ 31,544**
Statement of Net Cost for the Year Ended September 30, 2023										
Gross Program Costs	$ 793	$ 189	$ 5,210	$ 5,804	$ 109	$ 203	$ 1,483	$ 13,791	$ 1	$ 13,790
Less: Earned Revenue	-	-	(5,045)	(4,490)	(214)	(250)	(833)	(10,832)	(1)	(10,831)
Net Cost of Operations	**$ 793**	**$ 189**	**$ 165**	**$ 1,314**	**$ (105)**	**$ (47)**	**$ 650**	**$ 2,959**	**$ -**	**$ 2,959**
Statement of Changes in Net Position for the Year Ended September 30, 2023										
Unexpended Appropriations										
Beginning Balance	$ -	$ -	$ 193	$ 698	$ -	$ -	$ -	$ 891	$ -	$ 891
Appropriations Received	-	-	-	700	-	-	-	700	-	700
Transfers and Adjustments	-	-	-	(2)	-	-	-	(2)	-	(2)
Appropriations Used	-	-	-	(1)	-	-	-	(1)	-	(1)
Total Unexpended Appropriations: Ending	**$ -**	**$ -**	**$ 193**	**$ 1,395**	**$ -**	**$ -**	**$ -**	**$ 1,588**	**$ -**	**$ 1,588**

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	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	$ 1,043	$ 948	$ 610	$ (16,474)	$ 9,297	$ 1,262	$ 1,512	$ (1,802)	$ -	$ (1,802)
Appropriations Used	-	-	-	1	-	-	-	1	-	1
Other than Intra-governmental Non-Exchange Revenue										
Excise Tax and Customs	-	527	-	-	(88)	-	-	439	-	439
Miscellaneous Taxes and Receipts	1,014	-	-	1	1	-	483	1,499	-	1,499
Total Other than Intragovernmental Non-Exchange Revenue	1,014	527	-	1	(87)	-	483	1,938	-	1,938
Intragovernmental Non-Exchange Revenue	-	189	-	-	707	-	(1)	895	(1)	896
Donations and Forfeitures of Cash and Property	-	-	-	-	-	38	5	43	-	43
Transfers In/(Out) without Reimbursement	(3,189)	(613)	(4)	-	(120)	99	(425)	(4,252)	-	(4,252)
Imputed Financing	-	-	424	9	-	-	3	436	-	436
Other	3,201	-	-	-	-	-	972	4,173	1	4,172
Net Cost of Operations	(793)	(189)	(165)	(1,314)	105	47	(650)	(2,959)	-	(2,959)
Net Change in Cumulative Results of Operations	233	(86)	255	(1,303)	605	184	387	275	-	275
Total Cumulative Results of Operations	**1,276**	**862**	**865**	**(17,777)**	**9,902**	**1,446**	**1,899**	**(1,527)**	**-**	**(1,527)**
Net Position, End of Period	**$ 1,276**	**$ 862**	**$ 1,058**	**$ (16,382)**	**$ 9,902**	**$ 1,446**	**$ 1,899**	**$ 61**	**$ -**	**$ 61**

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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
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**

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	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

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	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
Miscellaneous 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)**

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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. These fees are codified in 19 U.S.C. 58c. 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 customs broker permits. Later laws established fees for processing the arrival of barges or other bulk carriers from Canada and Mexico, and for processing merchandise.

While most fees are mandatory (with permanent authorization to use the fees), some fees, including merchandise processing fees and commercial aircraft and commercial sea vessel passenger fees collected on journeys arriving from North American Free Trade Agreement (NAFTA) countries, are discretionary and must be authorized through annual appropriations acts. This distinction can impact how and when the fees are available to CBP. Exempt from such commercial air and sea passenger fees are arriving passengers whose journeys originated in a territory or possession of the U.S. or originated in the U.S. and were limited to territories and possessions of the U.S.

In accordance with Section 8002 of the *Synthetics Trafficking and Overdose Prevention Act of 2018* (STOP Act), the U.S. Postal Service collects fees for express mail service items processed through international mail facilities and deposits 50% into the Customs User Fee Account.

The following Treasury Appropriation Fund Symbol (TAFS) are for Customs User Fees: TAFS 705695.30 and TAFS 70X5695.

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, they were combined to become the Sport Fish Restoration and Boating Trust Fund (SFRBTF).

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. 3684, the *Infrastructure Investment and Jobs 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 taxes, 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

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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.

<u>National Flood Insurance Program</u>

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.

P.L. 117-328 Division AA Title IX enacted on December 29, 2022 continues to extend the NFIP as is through September 30, 2023.

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: TAFS 70X4236 and TAFS 70X5701.

<u>Oil Spill Liability Trust Fund</u>

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

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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 apportionment from the Principal Fund, which 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.

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 Contingent Liabilities.

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), codified at 49 U.S.C. 44923(h)(1). 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

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- 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

- 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)
- 70X5705: EB-5 Integrity Fund; 136 Stat. 1090

Multiple Components

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

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23. Available Borrowing Authority

For the Years Ended September 30 (in millions):	2023	2022
Beginning Borrowing Authority	$ 9	$ 15
Current Year Borrowing Authority Realized	9,963	9,970
Decrease in Current Year Borrowing Authority Realized	(9,961)	(9,966)
Net Current Year Borrowing Authority Realized	2	4
Less: Borrowing Authority Converted to Cash	(2)	(9)
Less: Borrowing Authority Withdrawn	-	(1)
Ending Borrowing Authority	**$ 9**	**$ 9**

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, 2023, and 2022, net current year borrowing authority realized presented in the Statement of Budgetary Resources (SBR) totaled $2 million and $4 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, 2023, and 2022, 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 2023 and FY 2022, FEMA requested borrowing totaling $63 million and $70 million, respectively. As of September 30, 2023 and 2022, the ending available borrowing authority of $9 million for both fiscal years, 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.

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Included in the Cumulative Results of Operations and Fund Balance with Treasury are special funds of $2,096 million and $1,598 million at September 30, 2023, and 2022, 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 COBRA User Fees Account are restricted by law in their use to offset specific costs incurred by the Department. See Footnote 22, Funds from Dedicated Collections, for more information.

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 2022 Statement of Budgetary Resources and the actual amounts reported for FY 2022 in the Budget of the U.S. Government. Since the FY 2023 financial statements will be reported prior to the release of the Budget of the U.S Government, DHS is reporting for FY 2022 only. Typically, the Budget of the U.S Government with the FY 2023 actual data is published in February of the subsequent year. Once published, the FY 2023 actual data will be available on the OMB website.

	Budgetary Resources	New Obligations and Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
FY 2022 Actual Balances per the FY 2024 Budget of the U.S. Government (in millions)	**$ 164,957**	**$ 126,694**	**$ 13,397**	**$ 94,164**
Reconciling Items:				
Accounts that are expired that are not included in Budget of the U.S. Government	2,334	-	-	-
Distributed Offsetting Receipts not included in the Budget of the U.S. Government Net Outlays	-	-	-	(13,397)
Refunds and drawbacks not included in the Budget of the U.S. Government	6,504	6,504	-	6,185
Byrd Program (Continued Dumping and Subsidy Offset) not included in the Budget of the U.S. Government	113	1	-	1
Miscellaneous Differences	847	-	-	97
Per the 2022 Statement of Budgetary Resources	**$ 174,755**	**$ 133,199**	**$ 13,397**	**$ 87,050**

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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, 2023:	**Federal**	**Non-Federal**	**Total**
Undelivered Orders – Unpaid	$ 10,629	$ 98,941	$ 109,570
Undelivered Orders – Paid	$ 913	$ 1,026	$ 1,939

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

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

For the Years Ended September 30 (in millions):	**2023**	**2022**
Unobligated Balance, Prior Year	$ 41,556	$ 56,817
Other Balances Withdrawn from Treasury	(832)	(676)
Recoveries of Prior Year Obligations	9,836	9,374
Other	218	190
Unobligated Balance from Prior Year Budget Authority, Net	**$ 50,778**	**$ 65,705**

The FEMA Disaster Relief program was the primary contributor to Recoveries of prior year obligations. DHS COVID-19 related recoveries and refunds totaled $2,978 million for FY 2023 and $2,164 million for FY 2022. 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 U.S. from foreign countries. CBP's mission requires the

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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., Revenue and Financing Sources – 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, 2023 (in millions):

Custodial Revenue	2023	2022 and Prior Years	2023 Collections
Excise Tax	$ 4,240	$ 171	$ 4,411
Customs Duties	77,962	7,126	85,088
User Fees, Fines and Penalties, Interest, and Other Revenue	2,060	127	2,187
Total Amount of Federal Revenues Collected	**$ 84,262**	**$ 7,424**	**$ 91,686**

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**

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CBP's decrease in custodial collections from the public is a result of a decrease in imports in FY 2023.

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 U.S..

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, 2023 (in millions):

Refunds/Payments	**Tax Year**				
	2023	**2022**	**2021**	**Prior Years**	**2023 Refunds**
Customs Duties	$ 3,738	$ 1,434	$ 282	$ 787	$ 6,241
Excise Tax	428	165	32	91	716
Fines, Penalties, Interest, and Other Revenue	60	23	5	13	101
Total Tax Refunds and Drawbacks Disbursed	**$ 4,226**	**$ 1,622**	**$ 319**	**$ 891**	**$ 7,058**

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**

The disbursements include interest payments of $220 million and $246 million for the fiscal years ended September 30, 2023 and 2022, 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, 2023. 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.

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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, non-entity activity, other temporary timing differences, and appropriated receipts for trust/special funds.

As of September 30, 2023 (in millions):

	Intragovernmental	With the Public	Total
Net Cost of Operations	**$ 21,183**	**$ 78,789**	**$ 99,972**
Components of Net Operating Cost Not Part of the Budgetary Outlays:			
Property, Plant, and Equipment Depreciation Expense	-	(2,462)	(2,462)
Property, Plant, and Equipment Donations, Applied Overhead, Cost Capitalization Offset, Disposals, and Revaluations	(24)	825	801
Cost of Goods Sold	-	(301)	(301)
(Gains)/Losses on All Other Investments	-	97	97
Increase/(Decrease) in Assets Not Affecting Budgetary Outlays:			
Accounts Receivable, Net	(131)	366	235
Other Assets	226	202	428
(Increase)/Decrease in Liabilities Not Affecting Budget Outlays:			
Accounts Payable	(527)	(262)	(789)
Insurance and Guarantee Program Liability (Non-FCRA)/Loans Payable	-	1,761	1,761
Environmental and Disposal Liabilities	-	(44)	(44)
Federal Employee and Veteran Benefits Payable	-	(1,432)	(1,432)
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	368	(3,831)	(3,463)
Other Financing Sources:			
Imputed Costs	$ (2,955)	$ -	$ (2,955)
Total Components of Net Operating Cost Not Part of the Budget Outlays	**$ (3,043)**	**$ (5,081)**	**$ (8,124)**

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	Intragovernmental	With the Public	Total
Components of the Budget Outlays That Are Not Part of Net Operating Cost:			
Acquisition of Capital Assets	$ (129)	$ 4,577	$ 4,448
Acquisition of Inventory	51	370	421
Other Investment Activity	(3)	(60)	(63)
Financing Sources			
Donated Revenue	$ -	$ (5)	$ (5)
Transfers Out/(In) Without Reimbursements	99	(5)	94
Total Components of the Budget Outlays That Are Not Part of the Net Operating Costs	**$ 18**	**$ 4,877**	**$ 4,895**
Miscellaneous Items			
Distributed Offsetting Receipts	$ (125)	$ (5,604)	$ (5,729)
Custodial/Non-Exchange Revenue	6,271	522	6,793
Non-Entity Activity	-	(24)	(24)
Other Temporary Timing Differences	60	(1,997)	(1,937)
Total Miscellaneous Items	**$ 6,206**	**$ (7,103)**	**$ (897)**
Total Net Outlays	**$ 24,364**	**$ 71,482**	**$ 95,846**

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	-	58,630	58,630
Other Liabilities (Unfunded Leave, Unfunded FECA, Actuarial FECA)	261	4,039	4,300

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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)
Transfers Out/(In) Without Reimbursements[10]	(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**

[10] 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.

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30. Reclassification of Statement of Net Cost and Statement of Changes in Net Position 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 and Reclassified Statement of Changes in Net Position. 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 2022 *Financial Report* can be found at the Reports, Statements, and Publications page within the Bureau of Fiscal Service website and a copy of the 2023 *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.

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Reclassification of Statement of Net Cost to Line Items Used for the Government-wide Statement of Net Cost for the Year Ending September 30, 2023 (in millions)

FY 2023 DHS SNC		Line Items Used to Prepare FY 2023 Government-wide SNC					
Financial Statement Line	**Amounts**	**Dedicated Collections Combined**	**Dedicated Collections Eliminations**	**Other than Dedicated Collections (with Eliminations)**	**Eliminations Between Dedicated and Other than Dedicated**	**Total**	**Reclassified Financial Statement Line**
Gross Costs	$ 116,761						***Non-federal Costs***
		$ 9,615	$ -	$ 83,921	$ -	$ 93,536	Non-federal Gross Cost
		9,615	-	***83,921***	-	***93,536***	***Total Non-federal Costs***
							Intragovernmental Costs
		632	-	7,955	-	8,587	Benefit Program Costs
		436	-	2,519	-	2,955	Imputed Costs
		2,529	(1)	7,733	564	9,699	Buy/Sell Costs
		466	-	-	-	466	Borrowing and Other Interest Expense
		113	-	1,405	-	1,518	Other Expenses (w/o Reciprocals)
		4,176	***(1)***	***19,612***	***564***	***23,225***	***Total Intragovernmental Costs***
Total Gross Costs	*116,761*	*13,791*	*(1)*	*103,533*	*564*	*116,761*	*Total Reclassified Gross Costs*
Earned Revenue	**(17,778)**	(10,724)	-	(5,012)	-	(15,736)	Non-federal Earned Revenue
							Intragovernmental Revenue
		(55)	1	(2,497)	(564)	(1,989)	Buy/Sell Revenue
		(53)	-	-	-	(53)	Federal Securities Interest Revenue Including Associated Gains/Losses
		(108)	***1***	***(2,497)***	***(564)***	***(2,042)***	***Total Intragovernmental Earned Revenue***
Total Earned Revenue	*(17,778)*	*(10,832)*	*1*	*(7,509)*	*(564)*	*(17,778)*	*Total Reclassified Earned Revenue*
(Gain)/Loss-Pension/ORB/OPEB Assumptions	989	-	-	989	-	989	(Gain)/Loss on Changes in Actuarial Assumptions (Non-federal)
Net Cost	**$ 99,972**	**$ 2,959**	**$ -**	**$ 97,013**	**$ -**	**$ 99,972**	**Net Cost**

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Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2023 (in millions)

FY 2023 DHS SCNP		Line Items Used to Prepare FY 2023 Government-wide SCNP	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
UNEXPENDED APPROPRIATIONS			
Unexpended Appropriations, Beginning Balance	$ 131,864	$ 131,864	Unexpended Appropriations, Beginning Balance
Appropriations Received	88,130	88,130	Appropriations Received
Other Adjustments	(1,187)	(1,187)	Other Adjustments
Appropriations Transferred In/Out	126	142	Appropriations Transferred In
		(16)	Appropriations Transferred Out
Appropriations Used	(88,508)	(88,508)	Appropriations Used
Total Unexpended Appropriations	**$ 130,425**	**$ 130,425**	**Total Unexpended Appropriations**
CUMULATIVE RESULTS OF OPERATIONS			
Cumulative Results, Beginning Balance	17,039	17,039	Cumulative Results, Beginning Balance
Other Adjustments	(1)	(1)	Other Adjustments
Appropriations Used	88,508	88,508	Appropriations Used
Non-Exchange Revenues	2,838		***Non-federal Non-Exchange Revenues***
		359	Excise Taxes
		80	Customs Duties
		1,503	Other Taxes and Receipts
		1,942	***Total Non-federal Non-Exchange Revenues***
			Federal Non-Exchange Revenue
		334	Federal Securities Interest Revenue, including Associated Gains/Losses (Non-Exchange)
		562	Other Taxes and Receipts (RC 45)
		896	***Total Federal Non-Exchange Revenue***
Total Non-Exchange Revenues	***2,838***	***2,838***	***Total Non-Exchange Revenues***
Donations and Forfeitures of Property	61	61	Other Taxes and Receipts
Transfers In/Out w/o Reimbursement - Budgetary	1,113	25	Appropriation of Unavailable Special/Trust Fund Receipts Transfers-In (RC 07)
		(445)	Appropriation of Unavailable Special/Trust Fund Receipts Transfers-Out (RC 07)
		661	Non-Expenditure Transfers-In of Unexpended Appropriations and Financing Sources (RC 08)
		(833)	Non-Expenditure Transfers-Out of Unexpended Appropriations and Financing Sources (RC 08)
		31	Expenditure Transfers-In of Financing Sources (RC 09)
		1,168	Transfers-In w/o Reimbursements (RC 18)
		518	Other non-budgetary Financing Sources (RC 29)
		(12)	Transfers-Out w/o Reimbursements (RC 18)
Other	2,552	4,126	Other Taxes and Receipts
		8	Accrual of Collections Yet to be Transferred to a TAS Other than the General Fund of the U.S. Government Non-Exchange (RC 16)

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FY 2023 DHS SCNP		Line Items Used to Prepare FY 2023 Government-wide SCNP	
Financial Statement Line	**Amounts**	**Total**	**Reclassified Financial Statement Line**
		(1,580)	Non-Entity Collections Transferred to The General Fund (RC 44)
		(2)	Accrual for Non-Entity Amounts to Be Collected and Transferred to The General Fund of the U.S. Government (RC 48)
Donations and Forfeitures of Cash and Cash Equivalents	5	5	Other Taxes and Receipts
Imputed Financing	2,955	2,955	Imputed Financing Sources
Total Donations, Transfers, Imputed Financing, and Other	**6,686**	**6,686**	**Total Donations, Transfers, Imputed Financing, and Other**
Net Cost of Operations	**(99,972)**	**(99,972)**	**Net Cost of Operations**
Ending Balance – Cumulative Results of Operations	**$ 15,098**	**$ 15,098**	**Cumulative Results of Operations**
Total Net Position	**$ 145,523**	**$ 145,523**	**Total Net Position**
Non-Exchange Statement of Custodial Activity			
Non-Exchange Custodial Collections from the SCA			
Custom Duties	$ 85,088	$ 85,088	Custom Duties
User Fees	1,949	1,949	Other Taxes and Receipts
Excise Taxes	4,411	4,411	Excise Taxes
Fines and Penalties	124	124	Other Taxes and Receipts
Interest	73	73	Other Taxes and Receipts
Miscellaneous	41	41	Other Taxes and Receipts
Accrual Adjustments	706	(43)	Excise Taxes
		(795)	Custom Duties
		1,544	Other Taxes and Receipts
Total Non-Exchange Custodial Collections	***92,392***	**92,392**	**Net Custodial Revenue**
Disposition of Non-Exchange Custodial Collections from the SCA			
Department of Agriculture	25,895	25,895	Collections Transferred to a TAS other than the General Fund of the U.S. Government Non-Exchange (RC 15)
Treasury General Fund Accounts	56,461	56,461	Non-Entity Collections Transferred to the General Fund (RC 44)
U.S. Army Corps of Engineers	1,849	1,849	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government Non-Exchange (RC 15)
Other Federal Agencies	49	49	Collections Transferred to a TAS Other Than the General Fund of the U.S. Government Non-Exchange (RC 15)
Total Provided to Fund the Federal Government	***84,254***	***84,254***	***Total Provided to Fund the Federal Government***
Amounts Provided to Fund Non-federal Entities	178	178	Amounts Provided to Fund Non-federal Entities
(Increase)/Decrease in Amounts Yet to be Transferred	902	629	Other Taxes and Receipts
		(4)	Accrual of Collections Yet to be Transferred to a TAS Other Than the General Fund of the U.S. Government – Non-Exchange (RC 16)
		277	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of the U.S. Government (RC 48)
Less Refunds and Other Payments	7,058	716	Excise Taxes
		6,241	Customs Duties
		101	Other Taxes and Receipts
Total Disposition of Non-Exchange Custodial Collections	***$ 92,392***	***$ 92,392***	***Total Distribution of Collections***
		$ -	*Net Custodial Activity*

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31. COVID-19 Activity

For the Years Ended September 30 (dollars in millions):	2023						2022					
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	$	15,833	$	-	$	-	$	33,985	$	74	$	-
New Budget Authority		24,931		14		309		18,999		-		650
Rescissions/Other Changes to Budgetary Resources		2,962		16		-		2,140		21		3
Available Budgetary Resources	**$**	**43,726**	**$**	**30**	**$**	**309**	**$**	**55,124**	**$**	**95**	**$**	**653**
Status of Budgetary Resources												
Obligations Incurred:												
Individual Assistance Program												
Lost Wages Program	$	-	$	-	$	-	$	21	$	-	$	-
Funeral Assistance		440		-		-		(22)		-		-
Other Individual Assistance		(60)		-		-		1,002		-		-
FEMA Public Assistance		12,468		-		-		23,546		-		-
Other Programs		-		3		353		-		77		683
Total Obligations Incurred	**$**	**12,848**	**$**	**3**	**$**	**353**	**$**	**24,547**	**$**	**77**	**$**	**683**
Budgetary Resources:												
Ending Unobligated (and unexpired) Balance to be Carried Forward	**$**	**7,665**	**$**	**14**	**$**	**1**	**$**	**15,833**	**$**	**-**	**$**	**-**

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For the Years Ended September 30 (dollars in millions):	2023			2022		
	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	$ (20)	$ -	$ -	$ 34	$ -	$ -
Funeral Assistance	345	-	-	869	-	-
Other Individual Assistance	19	-	-	1,159	-	-
FEMA Public Assistance	14,998	-	-	17,362	-	-
Other Programs	-	54	374	-	241	673
Outlays, Net (Total)	**$ 15,342**	**$ 54**	**$ 374**	**$ 19,424**	**$ 241**	**$ 673**

Most of DHS obligations incurred in response to COVID-19 were obligations within FEMA's 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 GTAS 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

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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 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.

In FY 2023, FEMA DRF carried over $15,833 million of funding from FY 2022 and received $24,931 million in funding to carry out disaster relief activity, including COVID-19 related activity. CBP also received $309 million from the CAA, 2023 to offset the decrease in Immigration User Fees collected as a result of the coronavirus pandemic. FEMA transferred $14 million to OIG from the DRF for operations and support. Total available budgetary resources for FY 2023 also included COVID-19 related recoveries of prior year obligations totaling $2,978 million, consisting of $2,962 million from FEMA DRF and $16 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, 2023 and 2022

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.
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' 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.

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Component	Program	Activities
CWMD	Bio support; and research and development	Airport passenger COVID screening; Southwest border COVID testing; and surface contamination studies.
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[11], and Funeral Assistance Program[12]; provide public assistance for emergency protective measures, including direct federal assistance, and administrative expenses; expand access to vaccines and support vaccine distribution[13]; 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.
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.

[11] 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.

[12] 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.

[13] 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 were established by state, local, tribal or territorial partners and may receive any combination of federal equipment, funding and personnel. These locations varied in size and number of vaccinations they could administer in a day.

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Component	Program	Activities
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 27, Net Adjustments to Unobligated Balances, Brought Forward, October 1.

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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, 2023 (in millions):

Non-Exchange Revenues	2023	2022	2023 Collections
Excise Taxes	$ 359	$ -	$ 359
Customs Duties	80	-	80
Federal Securities Interest Revenue	334	-	334
Other Taxes and Receipts	2,065	-	2,065
Total Amount of Federal Revenues Collected Less Refunds	**$ 2,838**	**$ -**	**$ 2,838**

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**

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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, 2023, $1,867 million in deferred maintenance and repairs was estimated to return real property assets to acceptable operating condition. This is an overall decrease of $152 million.

Deferred maintenance and repairs for FY 2023, by asset class, consisted of (in millions):

	Ending	Beginning
Active:		
Buildings, Structures, and Facilities	$ 1,427	$ 1,607
Furniture, Fixtures, and Equipment	353	317
Other PP&E	46	43
Heritage assets	35	46
Total Active	**$ 1,861**	**$ 2,013**
Inactive and Excess:		
Buildings, Structures, and Facilities	$ 4	$ 4
Heritage assets	2	2
Total Inactive and Excess	**$ 6**	**$ 6**
Total Deferred Maintenance	**$ 1,867**	**$ 2,019**

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 2023. 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, 2023 (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)	$ 5,509	$ 32,241	$ 987	$ 852	$ 4,116	$ 2,554	$ 238	$ 343	$ 3,938	$ 50,778
Appropriations (discretionary and mandatory)	25,794	35,042	9,421	6,602	13,904	5,217	3,068	2,886	4,537	106,471
Borrowing Authority (discretionary and mandatory) (Note 23)	-	2	-	-	-	-	-	-	-	2
Spending Authority from Offsetting Collections (discretionary and mandatory)	2,741	3,877	258	3,110	658	50	50	2	2,377	13,123
TOTAL BUDGETARY RESOURCES	**$ 34,044**	**$ 71,162**	**$ 10,666**	**$ 10,564**	**$ 18,678**	**$ 7,821**	**$ 3,356**	**$ 3,231**	**$ 10,852**	**$ 170,374**
STATUS OF BUDGETARY RESOURCES										
New Obligations and Upward Adjustments (total)	$ 30,337	$ 51,183	$ 9,752	$ 9,789	$ 13,331	$ 5,548	$ 3,142	$ 3,017	$ 7,557	$ 133,656
Unobligated Balance, End of Year										
Apportioned, Unexpired Accounts	2,865	19,512	457	405	4,704	610	83	122	2,948	31,706
Exempt from Apportionment, Unexpired Accounts	2	-	-	-	1	-	18	-	-	21
Unapportioned, Unexpired Accounts	127	224	113	90	148	1,617	30	-	7	2,356
Unexpired Unobligated Balance, End of Year	2,994	19,736	570	495	4,853	2,227	131	122	2,955	34,083
Expired Unobligated Balance, End of Year	713	243	344	280	494	46	83	92	340	2,635
Unobligated Balance Brought Forward, End of Year	3,707	19,979	914	775	5,347	2,273	214	214	3,295	36,718
TOTAL BUDGETARY RESOURCES	**$ 34,044**	**$ 71,162**	**$ 10,666**	**$ 10,564**	**$ 18,678**	**$ 7,821**	**$ 3,356**	**$ 3,231**	**$ 10,852**	**$ 170,374**
OUTLAYS, NET AND DISBURSEMENTS, NET										
Outlays, Net (total) (discretionary and mandatory)	26,302	40,310	9,160	6,342	12,818	5,098	2,892	2,782	3,915	109,619
Distributed Offsetting Receipts (-)	(5,688)	(974)	(276)	(1,674)	245	(5,405)	-	-	(1)	(13,773)
Agency Outlays, Net (discretionary and mandatory)	**$ 20,614**	**$ 39,336**	**$ 8,884**	**$ 4,668**	**$ 13,063**	**$ (307)**	**$ 2,892**	**$ 2,782**	**$ 3,914**	**$ 95,846**
Disbursements, Net (total) (mandatory)	$ -	$ (5)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (5)

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.

Custodial Activity as of September 30, 2023 and 2022 consisted of the following (in millions):

Custodial Activity:	2023	2022
Amount of receivables CBP had a legal right to collect	$ 8,906	$ 8,633
Additional assessed receivables in the protest phase	3,740	2,924
Amount CBP recognized as write-offs for assessments the Department had statutory authority to collect but have no future collection potential	644	318

4. Land

DHS has both PP&E and stewardship land.

DHS follows, where applicable, 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 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.

PP&E Land as of September 30, 2023 consisted of the following:

Estimated Acreage by Predominant Use – PP&E Land

	Conservation and Preservation	Operational	Total Estimated Acreage
Start of Prior Year	84	83,562	83,646
End of Prior Year/Start of Current Year	84	82,651	82,735
End of Current Year	84	82,888	82,972
Held for Disposal or Exchange			
End of Prior Year	-	4,274	4,274
End of Current Year	-	4,278	4,278

PP&E Land as of September 30, 2022 consisted of the following:

Estimated Acreage by Predominant Use – 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	82,651[14]	82,735
Held for Disposal or Exchange			
End of Prior Year	-	7,042	7,042
End of Current Year	-	4,274[14]	4,274

CBP currently holds land used in 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.

[14] Historical amounts were updated to reflect corrections made since the last report.

FEMA's Center for Domestic Preparedness (CDP), located in Alabama, has an emergency response community prepared for 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 are used 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, 2023 and 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 and houses a motor pool, fire station and duty quarters.

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

U.S. DEPARTMENT OF HOMELAND SECURITY

OFFICE OF INSPECTOR GENERAL

OIG-24-06

November 14, 2023

FINAL REPORT

Independent Auditors' Report on the Department of Homeland Security's Consolidated Financial Statements for FYs 2023 and 2022 and Internal Control over Financial Reporting

OFFICE OF INSPECTOR GENERAL

U.S. Department of Homeland Security

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

November 14, 2023

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

FROM: Glenn Sklar *Glenn S Sklar*
Principal Deputy Inspector General

SUBJECT: *Independent Auditors' Report on the Department of Homeland Security's Consolidated Financial Statements for FYs 2023 and 2022 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 2023 and 2022 and internal control over financial reporting as of September 30, 2023. 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 five areas and significant deficiency in one area. 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.

OIG Project No. AUD-23-015-AUD-DHS

Material Weaknesses in Internal Control

- Information Technology Controls and Information Systems
- Financial Reporting
- Insurance Liabilities
- Receipt of Goods and Services
- Seized and Forfeited Property Other than Monetary Instruments

Significant Deficiencies in Internal Control

- 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, 2023, 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 Kristen Bernard, Acting Deputy Inspector General for Audits, at (202) 981-6000.

Attachment

DHS OIG HIGHLIGHTS

Independent Auditors' Report on the Department of Homeland Security's Consolidated Financial Statements for FYs 2023 and 2022 and Internal Control over Financial Reporting

November 14, 2023

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 24 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 September 30, 2023 and 2022.

KPMG issued an adverse opinion on DHS' internal control over financial reporting as of September 30, 2023. The report identifies significant deficiencies in internal control in the following six areas, the first five of which are considered material weaknesses:

1. Information Technology Controls and Information Systems
2. Financial Reporting
3. Insurance Liabilities
4. Receipt of Goods and Services
5. Seized and Forfeited Property Other than Monetary Instruments
6. Grants Management

KPMG also identified noncompliance with the following two laws and regulations.

1. Federal Managers' Financial Integrity Act of 1982
2. Federal Financial Management Improvement Act of 1996

Management's Response

DHS concurred with all the recommendations.

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OFFICE OF INSPECTOR GENERAL
U.S. Department of Homeland Security

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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 over Financial Reporting

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, 2023 and 2022, 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, 2023 and 2022, 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, 2023, 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, 2023, 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 2023 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. 24-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 24-01 are further described in the Auditors' Responsibilities for the Audits of the Consolidated Financial Statements and Internal Control Over Financial Reporting 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 areas of material weaknesses have been identified and included in the accompanying *Management's Report on Internal Controls*

Over Financial Reporting and are further described in the accompanying Exhibits Overview as Exhibits I-A through I-D.

A. Information Technology Controls and Information Systems

B. Financial Reporting

C. Insurance Liabilities

D. Receipt of Goods and Services

DHS management did not report the material weaknesses related to Exhibit I-E. Seized and Forfeited Property Other than Monetary Instruments, and Entity Level Controls related to the Control Environment, Risk Assessment Process, Information and Communication, and Monitoring Activities, which are further described in Exhibit I, in the accompanying *Management's Report on Internal Controls Over Financial Reporting*, and in its *Statement of Assurance*, included in the Management's Discussion and Analysis section of the accompanying *Agency Financial Report*.

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, 2023 and 2022. The debt 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 Matter – 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.

Other Matter – Management's Report on Internal Controls Over Financial Reporting

Management's statements regarding challenges faced and areas of improvement, included in the accompanying *Management's Report on Internal Controls Over Financial Reporting*, have 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 Controls Over Financial Reporting*.

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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. 24-01 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. 24-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- 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 DHS@20, About this Report, Message from the Secretary, Message from the Acting Chief Financial Officer, Introduction, Other Information, Acronym List, and Acknowledgements 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. Our audit of internal control over financial reporting was not designed to identify all deficiencies in internal control that might be significant deficiencies. Given these limitations, significant deficiencies may exist that were not identified. We consider the deficiency described in the accompanying Exhibits Overview as Exhibit II-F to be a significant deficiency.

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, 2023 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. 24-01, and which are described in the accompanying Exhibits Overview as Exhibit III-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 Exhibit III-H, in which DHS's financial management systems did not substantially comply with the Federal financial management systems requirements, applicable Federal accounting standards, and 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 and 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, 2023

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Independent Auditors' Report
Exhibits Overview

The weaknesses in internal control over financial reporting (internal control) existed as of September 30, 2023, and the instances of noncompliance with certain provisions of laws, regulations, contracts, and grant agreements occurred during the year ended September 30, 2023. 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 across DHS (including headquarters and the components), considered individually and in the aggregate, on the DHS consolidated financial statements as of September 30, 2023. The associated weaknesses in 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 consolidated 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. Receipt of Goods and Services
E. Seized and Forfeited Property Other than Monetary Instruments

Exhibit II Significant Deficiency. 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 a significant deficiency within the following area:

F. Grants Management

Exhibit III Compliance and Other Matters. The compliance and other matters section includes 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. 24-01, *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.

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Independent Auditors' Report
Exhibit I – Material Weaknesses

I-A Information Technology Controls and Information Systems

Background:

Information technology (IT) systems are comprised of four types of layers of technology – application, database, operating system, and network. Each layer may present risks arising from IT that an entity needs to control in order for automated controls to operate and function effectively, and for the integrity of data and information sources from the entity's IT system to be maintained.

IT general controls (ITGCs) address risks arising from IT in the areas of access to programs and data, program changes, program acquisition and development, and computer operations.

Conditions:

DHS did not achieve objectives and respond to risks arising from IT as required by Green Book principles 11, *Design Activities for the Information System*, and 12, *Implement Control Activities*. Material weaknesses existed in ITGCs and automated controls within information systems used for financial reporting and all business process areas at headquarters and various components across DHS, including the Federal Emergency Management Agency (FEMA), U.S. Immigration and Customs Enforcement (ICE), Transportation Security Administration (TSA), U.S. Coast Guard (USCG), U.S. Customs and Border Protection (CBP), and U.S. Citizenship and Immigration Services (USCIS). These deficiencies include control activities performed by third-party service providers.

Specifically, DHS did not:

- Effectively design, implement, or operate ITGCs in the following areas:

  Access to programs and data

  - User, service, shared, privileged, and generic (including emergency, temporary, developer, and migrator) accounts were not properly authorized, recertified, and revoked timely.
  - The principles of least privilege and segregation of duties were not applied.
  - Login events were not monitored or reviewed.

  Program changes

  - Systems were not properly configured to address ITGC risks.
  - System changes were not documented, authorized, or monitored.

  Computer Operations

  - Assessments and documentation required for a system Authority to Operate (ATO) were not completed or approved.
  - Internal manuals were not timely updated for current industry guidance.
  - Identified vulnerabilities were not timely remediated.

- Effectively operate application controls that were dependent on effective ITGCs.

Causes:

These deficiencies are a result of material weaknesses in the entity's risk assessment process, information and communication, and monitoring activities 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;
- resolve the risks created by historic limitations in the functionality of its information systems; and

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- successfully respond to 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; and
- 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; and
- effectively monitor the established corrective action plans or track progress towards timely remediation of the deficiencies at third party service providers.

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 timely as required by Green Book principle 17. Specifically, DHS did not:

- effectively design and implement controls to remediate IT deficiencies and execute corrective actions to address deficiencies that have existed for years in multiple information systems.

Effects:

As a result of the deficiencies described above, automated controls dependent on the ITGCs did not operate and function effectively, and the integrity of DHS's data and information sources from certain of its IT systems could be impacted. As such, there is a reasonable possibility that material misstatements in each financial statement caption and related note of the consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

The deficiencies increase the risk of unauthorized access to information systems or data and inappropriate disclosures of sensitive data. Key DHS financial information systems are not compliant with Federal financial management system requirements as defined by FFMIA, as reported in Exhibit III-H. 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 the 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 information system deficiencies are remediated;

Independent Auditors' Report
Exhibit I – Material Weaknesses

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 until automated controls are adequately designed and implemented;

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, evaluate ineffective service organization controls, 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.

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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. Material weaknesses existed in each of the areas of financial reporting described below.

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*. Material weaknesses were identified in manual controls that were dependent upon information derived from systems, controls over journal entries, compensating service organization controls, and the response to risks presented by financial system migration.

Specifically, DHS did not:

- Effectively design, implement, and/or operate controls in the financial reporting process across DHS in the following areas:

  Manual controls dependent upon information derived from systems

  - Manual controls dependent upon the accuracy of information included in system generated reports in the financial reporting process and all business processes across DHS.

  Journal entries

  - Completeness of manual journal entries at USCG.
  - Accuracy of manual journal entry amounts and attributes (e.g., general ledger accounts) at CBP and USCG.

  Service Organizations

  - Risks occurring at service providers were not adequately addressed with appropriate controls at FEMA and USCG.

  Response to risks presented by financial system migration

  - Risks related to the USCG FY 2022 system implementation were not identified and analyzed, and therefore controls were not designed or implemented to mitigate risks.

Causes:

These deficiencies are a result of material weaknesses in the entity's control environment, risk assessment process, information and communication, and monitoring activities 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 service organizations and the recording of journal entries and certain manual controls.

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 identify, analyze, and respond to risks related to internal control effected by service providers;

Independent Auditors' Report
Exhibit I – Material Weaknesses

- sufficiently respond to the risk posed by incomplete or inaccurate journal entry supporting documentation;
- fully implement a robust risk assessment to identify and mitigate the risks arising from IT; and
- assess the risks created by IT deficiencies and their impact on other controls, including risks related to inappropriate reliance on information derived from systems.

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.

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 to support proposed journal entries; and
- process data into quality information that was useable for controls to operate effectively.

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 business processes, including monitoring the activities and controls performed by service organizations;
- sufficiently monitor the status of corrective action plans; and
- establish a baseline for application controls and information used in controls at CBP, USCG, and ICE.

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*. Specifically, DHS did not:

- effectively design and implement controls to remediate Financial Reporting deficiencies and execute corrective actions to address deficiencies that have existed for years.

Effects:

As a result of the deficiencies described above, there is a reasonable possibility that material misstatements in each financial statement caption and related note of the consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. Transactions recorded in the new system at USCG resulted in instances of noncompliance with the United States Standard General Ledger (USSGL) at the transaction level. Also, the lack of compensating controls for IT deficiencies resulted in noncompliance with Federal financial management system requirements, as defined by FFMIA and reported in Exhibit III-H. The failure to perform continuous monitoring and testing of IT and business process-level controls results in lack of timely remediation of existing deficiencies and noncompliance with FMFIA, as reported in Exhibit III-G.

Recommendations:

In addition to previously listed recommendations, we recommend that DHS:

6. perform an analysis to assess the risks of the migration to a new general ledger system, and implement processes and controls to ensure all necessary journal entries are completely recorded each period;

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Independent Auditors' Report
Exhibit I – Material Weaknesses

7. reinforce existing policies, procedures, and established related internal controls, to ensure journal entries are adequately researched, supported, and reviewed for accuracy before 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;
10. align knowledgeable individuals to monitor and evaluate the roles of service organizations, and assess controls at those service organizations; and
11. improve monitoring controls over assessing internal controls and remediating internal control deficiencies timely.

I-C Insurance Liabilities

Background:

DHS's FEMA manages the National Flood Insurance Program (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 insurance companies' WYO data, along with NFIP loss and loss adjustment expense factors, to estimate its flood insurance liabilities and related future funded costs, including those related to actuarially derived insurance liabilities for claims incurred but not yet reported and losses on remaining coverage as of September 30, 2023. The liability for losses on remaining coverage results from DHS's FY 2023 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 did not:

- effectively implement controls over the completeness and accuracy of the underlying data used in the valuation of the flood insurance liabilities;
- effectively design and implement controls over the assumptions, methods, and models used in the valuation of the flood insurance liabilities; and
- effectively implement controls over the retrospective review of the reserve analysis.

Causes:

These deficiencies are a result of material weaknesses in the entity's control environment, risk assessment process, and monitoring activities 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*. Specifically, DHS did not:

- effectively design and implement controls to remediate insurance liability deficiencies at FEMA and execute corrective actions to address deficiencies that have existed for years.

Independent Auditors' Report
Exhibit I – Material Weaknesses

Effects:

As a result of the deficiencies described above, there is a reasonable possibility that material misstatements in the flood insurance liabilities and future funded costs will not be prevented, or detected and corrected, on a timely basis.

Recommendations:

In addition to previously listed recommendations, we recommend that DHS:

12. design and implement controls, and document the performance of the controls, over the determination, changes and appropriateness of the data, methods, models, and assumptions used in the valuation of actuarially derived insurance liabilities; and
13. enforce accountability of personnel responsible for performing controls over actuarially derived insurance liabilities.

Independent Auditors' Report
Exhibit I – Material Weaknesses

I-D Receipt of Goods and Services

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 expenditures incurred. USCG personnel record key data elements for the receipt of goods and services in the financial system and the data elements determine the financial system accounting for the transactions.

Condition:

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 did not:

- sufficiently design and implement controls specific to recording the receipt of goods and services to ensure the accuracy of recorded expenditures and the related obligations.

Causes:

The deficiency is a result of material weaknesses in the entity's control environment, risk assessment process, and monitoring activities as follows:

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:

- have adequate resources to design internal controls that take into consideration the new financial system.

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; and
- 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 arising from USCG's financial system migration.

DHS continued to have deficiencies in its design and implementation of controls over USCG expenditures. 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 did not:

- effectively design and implement controls to remediate deficiencies in the receipt of goods and services at USCG and execute corrective actions to address deficiencies that existed in the prior year.

Effects:

As a result of the deficiency described above, there is a reasonable possibility that material misstatements of gross costs and new obligations and upward adjustments will not be prevented, or detected and corrected, on a timely basis. In addition, the ineffective design of the financial system at USCG resulted in instances of noncompliance with Federal accounting standards, as defined by FFMIA and reported in Exhibit III-H.

Independent Auditors' Report
Exhibit I – Material Weaknesses

Recommendations:

In addition to previously listed recommendations, we recommend that DHS:

14. perform a robust risk assessment related to the financial system migration, and design and implement controls to respond to identified risks; and
15. obtain additional resources to remediate known control deficiencies.

I-E Seized and Forfeited Property Other than Monetary Instruments

Background:

DHS is responsible for recording seized and forfeited property that is in its custody. DHS seizes various items, including prohibited drugs and counterfeit goods. For each seizure, DHS components enter case information, including weights and measures, and disposition status into the seized and forfeited property assets tracking system.

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 control activities through policies as required by Green Book principle 12, *Implement Control Activities.* Specifically, at CBP and ICE, DHS did not:

- effectively design, implement and/or operate controls over the existence, accuracy, and presentation of seized and forfeited asset transactions recorded in the seized and forfeited assets tracking system by CBP and ICE personnel; and
- effectively operate controls over the existence, accuracy, and presentation of seized and forfeited asset transactions held at temporary storage areas.

Causes:

These deficiencies are a result of material weaknesses in the entity's control environment, risk assessment process, information and communication, and monitoring activities 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:

- hold all seized and forfeited property temporary storage facilities' personnel accountable for consistently implementing control activities.

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 input to and updated in the system of record.

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:

- identify the appropriate method to effectively communicate between its components about the processes related to transfers and adjustments of seized and forfeited property.

Green Book principle 15 requires that "Management should externally communicate the necessary quality information to achieve the entity's objectives." DHS did not effectively implement and operate Green Book principle 15. Specifically, DHS did not:

- effectively communicate with third parties to obtain the information necessary for the Seized and Forfeited Property note to the consolidated financial statements.

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 monitor seized and forfeited property internal controls.

Independent Auditors' Report
Exhibit I – Material Weaknesses

DHS continued to have deficiencies in its operating effectiveness 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*. Specifically, DHS did not:

- effectively design and implement controls to remediate deficiencies in seized and forfeited property at CBP and ICE and execute corrective actions to address deficiencies that have existed for years.

Effects:

As a result of the deficiencies described above, there is a reasonable possibility that material misstatements in the seized and forfeited property note to the consolidated financial statements will not be prevented, or detected and corrected, on a timely basis.

Recommendations:

In addition to previously listed recommendations, we recommend that DHS:

16. enhance existing controls to prevent and detect and correct material errors in the seized and forfeited property note to the consolidated financial statements;
17. communicate internally to establish and implement policies related to transfers and adjustments of seized and forfeited property;
18. communicate externally to establish agreement with third parties that receive transfers requiring such parties to provide sufficient data elements to achieve DHS's objectives;
19. monitor the consistent implementation of policies to validate that they achieve DHS's objectives;
20. develop and maintain a complete listing of temporary storage areas that hold seized and forfeited property; and
21. enforce consistent security measures at temporary storage areas that hold seized and forfeited property.

I.13

Independent Auditors' Report
Exhibit II – Significant Deficiency

II-F Grants Management

Background:

DHS's FEMA manages multiple Federal disaster and non-disaster grant programs. In FY 2018, DHS began implementation of the process to standardize all grant management activities, which continued through FY 2023. This included coordination among the grant regional offices and central management as well as among the various grant program offices. To monitor the grant recipients' spending of the Federal disaster and non-disaster grants awarded to them, DHS performs site visits of the grant recipients and desk reviews of their submitted Federal Financial Reports.

Condition:

DHS did not fully 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 did not:

- design and implement effective controls over monitoring of grant recipients.

Causes:

The deficiency is a result of material weaknesses in the entity's control environment, risk assessment process, and monitoring activities 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.

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*. Specifically, DHS did not:

- effectively design and implement controls to remediate grants management deficiencies at FEMA and execute corrective actions to address deficiencies that have existed for years.

Effects:

As a result of the deficiency described above, there is a reasonable possibility of inaccurate or unauthorized expense reporting by grant recipients and ineffective monitoring of open and closed grants, which may affect the recoverability of grant funds and increases the risk that DHS may not identify corrective actions for grant recipients timely.

Recommendation:

In addition to previously listed recommendations, we recommend that DHS:

22. enforce accountability for the established monitoring control procedures to prevent or detect inaccurate or non-responsive reporting by grant recipients.

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, 2023, as presented in *Management's Discussion and Analysis* of DHS's FY 2023 *Agency Financial Report*, acknowledged the existence of control activities demonstrating material weaknesses, and therefore provided modified assurance that internal control over financial reporting was operating effectively as of September 30, 2023. DHS did not perform continuous monitoring and testing of both IT and business process-level controls for all significant areas. DHS did not fully establish effective systems, processes, policies, and testing procedures to ensure that internal controls were operating effectively throughout DHS.

Recommendation:

In addition to previously listed recommendations, we recommend that DHS:

23. implement 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 United States Standard General Ledger (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, 2023, DHS did not comply with applicable Federal accounting standards in certain instances, Federal financial management system requirements, and application of the USSGL at the transaction level in certain instances, as described in Exhibit I-A, Exhibit I-B, and Exhibit 1-D. The DHS Secretary stated in the *Secretary's Assurance Statement,* dated November 14, 2023, that DHS's financial management systems did not substantially comply with government-wide requirements mandated by FFMIA.

Recommendation:

We recommend that DHS:

24. improve its financial management systems to ensure compliance with FFMIA, and implement the recommendations provided in Exhibits I and II.

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

MEMORANDUM FOR: The Honorable Joseph V. Cuffari
Inspector General

FROM: Stacy Marcott
Acting Chief Financial Officer

STACY A MARCOTT
Digitally signed by STACY A MARCOTT
Date: 2023.11.14 14:43:09 -05'00'

SUBJECT: Fiscal Year 2023 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) 2023 and 2022. In general, 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 eleventh consecutive year.

During the FY 2023 audit, the Independent Public Accountant identified inaccuracies over the recording of non-valued seized and forfeited property that are managed by certain DHS Components. These assets have no financial value, and they are reported as kilograms within our footnote disclosures on the Agency Financial Report. Although we don't fully agree with the characterization of the new material weakness in seized and forfeited property, we recognize that our controls over that process need to be strengthened and will be an area of focus during FY 2024.

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 migrated to our new Financial Systems Modernization Solution. During FY 2023, we continued our effort to further improve the controls over the system. We have also started migration of FEMA to this platform. Our focus for FY 2024 is to continue modernizing our financial systems while focusing on remediation of our deficiencies in financial reporting and other areas discussed in the auditor's report.

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.

Additional Information

To view this and any other DHS OIG reports, please visit our website: www.oig.dhs.gov

For further information or questions, please contact the DHS OIG Office of Public Affairs via email: DHS-OIG.OfficePublicAffairs@oig.dhs.gov

DHS OIG Hotline

To report fraud, waste, abuse, or criminal misconduct involving U.S. Department of Homeland Security programs, personnel, and funds, please visit: www.oig.dhs.gov/hotline

If you cannot access our website, please contact the hotline by phone or mail:

Call: 1-800-323-8603

U.S. Mail:
Department of Homeland Security
Office of Inspector General, Mail Stop 0305
Attention: Hotline
245 Murray Drive SW
Washington, DC 20528-0305

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).

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 6: Entry Summary of Trade Compliance Measurement

($ in millions)

	FY 2023 (Preliminary)	FY 2022 (Final)
Estimated Revenue Gap	$559	$400
Estimated Revenue Gap of all collectable revenue for year (%)	0.56%	0.36%
Estimated Over-Collection	$175	$172
Estimated Under-Collection	$734	$572
Estimated Overall Trade Compliance Rate (%)	99.35%	99.39%

The preliminary overall compliance rate for Fiscal Year (FY) 2023 is 99.35%. The final overall trade compliance rate and estimated revenue gap for FY 2023 will be issued in April 2024.

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 2023.

In FY 2023, the external financial statement auditor continued to identify the four previously reported areas of material weakness. In addition, in FY 2023, a new area of material weakness related to Custodial Activity: Seized and Forfeited Property was reported as part of the Integrated Financial Statement audit.

Table 7: 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	1	0	0	0	1
Receipt of Goods and Services[15]	1	0	0	0	1
Seized and Forfeited Property	0	1	0	0	1
Total Areas of Material Weakness(es)	***4***	***1***	***0***	***0***	***5***

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

[15] Previously titled New System Obligations.

- Revenue and Receivables.

While DHS has remediation efforts continuing in FY 2024; no additional areas of material weakness were newly identified by DHS as a result of the assessment work performed in FY 2023. The following table indicates the areas of material weakness(es) that have been identified by management and where DHS will continue focused remediation efforts in FY 2024.

Table 8: 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 Management[16]	1	0	0	0	0	1
Receipt of Goods and Services[17]	1	0	0	0	0	1
Total Areas of Material Weakness(es)	***4***	***0***	***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***

[16] Previously titled Insurance Liabilities.
[17] Previously titled Budgetary Accounting.

Table 8 (continued): Summary of Management Assurances

Effectiveness of Internal Control Over Operations (FMFIA § 4)						
Statement of Assurance	Federal Systems do not conform to financial management system requirements					
Areas of Material Weakness(es)	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

Unaudited

Payment Integrity

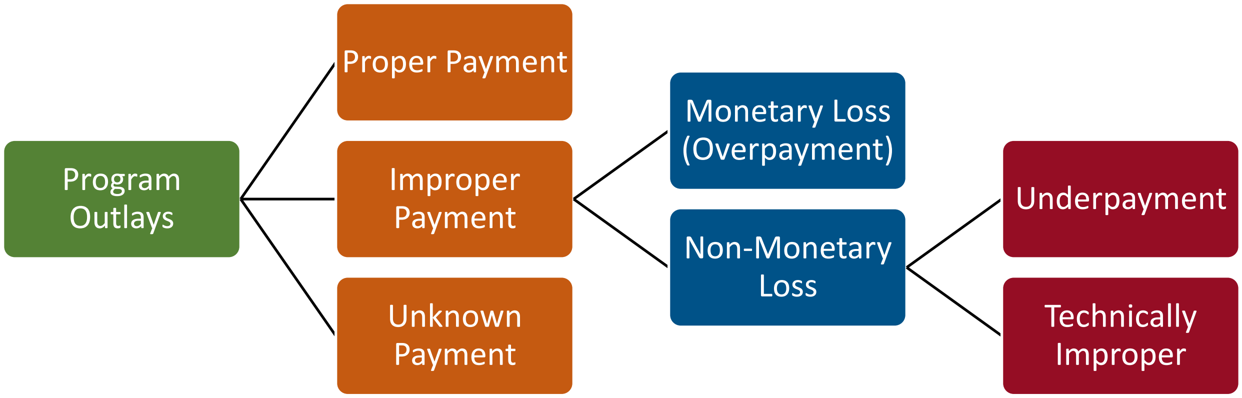
The Payment Integrity Information Act of 2019 (PIIA)[18], requires agencies to review and assess all programs and activities they administer and identify those determined to be susceptible to significant improper payments[19], estimate the annual amount of improper payments, and submit those estimates to Congress. In accordance with the Office of Management and Budget (OMB) Circular No. A-123, Appendix C[20], *Requirements for Payment Integrity Improvement,* Federal agencies are required to assess improper payments and report[21] annually on their efforts.

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.

Payment Type Categories

In accordance with OMB Circular No. A-123, Appendix C, DHS uses sampling and statistical methods to estimate proper payments, improper payments, and unknown payments among its programs. See Figure 1 for an illustration of the payment categories as well as improper payment types and Figure 2 for payment type definitions.

Figure 1: Payment Type Categories



[18] 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).

[19] 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.

[20] On March 5, 2021, OMB released an updated Circular No. A-123, Appendix C (M-21-19) to formalize implantation expectations under PIIA effective beginning with FY 2021 implementation.

[21] 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](https://www.paymentaccuracy.gov).

Figure 2: Payment Type Definitions

Payment Type	Definition
Proper Payment	A payment made to the right recipient for the right amount that has met all program specific legally applicable requirements for the payment.
Improper Payment	A payment that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. The term improper payment includes any payment to an ineligible recipient; any payment for an ineligible good or service; any duplicate payment; any payment for a good or service not received, except for those payments where authorized by law; and any payment that does not authorized by law; and any payment that does not account for credit for applicable discounts.
Unknown Payment	Instances in which a program cannot determine whether a payment is proper or improper due to insufficient payment documentation. Further, payments should be categorized as unknown if the agency is still conducting research or reviews to determine the appropriateness of the payment at the time the agency must finalize and report its estimates.
Monetary Loss (Overpayment)	Payments to the wrong recipient, or to the correct recipient in a higher amount than what should have been disbursed, are monetary losses to the government.
Non-Monetary Loss	Payments to the correct recipient in a lesser amount than what should have been disbursed are non-monetary losses to the government.
Underpayment	Payments to the correct recipient in a lesser amount than what should have been disbursed.
Technically Improper	A payment was made to the right recipient for the right amount, but the payment process failed to follow all applicable statute and regulation there is no amount that needs to be recovered, however, because the payment failed to adhere to all applicable statutes and regulations during the payment process the payment itself is considered a technically improper payment.

Phases of Assessment

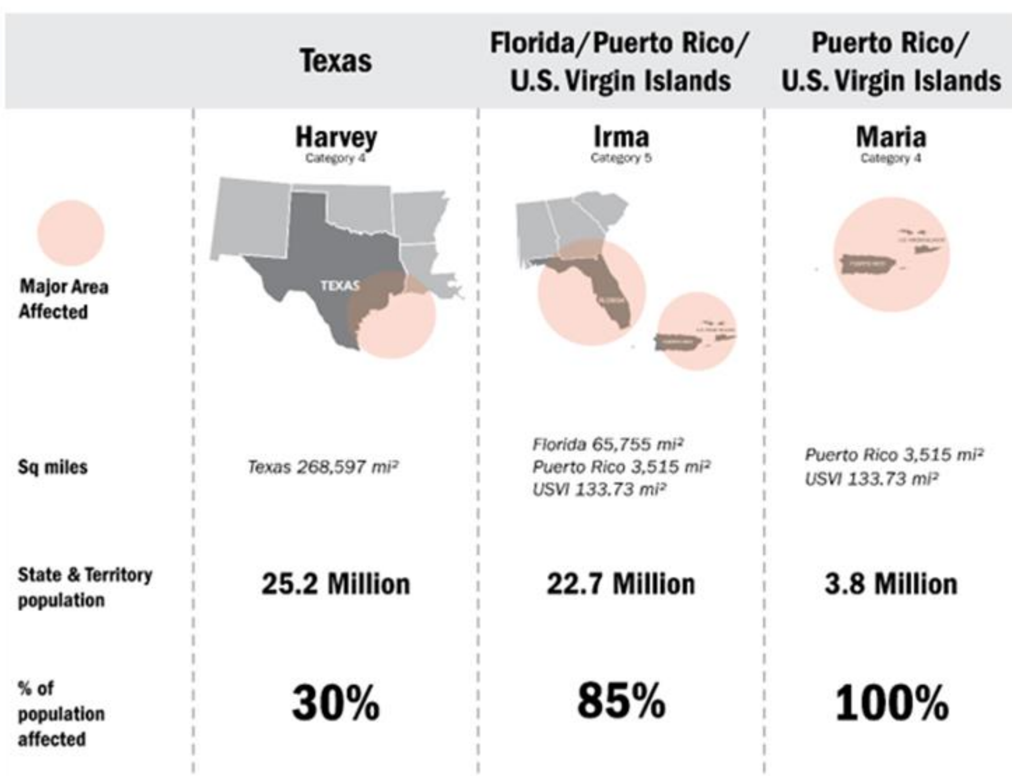
Under Appendix C of OMB Circular No. A-123, all programs with annual outlays greater than $10 million fall into either Phase I (subject to periodic risk assessments but not required to report) or Phase II (subject to statistical testing and reporting requirements). Based on improper payment risk assessments, programs that are likely to have an annual amount of improper and unknown payments below the statutory threshold are categorized as Phase I and are required to complete a risk assessment once every three years. Programs likely to be above the statutory threshold are categorized as Phase II and are required to report an improper payment estimate.

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 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 3: 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 201 7 (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[22]. The breakout of DHS Components receiving this supplemental funding is documented in the table below.

Table 9: 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.

[22] Due to rounding, amounts may not reflect precise appropriated values.

Payment 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 2021 disbursement testing and results are reported in the 2023 results noted below for the following programs:

- FEMA Hazard Mitigation Grant Program - Disaster Supplemental Funds
- CBP Procurement, Construction, & Improvement - Disaster Supplemental Funds

Beginning in FY 2020, the FEMA Public Assistance – Validate as You Go (VAYGo) program has expanded coverage beyond the disaster supplemental funding received in response to Hurricanes Harvey, Irma, and Maria. On March 13, 2020, the Presidential declaration of a nationwide COVID emergency increased the level of federal response from FEMA, as well as support to state, local, tribal, and territorial partners across the nation. The agency's response to COVID was unprecedented. When the White House directed FEMA to lead operations, COVID became the first national pandemic response that FEMA has led since it was established in 1979. It was also the first time in U.S. history the President declared a nationwide emergency under Section 501b of the Stafford Act and authorized Major Disaster Declarations for all states and territories for the same incident. FEMA, through its 10 Regions, managed 57 concurrent Presidential Major Disaster Declarations for COVID and

Disaster assistance

Disaster assistance is financial or direct assistance to individuals, families, and businesses whose property has been damaged and whose losses are not covered by insurance. FEMA provides several types of grants following a presidentially declared disaster. Individual Assistance offers help to individuals and families; Public Assistance offers help to state, local, tribal, and territorial governments, and certain nonprofit agencies; and Hazard Mitigation assists state, local, tribal, and territorial governments in reducing long-term risk.

worked with 91 tribal nations. Due to the increase in assessment burden, the PIIA Phase II reporting to cover FY 2021 disbursements has been delayed until 2024 for the following program:

- FEMA Public Assistance – VAYGo

The OMB Circular No. 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 No. 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[23]. Full publication of data and planned corrective actions for Phase II programs can be found on PaymentAccuracy.gov.

Resiliency

DHS works with all levels of government, the private and non-profit sectors, and individual citizens to make our nation more resilient to acts of terrorism, cyber-attacks, pandemics, and catastrophic natural disasters. The challenges we face are more intense, complex, and frequent than ever before. DHS must be able to leverage its collective expertise and capabilities to manage all types of incidents directly, including those that invoke multiple responsibilities and authorities from across the Department, and to support incident response efforts led by other agencies. As such, the Department readying its entire workforce—not only those already trained in the National Incident Management System—to execute these incident management capabilities as well as regularly exercise and develop them alongside federal, state, local, territorial, tribal, and nongovernmental partners.

[23] Due to the burden of testing and reporting for the twelve 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.

Disaster Supplemental[24] DHS Programs for Reporting

<u>FEMA Hazard Mitigation Grant Program (HMGP) – Disaster Supplemental Funds Program</u>

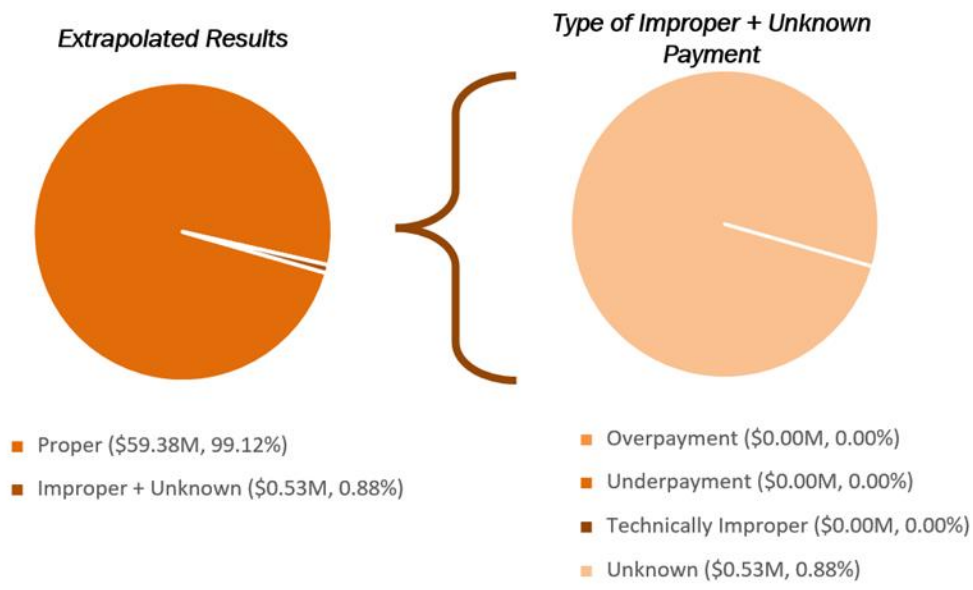
FEMA's Hazard Mitigation Grant Program provides funding to state, local, tribal and territorial governments so they can develop hazard mitigation plans and rebuild in a way that reduces, or mitigates, future disaster losses in their communities. When requested by an authorized representative, this grant funding is available after a presidentially declared disaster.

DID YOU KNOW?

The 2017 storms have provided the U.S. Virgin Islands an opportunity to prioritize projects to reduce the loss of life and property from future disasters and focus on development of a territorial hazard mitigation plan. As of August 31, 2023, over $178M in Hazard Mitigation Grants Program funding has been obligated to support the efforts of the Virgin Islands Territorial Emergency Management Agency.

For the testing conducted in 2023, FEMA's assessment was focused on the associated FY 2021 disaster supplemental funding disbursements of over $59.9 million applicable for review under PIIA. The FEMA HMGP – Disaster Supplemental Funds program reported a 0.88 percent estimated payment error rate in 2023. Please refer to the figure below for additional detail regarding the breakouts and associated error categorization.

Figure 4: FEMA HMGP – Disaster Supplemental Funds Reported Results



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[24] Program funding 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

During FY 2023, FEMA concluded that $0.46 million in HMGP – Disaster Supplemental Funds disbursements that had been designated as unknown payments in prior years could be adequately supported and classified as proper payments. FEMA will continue to work on determining if previously identified unknown payments are in fact proper or improper. If determined to be improper with a monetary loss associated, FEMA will continue work to recoup those payments as applicable.

CBP Procurement, Construction, & Improvement (PC&I)– Disaster Supplemental Funds Program

The CBP PC&I program builds facilities for CBP Officers and Border Patrol Agents, including buildings and other structures at Border Patrol sector headquarters, stations, checkpoints, and remote forward operating bases. The program received additional funds for necessary expenses related to the consequences of hurricanes Harvey, Irma, and Maria, including for the reconstruction of affected facilities. Funds were provided to carry out these CBP construction activities in Puerto Rico and the U.S. Virgin Islands.

For the testing conducted in 2023, CBP's assessment was focused on the associated FY 2021 disaster supplemental funding disbursements of over $10.8 million applicable for review under PIIA. The CBP PC&I – Disaster Supplemental Funds program had no improper or unknown payments identified in 2023.

Historic facility preservation

The San Juan Customs House, built in 1924, is a Spanish Colonial Revival style building listed on the National Register of Historic Places. Architecturally, it is one of the nation's most distinguished custom houses. CBP's Office of Facilities and Asset Management oversees maintenance, repair, leasing, and construction of all CBP facilities as well as the agency's Historic Preservation Program. The Historic Preservation program provides the guidance and framework necessary to respect historically significant spaces like the Puerto Rican custom houses.

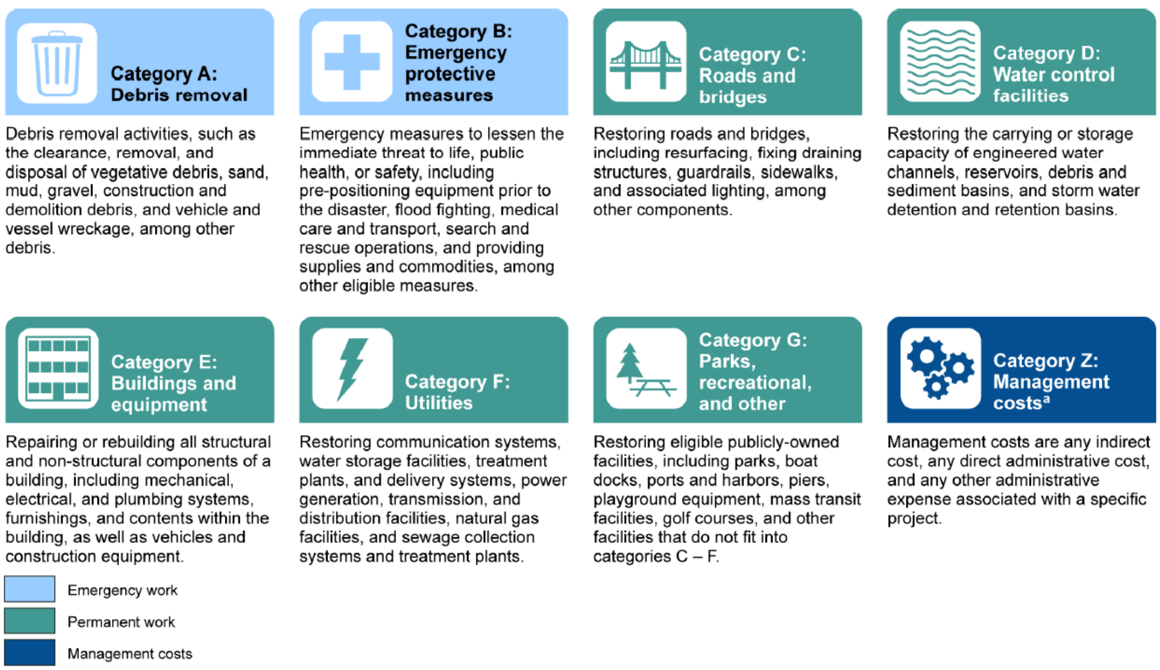
Other DHS Programs for Reporting

FEMA Public Assistance – Validate as You Go (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 Public Assistance 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 Public Assistance Program Categories of Work[25]



The FEMA Public Assistance 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 on the next page.

[25] Source: Federal Emergency Management Agency. | GAO-20-221

Unaudited

Figure 6: FEMA Regions and Regional Offices

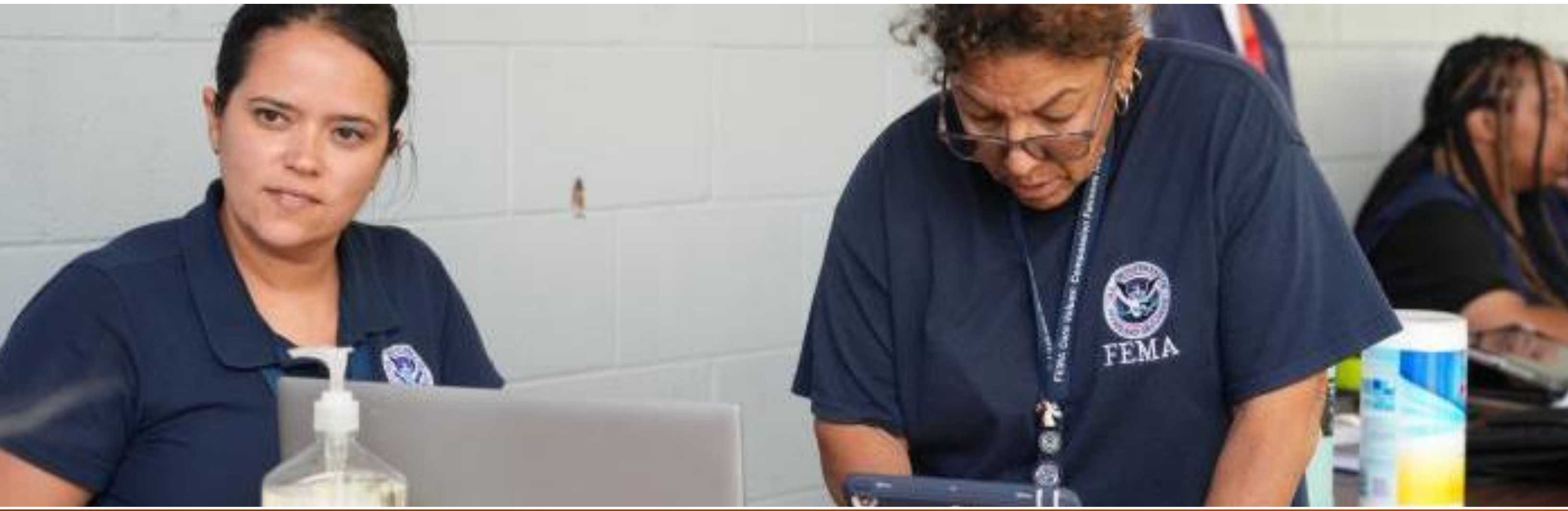
Public Assistance is FEMA's largest grant program and provides emergency assistance to save lives and protect property and assists communities with repairing public infrastructure affected by federally declared incidents.

FEMA implemented the VAYGo pilot program to test Public Assistance 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 and disasters declared during or after FY 2020. 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 Public Assistance recipients—to correct or mitigate issues earlier in the process instead of waiting until grant closeout. According to FEMA officials that conduct the testing, VAYGo's goal is to improve grants management internal control processes by consistently assessing payment error rates to identify potential payment integrity issues. VAYGo payment integrity testing results allows recipients to remediate questioned costs and take appropriate actions to strengthen internal controls in grant lifecycle processes. This will prevent or reduce the likelihood of future improper payments.

In a memorandum dated April 18, 2022, FEMA's Office of the Chief Financial Officer (OCFO)memorialized the Administrator's intent to pause and evaluate opportunities to streamline and reduce the complexity of VAYGo processes. FEMA's OCFO conducted thirteen listening sessions early in FY 2023 with FEMA Regions and Recipients to better understand the Public Assistance program and to identify common VAYGo issues and recommendations for improvements for VAYGo. As a result of those listening sessions, FEMA published the VAYGo Guide and distributed to Regions and Recipients. This guide provides implementation and delivery guidance for the FEMA VAYGo grant payment review process and includes details on documentation requirements to support recipient drawdowns and financial disbursements. The guidance is designed to enhance the customer experience for all stakeholders involved in VAYGo processes while also establishing a framework for implementing measures to reduce the administrative burden of grants management when improper payment rates meet or fall below the minimum threshold established by Appendix C of OMB Circular No. A-123. On Aug. 9, 2023, FEMA reinstated VAYGo, which now includes the new implementation guide and a new closeout benefit for qualifying recipients.

However, the strategic pause impacted FEMA's ability to coordinate the receipt of adequate documentation to fully determine the appropriateness of all selected FY 2021 disbursement sample transactions selected for 2023 review and reporting. DHS, in accordance with instruction received from OMB, has delayed PIIA Phase II reporting based on FY 2021 disbursement activity until 2024.

FEMA developed a Corrective Action Plan in FY 2023 for FEMA Public Assistance – VAYGo to remediate improper and unknown payments as a result of 2022 reporting. The corrective actions focused on FEMA's development of strong relationships among its regions and recipients to help facilitate more efficient and effective improper payment testing and funds management. Additionally, FEMA developed a VAYGo Guide to improve processes and strengthen internal controls. This guide was issued to regions and recipients in August 2023. In addition, FEMA developed a VAYGo Module within the FEMA Grants Manager / Grants Portal platform. The module has workflows to support VAYGo testing, process requests for information, and enable FEMA Recipients to upload documentation for their respective VAYGo tested samples. FEMA continues to collaborate with Public Assistance Business Architecture to enhance the VAYGo Module with the goal of improving the VAYGo customer service experience for internal and external VAYGo stakeholders.



Training and mitigation

Trainings are available and are designed to help FEMA regional partners and state, local, tribal, and territorial governments create effective hazard mitigation plans that meet FEMA's requirements and reduce risk in their communities. The Emergency Management Institute serves as the national focal point for the development and delivery of emergency management training to enhance the capabilities of federal, state, local, tribal, and territorial government officials, volunteer organizations, and the public and private sectors to minimize the impact of disasters.

During FY 2023, FEMA concluded that $1.2 billion in Public Assistance disbursements that had been designated as unknown payments in prior years could be adequately supported and classified as proper payments. FEMA will continue to work on determining if previously identified unknown payments are in fact proper or improper. If determined to be improper with a monetary loss associated, FEMA will work to recoup those payments as applicable.

Disaster Supplemental DHS Programs Not Required to Report[26]

For programs baselined and determined to be below the thresholds to be deemed susceptible to significant improper payments, OMB Circular No. A-123, Appendix C guidance instructs the programs be reverted from Phase II (required to publish reporting) to Phase I (not required to publish reporting). Following FY 2022 reporting, DHS reverted the following programs to Phase I:

- FEMA Disaster Case Management – Disaster Supplemental Funds
- FEMA Payroll – Disaster Supplemental Funds
- FEMA Vendor Pay – Disaster Supplemental Funds
- USCG Aviation Logistics Command – Disaster Supplemental Funds
- USCG PC&I – Disaster Supplemental Funds

As these programs are currently in Phase I, they are not applicable for OMB reporting and publication on PaymentAccuracy.gov.

However, for the FEMA Payroll – Disaster Supplemental Funds and the FEMA Vendor Pay – Disaster Supplemental Funds programs, in order to ensure that the program remained not susceptible to significant improper payments, DHS proactively selected to continue to perform internal statistical testing for the program in FY 2023, over FY 2021 disbursements.

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

[26] OMB Circular No. A-123, Appendix C (M-21-19) states "If a program is in Phase II, has established a baseline, and reports an IP and UP estimate that is below the statutory threshold it will automatically move back into Phase I the following FY". However, the Component can still choose to test these programs to show continued compliance.

Service, as well as employees of other federal agencies, as authorized by the Post-Katrina Emergency Reform Act of 2006.[27]

- **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.

For the testing conducted in 2023, FEMA's assessment was focused on the associated FY 2021 disaster supplemental funding disbursements of over $180 million applicable for review under PIIA. The FEMA Payroll – Disaster Supplemental Funds program internally reported a 3.76 percent estimated payment error rate equating to approximately $6.81 million in consolidated improper and unknown payments in 2023. As indicated by the internal review results, the program continues to report below the OMB Circular No. A-123, Appendix C guidance thresholds to be considered susceptible to significant improper payments.

Surge Capacity Force

If an incident exceeds the capacity of the FEMA disaster workforce, the DHS Secretary is authorized to activate the DHS Surge Capacity Force to change the federal response to a catastrophic disaster. FEMA manages this program that relies on federal employees from DHS Components and other federal agencies to support its mission of helping people before, during, and after disasters. Volunteers have the chance to work in a variety of recovery responsibilities, including logistics; public assistance, debris monitoring; individual assistance, such as aid to survivors; disaster survivor assistance, to notify the public about available assistance programs; information technology; human resources; external affairs, acquisitions; and planning.

[27] 6 U.S.C. 711(b)

<u>FEMA Vendor Payments – Disaster Supplemental Funds Program</u>

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 Vendor Payments – 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 2023, FEMA's assessment was focused on the associated FY 2021 disaster supplemental funding disbursements of just under $200 million applicable for review under PIIA. The FEMA Vendor Payments – Disaster Supplemental Funds program internally reported a 0.25 percent estimated payment error rate equating to approximately $0.49 million in consolidated improper and unknown payments in 2023. As indicated by the internal review results, the program continues to report below the OMB Circular No. A-123, Appendix C guidance thresholds to be considered susceptible to significant improper payments.

Payment Integrity Reporting

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. In comparison to prior year reporting, DHS has:

- Removed five programs from PIIA Phase II reporting, effective for the 2023 reporting period as they dropped below the $10 million outlay threshold based on FY 2021 disbursement activity and/ or have adequately baselined the program under PIIA requirements and have been determined to not be susceptible to significant improper payments and thus reverted to PIIA Phase I.
    - FEMA Disaster Case Management – Disaster Supplemental Funds
    - FEMA Payroll – Disaster Supplemental Funds
    - FEMA Vendor Payments - Disaster Supplemental Funds
    - USCG Aviation Logistics Command – Disaster Supplemental Funds
    - USCG PC&I – Disaster Supplemental Funds
- Continued PIIA Phase II reporting for one program, based on FY 2021 disbursement activity, effective for the 2023 reporting period.
    - FEMA HMGP – Disaster Supplemental Funds
- Delayed PIIA Phase II reporting, in accordance with instruction received from OMB, for one program, based on FY 2021 disbursement activity[28].
    - FEMA Public Assistance - VAYGo
- Added one program into PIIA Phase II reporting, based on FY 2021 disbursement activity, effective for the 2023 reporting period.
    - CBP PC&I – Disaster Supplemental Funds

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.

[28] Due to the increase in assessment burden, the PIIA Phase II reporting to cover FY 2021 disbursements has been delayed until 2024.

Table 10: DHS Improper Payment Results and Reduction Outlook

DHS Program Name	Testing Conducted in FY 2022			Testing Conducted in FY 2023					Testing Planned for FY 2024
	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									
CBP PC&I – Disaster Supplemental Funds	*N/A -Program identified to begin reporting in 2023*			$10.89	$10.89	100.00%	$0.00	0.00%	*N/A*[29]
FEMA HMGP – Disaster Supplemental Funds	$32.04	$2.24	6.99%	$59.91	$59.38	99.12%	$0.53	0.88%	1.50%
FEMA Public Assistance – VAYGo[30]	$4,767.94	$242.88	5.09%	N/A	N/A	N/A	N/A	N/A	N/A
Stratum: Disaster Supplemental Funds	*$2,231.69*	*$84.16*	*3.77%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
Stratum: All Other	*$2,536.26*	*$158.73*	*6.26%*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*	*N/A*
DHS Programs Moved out of Phase II (Statistical Testing and Reporting) in 2023									
FEMA Disaster Case Management – Disaster Supplemental Funds	$66.21	$1.11	1.68%	*N/A - Program did not exceed $10M of FY 2021 disbursements from Disaster Supplemental Funding. As such, the FEMA Disaster Case Management – Disaster Supplemental Funds program has been reverted to Phase I.*					
FEMA Payroll – Disaster Supplemental Funds[31]	$252.16	$7.27	2.88%	*N/A – As program was below the thresholds to be deemed susceptible to significant improper payments, the FEMA Payroll – Disaster Supplemental Funds program has been reverted to Phase I.*					
FEMA Vendor Payments – Disaster Supplemental Funds[32]	$495.26	$3.47	0.70%	*N/A – As program was below the thresholds to be deemed susceptible to significant improper payments, the FEMA Vendor Pay – Disaster Supplemental Funds program has been reverted to Phase I.*					
USCG Aviation Logistics Command – Disaster Supplemental Funds	$25.11	$0.00	0.00%	*N/A – As program was below the thresholds to be deemed susceptible to significant improper payments, the USCG Aviation Logistics Command – Disaster Supplemental Funds program has been reverted to Phase I.*					
USCG PC&I – Disaster Supplemental Funds	$52.40	$0.30	0.58%	*N/A – As program was below the thresholds to be deemed susceptible to significant improper payments, the USCG PC&I – Disaster Supplemental Funds program has been reverted to Phase I.*					
TOTAL	$5,691.12	$257.28	4.52%[33]	$70.80	$70.27	99.25%	$0.53	0.75%[34]	N/A

[29] As the FY 2023 reporting was the first year of PIIA reporting for the CBP PC&I – Disaster Supplemental Funds program, DHS is not considering the program fully baselined and thus has not published a reduction target for this program.

[30] Due to the increase in assessment burden, the PIIA Phase II reporting to cover FY 2021 disbursements has been delayed until 2024..

[31] As program was below the thresholds to be deemed susceptible to significant improper payments, the FEMA Payroll – Disaster Supplemental Funds program has been reverted to Phase I. However, to ensure that the program is truly not susceptible to significant improper payments, DHS selected to continue to perform internal statistical testing for the program in FY 2023, over FY 2021 disbursements. Please refer to the “Disaster Supplemental DHS Programs Not Required to Report” subsection for the results of this effort.

[32] As program was below the thresholds to be deemed susceptible to significant improper payments, the FEMA Vendor Pay – Disaster Supplemental Funds program has been reverted to Phase I. However, to ensure that the program is truly not susceptible to significant improper payments, DHS selected to continue to perform internal statistical testing for the program in FY 2023, over FY 2021 disbursements. Please refer to the “Disaster Supplemental DHS Programs Not Required to Report” subsection for the results of this effort.

[33] The total does not represent a true statistical improper payment estimate for the Department.

[34] The total does not represent a true statistical improper payment estimate for the Department.

Actions Taken to Address Auditor Recovery Recommendations

During FY 2023, 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 2023.

For additional information related to the Department's recovery audit efforts, please refer to PaymentAccuracy.gov.

Grants Program

The DHS continues its efforts in closing out grants and cooperative agreements awards. The summary table below shows the number of awards and balances for which closeouts has not yet occurred, but for which period of performance had elapse by two years or more prior to September 30, 2023 (i.e., on or before September 30, 2021).

Table 11: Grants/Cooperative Agreements Summary Status

Category	Years FY 2021	3-5 Years FYs 2018 - 20	> 5 Years FY 2017 and prior
Number of Grants/Cooperative Agreements with Zero Dollar Balances	30	47	4
Number of Grants/Cooperative Agreements with Undistributed Balances	36	22	9
Total Amount of Undistributed Balances	$17,078,494	$6,688,633	$7,706,670

The above table comprises only FEMA's data and efforts in closing out its grants and cooperative agreements. During FY 2023, 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 2023 reportable population is 7% less than the grant population that the agency reported in FY 2022 and an 91% reduction since the agency reported in FY 2020. FEMA also significantly reduced the Total Amount of Undistributed Balances from $44.39M in FY22 to $31.47M in FY 2023, a 29% reduction.

FEMA has deployed electronic closeout capabilities within FEMA GO, 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.

Additionally, FEMA is monitoring and reporting on the timely closure of disaster and non-disaster grant awards on an annual basis via the Government Performance and Results Act (GPRA) Closeout Performance Measure. Since implementing this monitoring activity, FEMA has met and exceeded the established target goals for FY21 (70%), FY22 (72%), and FY23 (75%). The target goal for FY24 will be to close 80% of the monitored grant population within 365 calendar days from POP expiration.

In FY 2023, DHS awarded $36.5 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 2023.

The DHS continues its efforts in closing out grants and cooperative agreements awards. The summary table below shows the number of awards and balances for which closeouts has not yet occurred, but for which period of performance had elapse by two years or more prior to September 30, 2023 (i.e., on or before September 30, 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 2023. Additional information about these penalties and the latest adjustment is available in the [Federal Register Volume 88, No. 2175](#).

Table 12: 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	$1,643
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	$4,465
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	$3,765
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	$9,413
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	$446
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	$11,162
Failure to control, detain, or remove alien crewmen	8 USC 1284(a); INA Section 254(a); 8 CFR 280.53(b)(7)	1990	Minimum $1,116 Maximum $6,696
Employment on passenger vessels of aliens afflicted with certain disabilities	8 USC 1285; INA Section 255; 8 CFR 280.53(b)(8)	1990	$2,232
Discharge of alien crewmen	8 USC 1286; INA Section 256; 8 CFR 280.53(b)(9)	1990	Minimum $3,348 Maximum $6,696
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	$22,324

Penalty	Authority	Year Enacted	Adjusted New Penalty
Failure to prevent the unauthorized landing of aliens	8 USC § 1321(a); INA Section 271(a); 8 CFR 280.53(b)(11)	1990	$6,696
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	$6,696
Bringing to the United States aliens without required documentation	8 USC § 1323(b); INA Section 273(b); 8 CFR 280.53(b)(13)	1990	$6,696
Improper entry	8 USC § 1325(b) INA Section 275(b); 8 CFR 280.53(b)(15)	1996	Minimum $94 Maximum $472
Dealing in or using empty stamped imported liquor containers	19 USC 469	1879	$625
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	$941
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 $1,096 Maximum $3,446 plus $187 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 $1,881; Maximum $9,413
Failure to depart	8 USC 1324d; INA Section 274D; 8 CFR 280.53(b)(14)	1952	$942
Employing a vessel in a trade without a required Certificate of Documentation	19 USC 1706(a); 19 CFR 4.80(i)	1980	$1,566
Transporting passengers coastwise for hire by certain vessels (knows as Bowaters vessels) that do not meet specified conditions	46 USC 12118(f)(3)	1958	$625
CISA			
Non-compliance with CFATS regulations	6 USC 624(b)(1); 6 CFR 27.300(b)(3)	2002	$41,093
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 $ 557 Maximum $4,465
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 $472 Maximum $3,765

Penalty	Authority	Year Enacted	Adjusted New Penalty
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 $4,465 Maximum $11,162
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 $3,765 Maximum $9,413
Violation/prohibition of indemnity bonds	8 CFR 274a.8(b)	1986	$2,701
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (First offense)	8 CFR 274a.10(b)(1)(ii)(A)	1986	Minimum $676 Maximum $5,404
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (Second offense)	8 CFR 274a.10(b)(1)(ii)(B)	1986	Minimum $5,404 Maximum $13,508
Knowingly hiring, recruiting, referral, or retention of unauthorized aliens (per unauthorized alien) (Subsequent offenses)	8 CFR 274a.10(b)(1)(ii)(C)	1986	Minimum $8,106 Maximum $27,018
I–9 paperwork violations	8 CFR 274a.10(b)(2)	1986	Minimum $272 Maximum $2,701
Failure to depart voluntarily	8 USC 1229c(d); INA Section 240B(d); 8 CFR 280.53(b)(3)	1996	Minimum $1,881 Maximum $9,413
Failure to depart	8 USC 1324(d); INA Section 274D; 8 CFR 280.53(b)(14)	1996	$942
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	$16,108 (up to a total of $80,544,total for small business, $644,343 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	$16,108 (up to a total of $80,544,total for small business, $644,343 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), (6); 49 USC 46301(d)(2), (8)	2003	$40,272 (up to a total of $644,343 per civil penalty action)

Penalty	Authority	Year Enacted	Adjusted New Penalty
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(u)	2009	$13,785 (up to a total of $68,928 for individuals and small businesses, $551,417 for others)
USCG			
Saving Life and Property	14 USC 521(c)	2014	$12,551
Saving Life and Property (Intentional Interference with Broadcast)	14 USC 521(e)	2012	$1,288
Confidentiality of Medical Quality Assurance Records (first offense)	14 USC 645(i); 33 CFR 27.3	1992	$6,304
Confidentiality of Medical Quality Assurance Records (subsequent offenses)	14 USC 645(i); 33 CFR 27.3	1992	$42,032
Aquatic Nuisance Species in Waters of the United States	16 USC 4711(g)(1); 33 CFR 27.3	1996	$47,061
Obstruction of Revenue Officers by Masters of Vessels	19 USC 70; 33 CFR 27.3	1935	$9,399
Obstruction of Revenue Officers by Masters of Vessels—Minimum Penalty	19 USC 70; 33 CFR 27.3	1935	$2,193
Failure to Stop Vessel When Directed; Master, Owner, Operator or Person in Charge	19 USC 1581(d)	1930	$5,891
Failure to Stop Vessel When Directed; Master, Owner, Operator or Person in Charge - Minimum Penalty	19 USC 1581(d)	1930	$1,179
Anchorage Ground/Harbor Regulations General	33 USC 471; 33 CFR 27.3	2010	$13,627
Anchorage Ground/Harbor Regulations St. Mary's River	33 USC 474; 33 CFR 27.3	1946	$941
Bridges/Failure to Comply with Regulations	33 USC 495(b); 33 CFR 27.3	2008	$34,401
Bridges/Drawbridges	33 USC 499(c); 33 CFR 27.3	2008	$34,401
Bridges/Failure to Alter Bridge Obstructing Navigation	33 USC 502(c); 33 CFR 27.3	2008	$34,401
Bridges/Maintenance and Operation	33 USC 533(b); 33 CFR 27.3	2008	$34,401
Bridge to Bridge Communication; Master, Person in Charge or Pilot	33 USC 1208(a); 33 CFR 27.3	1971	$2,506
Bridge to Bridge Communication; Vessel	33 USC 1208(b); 33 CFR 27.3	1971	$2,506
PWSA Regulations	33 USC 1232(a)	1978	$111,031

Penalty	Authority	Year Enacted	Adjusted New Penalty
Vessel Navigation: Regattas or Marine Parades; Unlicensed Person in Charge	46 USC 70041(d)(1)(B); 33 CFR 27.3	1990	$11,162
Vessel Navigation: Regattas or Marine Parades; Owner Onboard Vessel	46 USC 70041(d)(1)(C); 33 CFR 27.3	1990	$11,162
Vessel Navigation: Regattas or Marine Parades; Other Persons	46 USC 70041(d)(1)(D); 33 CFR 27.3	1990	$5,580
Oil/Hazardous Substances: Discharges (Class I per violation)	33 USC 1321(b)(6)(B)(i); 33 CFR 27.3	1990	$22,324
Oil/Hazardous Substances: Discharges (Class I total under paragraph)	33 USC 1321(b)(6)(B)(i); 33 CFR 27.3	1990	$55,808
Oil/Hazardous Substances: Discharges (Class II per day of violation)	33 USC 1321(b)(6)(B)(ii); 33 CFR 27.3	1990	$22,324
Oil/Hazardous Substances: Discharges (Class II total under paragraph)	33 USC 1321(b)(6)(B)(ii); 33 CFR 27.3	1990	$279,036
Oil/Hazardous Substances: Discharges (per day of violation) Judicial Assessment	33 USC 1321(b)(7)(A); 33 CFR 27.3	1990	$55,808
Oil/Hazardous Substances: Discharges (per barrel of oil or unit discharged) Judicial Assessment	33 USC 1321(b)(7)(A); 33 CFR 27.3	1990	$2,232
Oil/Hazardous Substances: Failure to Carry Out Removal/Comply With Order (Judicial Assessment)	33 USC 1321(b)(7)(B); 33 CFR 27.3	1990	$55,808
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	$55,808
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	$6,696
Oil/Hazardous Substances: Discharges, Gross Negligence—Minimum Penalty (Judicial Assessment)	33 USC 1321(b)(7)(D); 33 CFR 27.3	1990	$223,229
Marine Sanitation Devices; Operating	33 USC 1322(j); 33 CFR 27.3	1972	$9,399
Marine Sanitation Devices; Sale or Manufacture	33 USC 1322(j); 33 CFR 27.3	1972	$25,059
International Navigation Rules; Operator	33 USC 1608(a); 33 CFR 27.3	1980	$17,570
International Navigation Rules; Vessel	33 USC 1608(b); 33 CFR 27.3	1980	$17,570
Pollution from Ships; General	33 USC 1908(b)(1); 33 CFR 27.3	1980	$87,855
Pollution from Ships; False Statement	33 USC 1908(b)(2); 33 CFR 27.3	1980	$17,570
Inland Navigation Rules; Operator	33 USC 2072(a); 33 CFR 27.3	1980	$17,570

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Penalty	Authority	Year Enacted	Adjusted New Penalty
Inland Navigation Rules; Vessel	33 USC 2072(b); 33 CFR 27.3	1980	$17,570
Shore Protection; General	33 USC 2609(a); 33 CFR 27.3	1988	$61,982
Shore Protection; Operating Without Permit	33 USC 2609(b); 33 CFR 27.3	1988	$24,793
Oil Pollution Liability and Compensation	33 USC 2716a(a); 33 CFR 27.3	1990	$55,808
Clean Hulls; Civil Enforcement	33 USC 3852(a)(1)(A); 33 CFR 27.3	2010	$51,097
Clean Hulls; False statements	33 USC 3852(a)(1)(A); 33 CFR 27.3	2010	$68,129
Clean Hulls; Recreational Vessel	33 USC 3852(c); 33 CFR 27.3	2010	$6,813
Hazardous Substances, Releases Liability, Compensation (Class I)	42 USC 9609(a); 33 CFR 27.3	1986	$67,544
Hazardous Substances, Releases Liability, Compensation (Class II)	42 USC 9609(b); 33 CFR 27.3	1986	$67,544
Hazardous Substances, Releases Liability, Compensation (Class II subsequent offense)	42 USC 9609(b); 33 CFR 27.3	1986	$202,635
Hazardous Substances, Releases, Liability, Compensation (Judicial Assessment)	42 USC 9609(c); 33 CFR 27.3	1986	$67,544
Hazardous Substances, Releases, Liability, Compensation (Judicial Assessment subsequent offense)	42 USC 9609(c); 33 CFR 27.3	1986	$202,635
Safe Containers for International Cargo	46 USC 80509; 33 CFR 27.3	2006	$7,383
Suspension of Passenger Service	46 USC 70305; 33 CFR 27.3	2006	$73,837
Vessel Inspection or Examination Fees	46 USC 2110(e); 33 CFR 27.3	1990	$11,162
Alcohol and Dangerous Drug Testing	46 USC 2115; 33 CFR 27.3	1998	$9,086
Negligent Operations: Recreational Vessels	46 USC 2302(a); 33 CFR 27.3	2002	$8,219
Negligent Operations: Other Vessels	46 USC 2302(a); 33 CFR 27.3	2002	$41,093
Operating a Vessel While Under the Influence of Alcohol or a Dangerous Drug	46 USC 2302(c)(1); 33 CFR 27.3	1998	$9,086
Vessel Reporting Requirements: Owner, Charterer, Managing Operator, or Agent	46 USC 2306(a)(4); 33 CFR 27.3	1984	$14,149
Vessel Reporting Requirements: Master	46 USC 2306(b)(2); 33 CFR 27.3	1984	$2,830
Immersion Suits	46 USC 3102(c)(1); 33 CFR 27.3	1984	$14,149
Inspection Permit	46 USC 3302(i)(5); 33 CFR 27.3	1983	$2,951
Vessel Inspection; General	46 USC 3318(a); 33 CFR 27.3	1984	$14,149
Vessel Inspection; Nautical School Vessel	46 USC 3318(g); 33 CFR 27.3	1984	$14,149

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	$2,830
Vessel Inspection; Failure to Give Notice IAW 3309 (c)	46 USC 3318(i); 33 CFR 27.3	1984	$2,830
Vessel Inspection; Vessel ≥ 1600 Gross Tons	46 USC 3318(j)(1); 33 CFR 27.3	1984	$28,304
Vessel Inspection; Vessel <1600 Gross Tons	46 USC 3318(j)(1); 33 CFR 27.3	1984	$5,661
Vessel Inspection; Failure to Comply with 3311(b)	46 USC 3318(k); 33 CFR 27.3	1984	$28,304
Vessel Inspection; Violation of 3318(b)-3318(f)	46 USC 3318(l); 33 CFR 27.3	1984	$14,149
List/count of Passengers	46 USC 3502(e); 33 CFR 27.3	1983	$294
Notification to Passengers	46 USC 3504(c); 33 CFR 27.3	1983	$29,505
Notification to Passengers; Sale of Tickets	46 USC 3504(c); 33 CFR 27.3	1983	$1,474
Copies of Laws on Passenger Vessels; Master	46 USC 3506; 33 CFR 27.3	1983	$590
Liquid Bulk/Dangerous Cargo	46 USC 3718(a)(1); 33 CFR 27.3	1983	$73,764
Uninspected Vessels	46 USC 4106; 33 CFR 27.3	1988	$12,397
Recreational Vessels (maximum for related series of violations)	46 USC 4311(b)(1); 33 CFR 27.3	2004	$390,271
Recreational Vessels; Violation of 4307(a)	46 USC 4311(b)(1); 33 CFR 27.3	2004	$7,805
Recreational Vessels	46 USC 4311(c); 33 CFR 27.3	1983	$2,951
Uninspected Commercial Fishing Industry Vessels	46 USC 4507; 33 CFR 27.3	1988	$12,397
Abandonment of Barges	46 USC 4703; 33 CFR 27.3	1992	$2,100
Load Lines	46 USC 5116(a); 33 CFR 27.3	1986	$13,508
Load Lines; Violation of 5112(a)	46 USC 5116(b); 33 CFR 27.3	1986	$27,018
Load Lines; Violation of 5112(b)	46 USC 5116(c); 33 CFR 27.3	1986	$13,508
Reporting Marine Casualties	46 USC 6103(a); 33 CFR 27.3	1996	$47,061
Reporting Marine Casualties; Violation of 6104	46 USC 6103(b); 33 CFR 27.3	1988	$12,397
Manning of Inspected Vessels; Failure to Report Deficiency in Vessel Complement	46 USC 8101(e); 33 CFR 27.3	1990	$2,232
Manning of Inspected Vessels	46 USC 8101(f); 33 CFR 27.3	1990	$22,324

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Penalty	Authority	Year Enacted	Adjusted New Penalty
Manning of Inspected Vessels; Employing or Serving in Capacity not Licensed by USCG	46 USC 8101(g); 33 CFR 27.3	1990	$22,324
Manning of Inspected Vessels; Freight Vessel <100 GT, Small Passenger Vessel, or Sailing School Vessel	46 USC 8101(h); 33 CFR 27.3	1983	$2,951
Watchmen on Passenger Vessels	46 USC 8102(a)	1983	$2,951
Citizenship Requirements	46 USC 8103(f)	1983	$1,474
Watches on Vessels; Violation of 8104(a) or (b)	46 USC 8104(i)	1990	$22,324
Watches on Vessels; Violation of 8104(c), (d), (e), or (h)	46 USC 8104(j)	1990	$22,324
Staff Department on Vessels	46 USC 8302(e)	1983	$294
Officer's Competency Certificates	46 USC 8304(d)	1983	$294
Coastwise Pilotage; Owner, Charterer, Managing Operator, Agent, Master or Individual in Charge	46 USC 8502(e)	1990	$22,324
Coastwise Pilotage; Individual	46 USC 8502(f)	1990	$22,324
Federal Pilots	46 USC 8503	1984	$70,752
Merchant Mariners Documents	46 USC 8701(d)	1983	$1,474
Crew Requirements	46 USC 8702(e)	1990	$22,324
Small Vessel Manning	46 USC 8906	1996	$47,061
Pilotage: Great Lakes; Owner, Charterer, Managing Operator, Agent, Master or Individual in Charge	46 USC 9308(a)	1990	$22,324
Pilotage: Great Lakes; Individual	46 USC 9308(b)	1990	$22,324
Pilotage: Great Lakes; Violation of 9303	46 USC 9308(c)	1990	$22,324
Failure to Report Sexual Offense	46 USC 10104(b)	1989	$11,864
Pay Advances to Seamen	46 USC 10314(a)(2)	1983	$1,474
Pay Advances to Seamen; Remuneration for Employment	46 USC 10314(b)	1983	$1,474
Allotment to Seamen	46 USC 10315(c)	1983	$1,474
Seamen Protection; General	46 USC 10321	1993	$10,226
Coastwise Voyages: Advances	46 USC 10505(a)(2)	1993	$10,226

Penalty	Authority	Year Enacted	Adjusted New Penalty
Coastwise Voyages: Advances; Remuneration for Employment	46 USC 10505(b)	1993	$10,226
Coastwise Voyages: Seamen Protection; General	46 USC 10508(b)	1993	$10,226
Effects of Deceased Seamen	46 USC 10711	1983	$590
Complaints of Unfitness	46 USC 10902(a)(2)	1983	$1,474
Proceedings on Examination of Vessel	46 USC 10903(d)	1983	$294
Permission to Make Complaint	46 USC 10907(b)	1983	$1,474
Accommodations for Seamen	46 USC 11101(f)	1983	$1,474
Medicine Chests on Vessels	46 USC 11102(b)	1983	$1,474
Destitute Seamen	46 USC 11104(b)	1983	$294
Wages on Discharge	46 USC 11105(c)	1983	$1,474
Log Books; Master Failing to Maintain	46 USC 11303(a)	1983	$590
Log Books; Master Failing to Make Entry	46 USC 11303(b)	1983	$590
Log Books; Late Entry	46 USC 11303(c)	1983	$443
Carrying of Sheath Knives	46 USC 11506	1983	$148
Documentation of Vessels	46 USC 12151(a)(1)	2012	$19,324
Documentation of Vessels; Activities involving mobile offshore drilling units	46 USC 12151(a)(2)	2012	$32,208
Engaging in Fishing After Falsifying Eligibility (fine per day)	46 USC 12151(c)	2006	$147,675
Numbering of Undocumented Vessel; Willful violation	46 USC 12309(a)	1983	$14,754
Numbering of Undocumented Vessels	46 USC 12309(b)	1983	$2,951
Vessel Identification System	46 USC 12507(b)	1988	$24,793
Measurement of Vessels	46 USC 14701	1986	$54,038
Measurement; False Statements	46 USC 14702	1986	$54,038
Commercial Instruments and Maritime Liens	46 USC 31309	1988	$24,793
Commercial Instruments and Maritime Liens; Mortgagor	46 USC 31330(a)(2)	1988	$24,793
Commercial Instruments and Maritime Liens; Violation of 31329	46 USC 31330(b)(2)	1988	$61,982

Penalty	Authority	Year Enacted	Adjusted New Penalty
Port Security	46 USC 70119(a)	2002	$41,093
Port Security; Continuing Violations	46 USC 70119(b)	2006	$73,837
Maritime Drug Law Enforcement	46 USC 70506(c)	2010	$6,813
Hazardous Materials: Related to Vessels	49 USC 5123(a)(1)	2012	$96,624
Hazardous Materials: Related to Vessels; Penalty from Fatalities, Serious Injuries/ Illness or substantial Damage to Property	49 USC 5123(a)(2)	2012	$225,455
Hazardous Materials: Related to Vessels; Training	49 USC 5123(a)(3)	2012	$582

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 2023 were 89% versus the goal of 98%. Total interest paid in FY 2023 was $2,932,604.64 or $113.95 per million invoiced. During FY 2022 the total interest paid was $2,446,172.28 or $110.93 per million invoiced. The increase in interest paid from FY 2022 to 2023 is due to a combination of 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 2023 as well as a significant increase in interest rates used to calculate the interest penalties.

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 on 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
U.S. Department of Homeland Security

November 3, 2023

Major Management and Performance Challenges Facing the Department of Homeland Security

Why We Did This Report

This annual publication required by the *Reports Consolidation Act of 2000*, summarizes what the Office of Inspector General considers the most serious management and performance challenges facing the Department of Homeland Security (Department) and assesses its progress in addressing them. It is intended to help the Department improve program performance and ensure the effectiveness of its operations.

These challenges are based on the OIG's independent research, assessment of prior work, and professional judgement and are aligned to the Departments six strategic goals and 12 cross-functional priorities.

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

OIG identified four overarching challenges - *transparency*, *accountability*, *efficiency*, and *sustainability* - that reflect vulnerabilities affecting a broad spectrum of the Department's programs, operations, and responsibilities. These challenges may hinder its ability to advance essential missions and protect the Nation and its citizens.

We aligned the four overarching challenges to the Department's six strategic goals and assessed the potential impact to program operations and the Department's ability to meet the goals and objectives established in its strategic plan. The Department's six strategic goals are:

- Counter Terrorism and Homeland Security Threats
- Secure U.S. Borders and Approaches
- Secure Cyberspace and Critical Infrastructure
- Preserve and Uphold the Nation's Prosperity and Economic Security
- Strengthen Preparedness and Resilience
- Champion the DHS Workforce and Strengthen the Department.

We also summarized actions the Department has taken, is taking, or should take to further address the overarching challenges. Recent Progress sections in this report reflect progress reported by the Department and its components and have not been validated by the OIG. These challenges are not wholly representative of all vulnerabilities confronting the Department. OIG publishes reports throughout the year that highlight specific opportunities to improve programs and operations.

OIG-24-05

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U.S. Department of Homeland Security

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Abbreviations

A-File	Alien File
AI	artificial intelligence
APR	Annual Performance Report
CBP	U.S. Customs and Border Protection
CISA	Cybersecurity and Infrastructure Security Agency
CSS	cell-site simulators
CTMS	Cybersecurity Talent Management System
DOJ	Department of Justice
FEMA	Federal Emergency Management Agency
FBI	Federal Bureau of Investigation
FISMA	Federal Information Security Modernization Act of 2014
GAGAS	Generally Accepted Government Auditing Standards
GDA	Geospatial Data Act of 2018
HSI	ICE's Homeland Security Investigations
HQ	DHS Headquarters
ICE	U.S. Immigration and Customs Enforcement
IMF	CBP's International Mail Facility
IT	information technology
KPI	key performance indicators
LPOE	land ports of entry
OCIO	Office of the Chief Information Officer
OFAM	CBP's Office of Facilities and Asset Management
PBNDS 2011	Performance-Based National Detention Standards 2011
SIP	Coast Guard's Streamlined Inspection Program
SOR	system(s) of record
TBML	trade-based money laundering
TEDS	National Standards on Transport, Escort, Detention, and Search
TSA	Transportation Security Administration
USCIS	U.S. Citizenship and Immigration Services

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Background

In the wake of the September 11, 2001, terrorist attacks, Congress passed the *Homeland Security Act*, which established the Department of Homeland Security (Department) and combined the functions of 22 Federal departments and agencies with broad responsibilities to secure the Nation from threats. Since its inception, the Department has matured its mission areas to collectively prevent attacks, mitigate threats, respond to national emergencies, and preserve economic security. However, the Nation faces an ever-changing threat landscape, which presents a multitude of complex risks for the Department.

A clear strategic plan is an essential element in achieving and advancing the Department's mission to protect American people from threats to their security. The Department's 2020 – 2024 Strategic Plan established a common framework to analyze and inform management decisions, and included strategic guidance for mission execution, operational requirements, and annual performance reporting. The Department's complex security mission requires close coordination and collaboration across components, and with other government and private entities, to execute strategic objectives and achieve strategic goals.

The Department relies on strategic guidance that outlines specifics, such as roles, responsibilities, policies, procedures, reportable measures focused on efficient and effective operations, and sustainability of future operations. Implementing strategic planning foundational principles, such as ***transparency***, ***accountability***, ***efficiency***, and ***sustainability***, helps the Department ensure effective operations; however, deficiencies in these areas may result in the inability to effectively execute programs and advance the organization's mission.

Office of Inspector General
U.S. Department of Homeland Security

Summary of Major Management Challenges

*"...the overarching major management challenges – **transparency, accountability, efficiency**, and **sustainability** – span across multiple Department mission areas, impact day to day operations and its ability to secure the Nation from threats."*

The challenges outlined in this report are a culmination of our judgment, independent research, including discussions with internal and Department component Senior Leaders, and review of our own audits, inspections, and evaluations, as well as relevant U.S. Government Accountability Office reports. We further analyzed recent Congressional testimony and the Department's Strategic Plan and Annual Performance Reports (APR). Based on our assessment, the overarching major management challenges - **transparency**, **accountability**, **efficiency**, and **sustainability** - span across multiple Department mission areas, impact day-to-day operations, and its ability to secure the Nation from threats. We identified a pattern of weaknesses in key operational and programmatic impact areas that, when coupled with barriers to adaptation, impair the Department's ability to provide **efficient** and effective programs now and in the future, and have cascading effects on whole-of-government strategies.

In this report, we aligned the overarching major management challenges with the Department's six strategic goals and 12 cross-functional priorities. Additionally, we describe potential risks associated with each of the four challenges and summarize actions the Department has taken, is taking, or needs to take to further address the foundational challenges. The Department's six strategic goals are:

- Counter Terrorism and Homeland Security Threats
- Secure U.S. Borders and Approaches
- Secure Cyberspace and Critical Infrastructure
- Preserve and Uphold the Nation's Prosperity and Economic Security
- Strengthen Preparedness and Resilience
- Champion the DHS Workforce and Strengthen the Department.

The overarching major management challenges, **transparency**, **accountability**, **efficiency**, and **sustainability**, weave throughout program performance outlined in the Department's APRs. When considering the self-reinforcing nature of these foundational challenges, incremental adjustments to improve **transparency**, **accountability**, **efficiency**, and **sustainability** within the Department's programs and operations can result in a force multiplying effect that advances the Department's mission and secures the Nation from threats.

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2024 Major Management and Performance Challenges

Transparency is the Department sharing information with citizens and stakeholders. Policy, budget, and programmatic information allows stakeholders to make informed decisions, and if appropriate, hold officials **accountable** for their conduct and decisions.

Accountability is the Department's obligation to report, explain, or justify actions and decisions made regarding performance, deficiencies, services, and costs. **Accountability** ensures stakeholders have the information (**transparency**) and ability to hold Department officials responsible for program **efficiencies**, or **inefficiencies**, including actions to promote **sustainability**. Roles and responsibilities should be outlined clearly in strategic guidance (**accountability**).

Figure 1: Effective Operations

Efficiency is the Department's ability to reduce waste in resources, cost, time, and effort while still producing the intended outcome, product, or service. **Efficiency** requires a clearly defined and measurable objective that is bolstered by formal and sufficient strategic guidance (**transparency**), including roles and responsibilities (**accountability**), adequate resources, such as reliable and accessible data (**transparency**), modernized technology, and proper workforce support, and the capacity to adapt as necessary to new and emerging threats (**sustainability**).

Sustainability is the Department's ability to support organizational needs and processes, as well as the overarching mission, both now and in the future. **Sustainability** is accomplished through implementing **efficient** practices. Tracking and reporting program execution (**transparency**) ensures stakeholders can hold Department officials **accountable** for proper implementation and program **sustainability**.

Figure 2: Barriers to Effective Operations

Counter Terrorism and Homeland Security Threats

Components Impacted

All

Related Strategic Priority

7 & 12

The Department's recent APRs include numerous challenges and risks its components face relating to their ability to counter terrorism and homeland security threats, including but not limited to:

- expanding and identifying new operating resources for real-time response and analysis that incorporate multi-modal biometric and analytical tools
- ensuring enhanced technology is available to improve workforce detection capabilities, alarm resolution, and next generation On-Person Screening requirements
- developing automatic vetting engine queries to identify insider threat data
- ensuring information originated from other Intelligence Community agencies needed by our state, local, tribal, territorial, and private sector customers can be provided, and analyzed, on a timely basis at the unclassified level.

DHS Strategic Goal

One of the Department's top priorities is to resolutely protect Americans from terrorism and other homeland security threats by preventing nation-states and their proxies, transnational criminal organizations, and groups or individuals from engaging in terrorist or criminal acts that threaten the Homeland. In recent years, terrorists and criminals have increasingly adopted new techniques and advanced tactics in an effort to circumvent homeland security and threaten the safety, security, and prosperity of the American public and our allies. The rapidly evolving threat environment demands a proactive response by DHS and its partners to identify, detect, and prevent attacks against the United States.

Recent Office of Inspector General Reports

- DHS Did Not Consistently Comply with National Instant Criminal Background Check System Requirements (OIG-23-05)
- Secret Service and ICE Did Not Always Adhere to Statute and Policies Governing Use of Cell-Site Simulators (REDACTED) (OIG-23-17)
- CBP Released a Migrant on a Terrorist Watchlist, and ICE Faced Information Sharing Challenges Planning and Conducting the Arrest (REDACTED) (OIG-23-31)
- ICE Has Limited Ability to Identify and Combat Trade-Based Money Laundering Schemes (OIG-23-41)

Source: Department

Accountability

Performing essential functions timely is at the core of effective homeland security operations, including sharing actionable intelligence. Countering terrorism and homeland security threats require an aggressive response by the Department and its partners to identify, detect, and prevent attacks on the Nation. To advance this mission, the Department must collect, integrate, analyze, and share actionable intelligence with partners, stakeholders, and senior leaders to inform decisions and operations. Ensuring reliable data is coordinated, timely, and accessible and that modernized technologies are available and used responsibly may improve the Department's ability to counter terrorism and homeland security threats. In instances where organizational responsibilities are not accomplished and result in program **inefficiencies** or minimize **transparency**, Department officials must accept **accountability**. While the Department has taken numerous steps to protect the nation from terrorism and other security threats, enhanced **accountability**, especially in areas where weaknesses were previously identified, could help the Department in meeting its mission goals.

Vulnerabilities Resulting from Accountability Challenges

Department components, along with other Federal agencies, are required to submit complete and accurate certifications detailing the number of records reported to the National Instant Criminal Background Check System, which are then summarized and included in the Department of Justice's (DOJ) required report to Congress. However, OIG found that the Department submitted inaccurate semiannual certifications to DOJ. The Department's submission precipitated an inaccurate semiannual report to Congress and impacted **transparency** between stakeholders.

Prior OIG work further revealed that while **accountable** for collecting and submitting key information to the Federal Bureau of Investigation (FBI), U.S. Customs and Border Protection (CBP) did not always follow established processes. Specifically, CBP is responsible for interdicting migrants suspected of entering the United States without inspection and conducting national security threat screenings. This screening includes collecting and submitting biographical and biometric information to the FBI's Terrorist Screening Center. In one reported instance, CBP used an "Alternative to Detention" technology for tracking and monitoring and released a migrant prior to sharing critical information with the Terrorist Screening Center. Proper reporting would have confirmed a positive terrorist watchlist match before release. In this instance, limited **accountability** of responsibilities bestowed upon the Department impacted program **efficiency**, **sustainability**, and **transparency**, and increased potential risks to national security and public safety.

Further, while some Department components are **accountable** for creating and submitting prohibition records that are essential in conducting background checks on persons purchasing a firearm, work conducted by the OIG revealed that the Department did not submit all required firearms data to DOJ. Specifically, Department components had not consistently ensured that missing disposition information, such as the nature and outcome of criminal proceedings, were updated and did not always respond timely or sufficiently to inquiries. When disposition data, either approving or denying a firearm's sale, is not received within 3 business days, licensed sellers may transfer firearms at their discretion. As such, the lack of **accountability** by the Department led to decreased **transparency** and, in this situation, ultimately increased the risk of a wrongful firearms transfer.

Efficiency

The Department's strategic goal to counter terrorism and homeland security threats focuses on instituting actions that will detect, disrupt, mitigate, and guard against homeland security threats, as well as inform decision makers. To meet these desired outcomes, the Department must ensure **efficiency** within its operations to include deploying its resources, funds, time, and effort.

One aspect of **efficiency** hinges on the Department's development, implementation, and use of technologies that help eliminate administrative burden, improve response time, and aid in criminal investigations, among many other benefits. The Department has a responsibility to the American people to innovate in support of its mission and to do so responsibly and deliberately. However, issues previously reported by OIG highlight **inefficiencies** within the Department as demonstrated by a lack of electronic processes and a less than responsible use of technology.

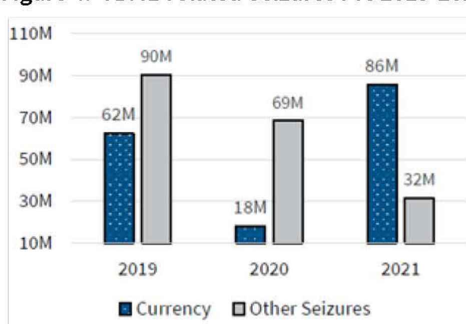
Vulnerabilities Resulting from Efficiency Challenges

Figure 3: Example of a TBML Scheme

Source: OIG depiction of a simple TBML scheme using under-invoicing

ICE's Homeland Security Investigations (HSI) Trade Transparency Unit is responsible for combatting trade-based money laundering (TBML) in the United States. TBML is a scheme that disguises criminal proceeds by using legitimate trade transactions. The Trade Transparency Unit does not have automated technology to identify import commodities at high risk for TBML schemes. Instead, HSI agents identify TBML activities through time-consuming manual searches of import records. Without **efficiencies**, such as resources necessary to analyze and identify suspicious transactions and schemes, TBML-related imports will remain undetected, allowing transnational criminal organizations to continue laundering illicit proceeds to finance activities that threaten national security.

Figure 4: TBML-related Seizures FYs 2019-2021



Source: OIG analysis of ICE enforcement statistics

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Vulnerabilities Resulting from Efficiency Challenges (continued)

When conducting its work, to include preparation for and ensuing arrests, U.S. Immigration and Customs Enforcement (ICE) officials rely on information contained within migrant Alien Files (A-Files). A-Files contain records of migrants as they move through the immigration process and may include visas, photographs, affidavits, immigration forms, and correspondence. Unfortunately, **inefficiencies** resulting from manual organizational processes exist and in one specific case, this setback resulted in the delayed arrest of a migrant confirmed to be on the Terrorist Watchlist. These **inefficiencies,** reported in prior OIG work, include the untimely receipt of necessary files by ICE personnel and the overabundance of paper A-Files, which can number in the thousands on a weekly basis, all which must be sorted, boxed, and shipped to offices nationwide. Implementing electronic processes could improve program **efficiencies** by ensuring actionable data is readily available to officers in need.

Figure 5: Depiction of CSS

Source: OIG Analysis of CSS Operations

Recent Progress Reported by the Department

The Department reported that it is currently implementing processes to improve program efficiencies, such as transferring migrant documentation electronically and ensuring actionable data is readily available to officers in need.

In contrast, both the United States Secret Service (Secret Service) and ICE HSI implemented advanced technologies to assist in real time location of subjects of criminal investigations and victims. However, the possible exclusion of case evidence, gained through use of these technologies, highlights a need for process **efficiencies** within Secret Service and ICE HSI. Cell-site simulators (CSS) track individuals based on their cellular device location. To ensure compliance with the United States Constitution (i.e., protection from unreasonable searches and seizures by the government), and other applicable statutory authorities, the Department established a policy that incorporates internal controls and **accountability** requirements, such as obtaining warrants and court orders. However, the absence of warrants and court orders in some instances where CSS was used during criminal investigations involving exigent circumstances, highlights **inefficiencies** in the implementation of the Department's policy.

Secure U.S. Borders and Approaches

Components Impacted

CBP, ICE, TSA, USCIS, Coast Guard, HQ/Support

Related Strategic Priority

9 & 10

DHS Strategic Goal

Secure borders are essential to our national sovereignty. Managing the flow of people and goods into the United States is critical to maintaining our national security. Illegal aliens[3] compromised the security of our Nation by illegally entering the United States or overstaying their authorized period of admission. Illegal aliens who enter the United States and those who overstay their visas disregard our national sovereignty, threaten our national security, compromise our public safety, exploit our social welfare programs, and ignore lawful immigration processes. As a result, DHS is implementing a comprehensive border security approach to secure and maintain our borders, prevent and intercept foreign threats so they do not reach U.S. soil, enforce immigration laws throughout the United States, and properly administer immigration benefits.

Recent OIG Reports

- ❖ Intensifying Conditions at the Southwest Border Are Negatively Impacting CBP and ICE Employees' Health and Morale (OIG-23-24)
- ❖ Results of an Unannounced Inspection of Northwest ICE Processing Center in Tacoma, Washington (OIG-23-26)
- ❖ CBP Facilities in Vermont and New York Generally Met TEDS Standards, but Details to the Southwest Border Affected Morale, Recruitment, and Operations (OIG-23-27)
- ❖ Results of Unannounced Inspections of CBP Holding Facilities in the Rio Grande Valley Area (OIG-23-28)
- ❖ Results of Unannounced Inspections of CBP Holding Facilities in the Yuma and Tucson Areas (OIG-23-29)
- ❖ Results of an Unannounced Inspection of ICE's Stewart Detention Center in Lumpkin, Georgia (OIG-23-38)
- ❖ CBP Outbound Inspections Disrupt Transnational Criminal Organization Illicit Operations (REDACTED) (OIG-23-39)
- ❖ USCIS Has Generally Met Statutory Requirements to Adjudicate Asylum Applications from Paroled Afghan Evacuees (OIG-23-40)
- ❖ CBP Could Do More to Plan for Facilities Along the Southwest Border (OIG-23-45)
- ❖ DHS Does Not Have Assurance That All Migrants Can be Located Once Released into the United States (OIG-23-47)
- ❖ Results of Unannounced Inspections of CBP Holding Facilities in the El Paso Area (OIG-23-50)

The Department's recent APRs include numerous challenges and risks its components face relating to their ability to secure U.S. borders and approaches, including but not limited to:

- ❖ changing job requirements and policy shifts, such as domestic immigration policy
- ❖ challenging work locations
- ❖ hiring issues due to public perception of law enforcement and burdensome processes to vet and onboard new personnel
- ❖ scaling up operations to meet increased program demand.

[3] The Department's 2020-2024 Strategic Plan uses the term "illegal alien"; however, the current preferred term is "undocumented citizens."

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Transparency

Managing the flow of people and goods into the United States is critical to maintain national security. As such, the Department performs operations to safeguard from terrorism and illegal entry of persons and facilitates the flow of legitimate travelers and trade under immigration, customs, and other laws. The Department may detain people who are inadmissible, deportable, or subject to criminal prosecution in short- and long-term detention facilities, as appropriate. Ultimately, the Department is responsible for repatriating, releasing, or transferring detainees to other agencies. Ensuring internal controls are applied and resources are made available to protect Department staff and detainees, alike, is essential to supporting mission requirements.

Maintenance and availability of accurate records are vital when informing stakeholders, including Congress, on program efforts. Challenges in **transparency** are highlighted by the Department's inability to provide data and information to support decisions and ongoing efforts related to securing the U.S. borders.

Vulnerabilities Resulting from Transparency Challenges

In conducting its mission responsibilities, the Department employs multiple systems of record (SORs), such as the Unified Secondary System utilized to process individuals entering the United States at ports of entry, and the "e3" portal used to collect and transmit data related to law enforcement activities. According to the *National Standards on Transport, Escort, Detention, and Search* (TEDS), "[a]ll custodial actions, notifications, and transports that occur after the detainee has been received into a CBP facility must be accurately recorded in the appropriate electronic system(s) of record as soon as practicable." While accurate, complete, and consistent data is critical for CBP to monitor the care of detainees and to ensure compliance with TEDS and other applicable standards, data integrity issues within these SORs have been a recurring theme for CBP. For example, migrants no longer at facilities remained on roll call reports which should list only detainees currently in custody. Additionally, meals and showers were erroneously logged, and health interviews and medical assessments were not properly documented. Unreliable data and inaccurate reporting of detention conditions further highlight the Department's **transparency** challenges.

ICE is required to complete the detainee classification process and initial housing assignments within 12 hours of a detainee's admission to a facility. However, while ICE time stamped admission documentation, it did not time stamp classification forms, making it impossible to calculate the time elapsed between admission and classification. As a result, there is no **transparency** or assurance that ICE adhered to standards put in place to protect detainee's safety and security.

Figure 6: Individuals at the Limit Line Waiting to Enter the United States

Source: OIG photo

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Vulnerabilities Resulting from Transparency Challenges (continued)

The Department is responsible for creating and preserving records that document decisions, procedures, and essential transactions for programs such as detainee facility planning. In 2019, because of spikes in migrant encounters, CBP began awarding contracts for temporary soft-sided facilities to supplement its existing permanent facilities. Over a 4-year period, CBP funded more than $1.27 billion in contract task orders for temporary facilities. However, although a significant decline in migrant encounters began in March 2020, CBP did not reassess needs or consider alternatives for temporary facilities and did not consistently document whether cost-benefit analyses were conducted to support informed decision-making regarding the need for facilities, potentially expending more funds than necessary. Further, when requested, the Department was unable to provide sufficient documentation to support decisions it made regarding planning for detention facilities. The advantage of conducting cost benefit analyses to ensure prudent spending of taxpayer dollars was underscored in May 2022, when CBP concluded that temporary facilities are a cost-effective solution if anticipated utilization is under 6 years, at which point CBP could have funded a permanent facility. Unfortunately, these analyses are not a consistent part of CBP's facilities planning process and, in this instance, were only conducted to address a congressional request. As a result, CBP decisions regarding detention facilities may not represent the best interest of taxpayers or be an **efficient** use of taxpayer funding.

Recent Progress Reported by the Department

The Department reported receiving appropriations in fiscal year 2022 to construct two permanent joint processing centers to reduce reliance on temporary facilities.

CBP's Office of Field Operations is responsible for protecting the American people, safeguarding the Nation's borders, and enhancing U.S. economic prosperity at 328 ports of entry at land, air, sea, and preclearance locations. To support its mission, CBP deploys a series of video surveillance cameras, including at land ports of entry (LPOE), which feed into centralized video surveillance systems monitored at command centers and workstations. Per CBP policy, video surveillance systems, including those at LPOEs, are to have an uninterruptible power supply and be designed to operate 24 hours a day, 7 days a week. However, some LPOEs and a command center were not connected to adequate emergency back-up power and experienced multiple power outages, one lasting more than 24 hours. Inadequate emergency power during an outage eliminates **transparency** in sharing potentially critical information and poses real-time, significant security and safety risks for the traveling public, CBP employees, and supporting workforce in impacted LPOE areas. For instance, power outages limit information available to CBP and law enforcement in the event of a significant security, operational, or integrity incident. Additionally, extended power outages impact CBP's ability to **efficiently** process and vet travelers.

Figure 7: Soft-Sided Facility at Laredo, Texas

Source: CBP website as of February 3, 2023

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Unaudited

Accountability

Enforcing immigration laws focused on protecting national security is critical, especially as an increasing number of migrants are entering the United States and are subsequently detained or released into the country. The Department issues standards to guide the safety, security, and care for detainees while in custody. In addition, the Department requires critical information to locate migrants after they are released to administer immigration enforcement actions or provide notifications of upcoming immigration proceedings and court hearings.

Vulnerabilities Resulting from Accountability Challenges

When CBP detains people who are inadmissible to the United States or subject to criminal prosecution, it relies on TEDS, which incorporates best practices and reflects key legal and regulatory requirements, including provisions for transport, escort, detention, search, care of at-risk individuals in custody, and personal property, among many others. Similarly, when ICE detains noncitizens pending their immigration proceedings, the *Performance-Based National Detention Standards 2011*, (PBNDS 2011), revised in 2016, sets expectations for various services ICE is required to provide to detainees, such as medical and mental health services, legal services, communication services for noncitizens with limited English proficiency, a grievance process, and more. Although the Department is **accountable** for complying with these standards, its components do not consistently meet requirements put in place to ensure the safety, security, and care for detainees and facility staff.

Figure 8: Detainees in Overcrowded Cell

Source: OIG photos

Table 1: Detainee Time in Custody for Three CBP Facilities Inspected in FY 2023

Total Detainee Population	Number over 72 Hours	Percentage over 72 Hours
5,535	**2,833**	**51.2%**

Source: Based on analysis of CBP data in OIG Reports (OIG-23-03, OIG-23-28, OIG-23-29)

Table 2: CBP Facilities Over Maximum Capacity

CBP Facility (Month and Year of Inspection)	Detainee Population	Maximum Facility Capacity	Percentage of Facility Capacity
El Centro Border Patrol Station (March 2022)	297	291	102%
Yuma Centralized Processing Center (July 2022)	1,689	875	193%
Tucson Coordination Center (November 2022)	143	100	143%
El Paso Modular Centralized Processing Center (November 2022)	1,903	1,040	183%

Source: Based on analysis of CBP data in OIG Reports (OIG-23-03, OIG-23-29, OIG-23-50)

Based on OIG inspections conducted in fiscal year 2023, four facilities exceeded maximum facility capacity, including some holding cells near or over 200 percent capacity. Additionally, for three of the facilities reviewed, 51 percent (or 2,833) of the total detainees in custody exceeded the 72-hour TEDS standards (see Tables 1 and 2).

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Vulnerabilities Resulting from Accountability Challenges (continued)

ICE Facilities inspected did not comply with PBNDS 2011 requirements, such as with Staff-Detainee Communication and Grievance System requirements. Table 3 provides a sample of non-compliance with detention standards published in OIG's FY 2023 Inspection Reports.

Table 3: PBNDS 2011 Total Requirements Violated by ICE Facility Inspected

Port Isabel Service Center	Richwood Correctional Center	Northwest ICE Processing Center	Stewart Detention Center	Caroline Detention Facility
7	5	4	5	8

Source: Based on analysis of ICE data in OIG Reports (OIG-23-13, OIG-23-18, OIG-23-26, OIG-23-38, OIG-23-51)

Figures 9-11: Torn and dilapidated mattresses and stained shower in detainee housing units.

Source: OIG photos

In accordance with PBNDS 2011, facilities are required to provide medical and support personnel sufficient to perform duties, such as initial health screenings, preventative care, diagnoses, health education, and treatments. ICE is **accountable** for ensuring adequate medical care is provided to detainees. However, some ICE detention facilities do not have medical staff necessary to accommodate the contracted minimum population or its maximum capacity. ICE's inability to provide the appropriate number of medical staff highlights an ongoing challenge in ensuring medical care standards are met at ICE facilities across the country.

Between March 2021 and August 2022, CBP apprehended more than 1.3 million migrants illegally entering the United States across the Southwest border. Under various authorities, certain non-citizens, on a case-by-case basis, can be released into the United States. The Department released more than 1 million migrant individuals and families during that same period, March 2021 to August 2022. Department personnel are **accountable** for obtaining and verifying post-release addresses when processing migrants for release. However, while **accountable** for obtaining this critical information, more than 54,000 address records were left blank for the period reviewed. Additionally, more than 177,000 migrant records contained missing, invalid, or not legitimate residential locations. According to the Department, CBP's ability to obtain address information is contingent on migrants providing a valid address, which is not always possible. As such, valid addresses for migrants were not always received, recorded, or validated prior to their release into the United States. As a result of incomplete or invalid information, ICE may be unable to locate migrants to administer immigration enforcement actions, such as arresting individuals who pose potential threats to national security, issuing final orders of removal, or providing notifications of upcoming immigration proceedings and court hearings. With the number of migrants entering the United States increasing and because CBP must release migrants in cases where the migrant does not have an address or the address is unhabitable, **accountability** related to address validation will likely remain a challenge in the future.

Efficiency

The ability to provide and use resources is key to advancing the Department's mission. However, the Department struggles to properly staff program functions, advance technology, and minimize waste, hampering its efforts to **efficiently** maintain the safety and security of U.S. borders. Shifts in U.S. immigration and border policies, migrant surges, the COVID-19 pandemic, and the overall rising number of migrant encounters along the Southwest border have resulted in a significant increase in CBP and ICE workloads. For instance, the continual surge in encounters at the Southwest border emphasizes the vital need for appropriate levels of law enforcement personnel. However, the Department's mission needs are currently outpacing its ability to timely recruit, hire, and retain personnel with the right skills and expertise, impacting its ability to **efficiently** address mission needs and adapt to the everchanging environment on the Southwest border. Additionally, in the Department's APR, CBP reported that negative public perception of law enforcement, undesirable job locations, and burdensome processes to vet and onboard new personnel hinder the hiring process (**sustainability**).

Vulnerabilities Resulting from Efficiency Challenges

Despite significant increases in CBP and ICE workloads, staffing levels remain stagnant. Solutions employed by the Department impact **efficiency** in conducting mission responsibilities and highlight challenges with **accountability** and **sustainability**. As a result of stagnant staffing levels, detail opportunities and overtime are used to temporarily address border encounters; however, as previously reported in other OIG reports, these techniques negatively impact the health and morale of law enforcement personnel. Specifically, employees reported feeling overworked and unable to perform their primary law enforcement duties (**accountability**). Increased workloads and low morale have the potential to result in higher employee turnover, further exacerbating staffing issues. Overall, the temporary solutions employed by the Department limit CBP and ICE's ability to perform their mission (**efficiency**) and raise questions as to their **sustainability**.

Source: CBP

Recent Progress Reported by the Department

The Department reported in its APR that ICE requested direct-hire authority to address staffing challenges and seeks multi-year dedicated permanent-change-of-station funding to align investigative resources geographically to mission requirements.

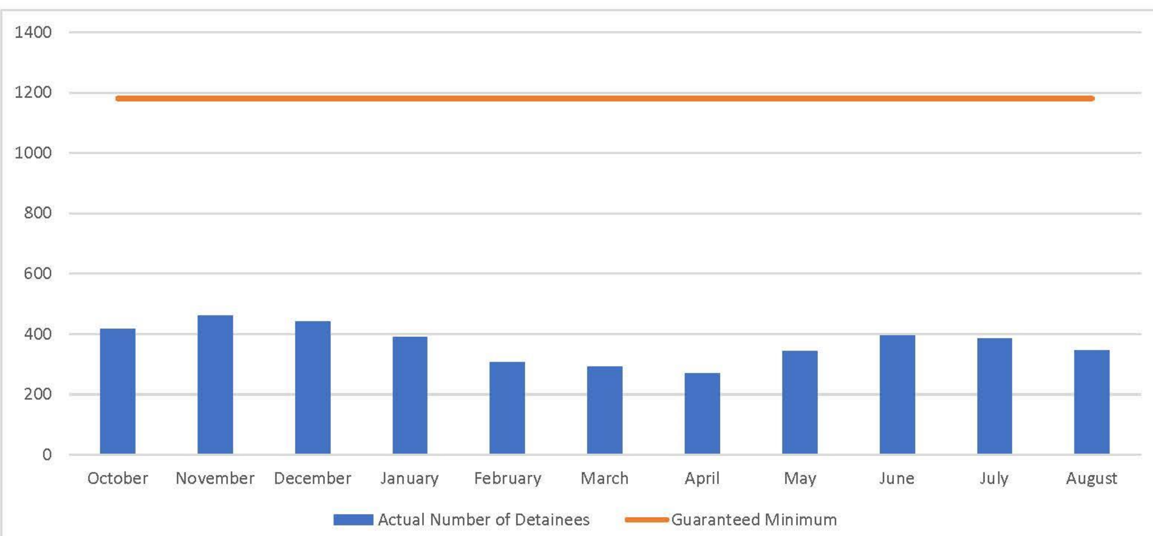
Further, CBP's continued reliance on detailed law enforcement personnel impacted its ability to effectively conduct mission operations. CBP's movement of northern border agents to the Southwest border limited the scheduling of staff for significant enforcement operations, including disrupting cross-border smuggling and assisting with criminal cases (**accountability**). Additionally, an increased reliance on mandatory staff details to the Southwest Border could affect custodial operations, to include CBP's ability to adhere to TEDS timely transfer standards from short-term holding facilities (**efficiency**).

Vulnerabilities Resulting from Efficiency Challenges (continued)

As previously noted, challenges specific to detainee facility planning existed within the Department because of its inability to provide data and information to support critical decisions. However, **efficiency** challenges, exacerbated by limited **transparency**, resulted in some detainee facilities maintaining fewer subjects in custody than capacity limits allowed, while others consistently exceeded their holding capacity. This lack of **efficiency** resulted in the Department potentially spending money on facilities that are not cost effective and in the best interest of taxpayers.

The unnecessary expenditure of more than $61 million in taxpayer funds indicates less than effective management of facilities contracts for detention of migrants. ICE Enforcement and Removal Operations oversee roughly 130 detention facilities which are managed in conjunction with private contractors, state, or local governments. These ICE established facility contracts ensure a fixed daily rate minimum payment to the contractor. As part of unannounced inspections, OIG determined that these funds were dispersed for unused bed space under the guaranteed minimum for a 1-year period. Table 4 illustrates a noticeable and costly gap between the actual number of detainees at Northwest ICE Processing Center compared with the facility's guaranteed minimum. Detention of migrants is critical for ensuring **efficient** border security operations; however, consideration of alternatives or reassessment of facility contracts may be necessary to remediate **inefficiencies** related to facility cost.

Table 4: Average Monthly Detainee Population Compared with the Contracted Guaranteed Minimum at Northwest during fiscal year 2022



Source: OIG analysis of ICE data

Vulnerabilities Resulting from Efficiency Challenges (continued)

Paper-based processes can eliminate organizational resource **efficiencies**, such as those associated with increased staffing, time expended, and costs incurred. In August 2021, the Department was designated to lead and coordinate Operation Allies Welcome, to support Afghans resettling in the United States after the collapse of the Afghan central government. Asylum applications are required to be processed within three business days; however, as a result of paper-based processes and the high application volume, one United States Citizenship and Immigration Services (USCIS) processing center reported a 5-month processing delay and a backlog of 30,000 asylum applications. These delays highlighted the need for implementing **efficiencies** in the asylum application process.

Recent Progress Reported by the Department

In November 2022, online filing for asylum applications became generally available. The process changes USCIS implemented improved the ***efficiency*** *of receiving and entering applications and reduced data entry delays and backlog.*

Sustainability

Adequate program oversight allows the Department to effectively manage programs and make informed decisions to ensure mission operations are **sustainable**. Yet, in many instances, the Department had not formalized comprehensive approaches to carry out program functions. Developing and implementing comprehensive plans can help ensure the Department expends monies in the best interest of taxpayers, is better prepared for future migrant surges, and is better positioned to avoid overcrowding and inhumane conditions. Through enhanced oversight and implementing consistent and **efficient** practices, the Department could recognize greater **sustainability** in critical border operations.

Vulnerabilities Resulting from Sustainability Challenges

Figure 12: Firearms Warning

Source: OIG photo

CBP does not currently have a nationwide program that ensures inspection of outbound personal vehicles and pedestrians at land border crossings are consistent and effective in preventing the illegal exportation of currency, firearms, explosives, ammunitions, and narcotics. However, as previously identified, when applied consistently, outbound inspections are an effective tool to deter criminal activity.

Recent Progress Reported by the Department

CBP reported that it is developing a final comprehensive policy that incorporates planning for temporary and permanent detention facilities along the Southwest border.

Secure Cyberspace and Critical Infrastructure

Related Strategic Priority
8

Components Impacted

CISA, FEMA, ICE, TSA, Coast Guard, Secret Service, HQ/Support

DHS Strategic Goal

Increased connectivity of people and devices to the Internet and to each other has created an ever- expanding attack surface that extends throughout the world and into almost every American home. As a result, cyberspace has become the most active threat domain in the world and the most dynamic threat to the Homeland. Nation-states and their proxies, transnational criminal organizations, and cyber criminals use sophisticated and malicious tactics to undermine critical infrastructure, steal intellectual property and innovation, engage in espionage, and threaten our democratic institutions. By 2021, cybercrime damages are likely to exceed $6 trillion per year. Moreover, the interconnectivity of critical infrastructure systems raises the possibility of cyber attacks that cause devastating kinetic and non-kinetic effects. As innovation, hyper-connectivity, and digital dependencies all outpace cybersecurity defenses, the warning signs are all present for a potential "cyber 9/11" on the horizon.

Critical infrastructure provides the services that are the backbone of our national and economic security and the health and well-being of all Americans. Cybersecurity threats to critical infrastructure are one of the most significant strategic risks for the United States, threatening our national security, economic prosperity, and public health and safety. In particular, nation-states are targeting critical infrastructure to collect information and gain access to industrial control systems in the energy, nuclear, water, aviation, and critical manufacturing sectors. Additionally, sophisticated nation-state attacks against government and private-sector organizations, critical infrastructure providers, and Internet service providers support espionage, extract intellectual property, maintain persistent access on networks, and potentially lay a foundation for future offensive operations.

Meanwhile, the heightened threat from physical terrorism and violent crime remains, increasingly local and often aimed at places like malls and theaters, stadiums, and schools. Moreover, the advent of hybrid attacks, where adversaries use both physical and electronic means to inflict and compound harm, renders the threat landscape more challenging than ever.

The Department's recent APRs include numerous challenges and risks its components face relating to their ability to secure cyberspace and critical Infrastructure, including but not limited to:

- addressing existing and future threats such as degradation of critical infrastructure and evolving technology
- hiring and onboarding staff
- planning for increasingly complex cyber incidents and defending against cybercriminals operating overseas with impunity, enabled by nation-states.

Recent OIG Reports

- CISA Made Progress but Resources, Staffing, and Technology Challenges Hinder Cyber Threat Detection and Mitigation (OIG-23-19)
- Evaluation of DHS' Information Security Program for Fiscal Year 2022 (OIG-23-21)
- Evaluation of DHS' Compliance with Federal Information Security Modernization Act Requirements for Intelligence Systems for Fiscal Year 2022 (OIG-23-30)
- FEMA Did Not Always Secure Information Stored on Mobile Devices to Prevent Unauthorized Access (OIG-23-32)
- ICE Should Improve Controls to Restrict Unauthorized Access to Its Systems and Information (OIG-23-33)
- Cybersecurity System Review of the Transportation Security Administration's Selected High Value Asset (OIG-23-44)
- Homeland Advanced Recognition Technology System Compliance with 28 C.F.R. Part 23 (OIG-23-53)

Accountability

Protecting and enhancing the security and resilience of the Department's cyber systems and critical infrastructure by modernizing efforts, deploying protective capabilities, engaging with stakeholders, prioritizing risk management activities, responding to emerging dangers, and holding criminals accountable is critical in achieving Agency mission goals. Cyberattacks are disruptive and can impair the **sustainability** of mission essential operations. The Department is **accountable** for safeguarding against unauthorized access to systems by ensuring internal controls are implemented and monitored to boost program **efficiencies** and reduce the risk of cyberattacks and sensitive information exposure.

To ensure adequate protection of data held by the government, Congress enacted the *Federal Information Security Modernization Act of 2014* (FISMA). FISMA requires agencies to develop, document, and implement appropriate safeguards to ensure delivery of critical services. Following its fiscal year 2022 evaluation, the Department was rated 2 of 5 in the Data Protection and Privacy domain, indicating policies, procedures, and strategies are formalized and documented, but not consistently implemented. Implementing policies, procedures, and strategies are critical in establishing **accountability** within an organization.

Vulnerabilities Resulting from Accountability Challenges

As previously reported by OIG, the Department had not consistently implemented effective controls to prevent unauthorized access to systems and information. For instance, the Department had not managed and removed access when personnel separated or changed positions, documented and timely sanitized electronic devices, or applied and updated required security settings. Further, the Department had not addressed infrastructure and workstation vulnerabilities, or sufficiently managed service accounts susceptible to password compromise. Encryption of sensitive data can mitigate against the impact of a breach, should one occur. However, the Department has not fully encrypted personally identifiable information and other sensitive data.

Recent Progress Reported by the Department

According to the Department, it reported to Office of Management and Budget in September 2023, that compliance with Executive Order 14028, Improving the Nation's Cybersecurity, was above 95% for multi-factor authentication, encryption of data at rest, and data in transit.

Source: ICE

Efficiency

According to the *National Cybersecurity Strategy*, there are hundreds of thousands of unfilled vacancies in cybersecurity positions nationwide, and this gap continues to grow. In the federal realm, hiring and retaining top cyber professionals that possess the technical skills and specialized experience required is further exacerbated by a highly competitive and well-paid private market. The Department's mission execution depends on a properly staffed organization with the skills, competencies, and performance capabilities necessary to meet cybersecurity challenges. A multiyear strategic workforce plan can ensure the Department hires staff with the relevant knowledge, skills, and abilities to achieve goals and address workforce needs.

Vulnerabilities Resulting from Efficiency Challenges

The *Cybersecurity and Infrastructure Security Agency Act of 2018* designated the Cybersecurity and Infrastructure Security Agency (CISA) as the operational lead for Federal cybersecurity with responsibilities such as heading the national effort to understand, manage, and reduce risks to cyber and physical infrastructure. However, CISA has not hired enough staff to execute its mission, including supporting cyberattack response and mitigation efforts. As of August 2022, CISA was understaffed, with less than half of its authorized, full-time positions filled. Specifically, only 1,201 of its 3,260 allocated positions were staffed. Similarly, its Cybersecurity Division, primarily responsible for defending against cyberattacks and responding to cyber incidents, was 38 percent understaffed. CISA's Office of Chief Human Capital Officer (**accountability**) had not completed a plan (**efficiency**) that would identify workforce gaps and develop strategies and implementation plans (**transparency**), as required; as a result, CISA may not effectively coordinate Federal response efforts (**efficiency** and **sustainability**).

Recent Progress Reported by the Department

In late 2021, the Department officially launched its Cybersecurity Talent Management System (CTMS) to address historical and ongoing challenges recruiting and retaining individuals with skills necessary to execute the Department's dynamic cybersecurity mission. Currently, CISA, the Department's Office of the Chief Information Officer (OCIO), *and the Federal Emergency Management Agency (FEMA) have been granted authority to use CTMS to hire cyber personnel.*

CISA developed a workforce planning strategy that defines workforce goals, objectives, and priorities.

CISA reported a significant increase in hiring since August 2022. According to CISA, as of the end of fiscal year 2023, almost 83% of its full-time positions have been filled.

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Sustainability

Part of CISA's cybersecurity mission is to defend and secure cyberspace by leading national efforts to drive and enable effective national cyber defense. To execute its mission, it must fortify cyber defenses against immediate threats and vulnerabilities and build the Nation's long-term capacity to withstand and operate through cyber incidents. CISA's ability to **sustain** its mission depends on ensuring adequate staff, processes, and technology.

Vulnerabilities Resulting from Sustainability Challenges

Recent Progress Reported by the Department

In April 2023, the Department established its first task force dedicated to artificial intelligence (AI) to advance the application of AI to critical homeland security missions in four priority initiatives:

- Enhance the integrity of supply chains and the broader trade environment
- Leverage AI to counter the flow of fentanyl into the United States through better detection methods and disruption of criminal networks
- Apply AI to digital forensic tools to help identify, locate, and rescue victims of online child exploitation and abuse, and to identify and apprehend the perpetrators
- Work with partners in government, industry, and academia, to assess the impact of AI on our ability to secure critical infrastructure.

The SolarWinds breach revealed that CISA was not well-equipped to meet its current and evolving cyber intrusion detection and mitigation responsibilities. Specifically, CISA's SolarWinds response efforts were impacted by not having needed resources, staffing, and plans. For instance, CISA did not have an alternative communication system to use when its main network was compromised, enough staff to achieve its mission, or the secure space necessary to effectively work with available intelligence. In its after-action report, CISA identified gaps in technologies and capabilities needed for cyber incident prevention, detection, and mitigation. Although CISA's capabilities have improved since the SolarWinds breach, any operational or technological gaps may reduce its ability to detect and mitigate threats. Staffing shortages also affect CISA's future development of cyber capabilities. Until CISA's cyber capabilities are fully operational, the Federal Government cannot fully benefit from the cybersecurity protections CISA provides. As a result, the confidentiality, integrity, and availability of Federal data and networks remain at risk at a time when the United States is facing a growing number of increasingly sophisticated cyber threats.

Preserve and Uphold the Nation's Prosperity and Economic Security

Related Strategic Priority

7 & 8

Components Impacted

CBP, ICE, TSA, Coast Guard, Secret Service, HQ/Support

DHS Strategic Goal

America's prosperity and economic security are integral to DHS's homeland security operations, which affect international trade, national transportation systems, maritime activities and resources, and financial systems. In many ways, these pre-DHS legacy functions are just as much a part of DHS's culture as its counterterrorism, border security, immigration, cybersecurity, and emergency management responsibilities. Similarly, many DHS activities that advance this important element of homeland security affect the American public just as much as DHS's core security functions. Accordingly, DHS continues to advance these critical operations while exploring new opportunities to better serve the American public.

Recent OIG Reports

- The United States Coast Guard Needs to Determine the Impact and Effectiveness of Its Streamlined Inspection Program (OIG-23-46)
- CBP's Management of International Mail Facilities Puts Officer Safety and Mission Requirements at Risk (OIG-23-48)
- CBP Did Not Effectively Conduct International Mail Screening or Implement the STOP Act (REDACTED) (OIG-23-56)

Source: Department

The Department's recent APRs include numerous challenges and risks its components face relating to their ability to preserve and uphold the Nation's prosperity and economic security, including but not limited to:

- defining capability needs associated with cybersecurity for the Electronic Baggage Screening Program
- ensuring industry continues to develop new technologies that will improve threat detection capabilities
- rapidly changing climate yields significant weather events with increasing frequency and severity, requiring more forces to surge to events to serve the American people.

Transparency

Key performance indicators (KPI) promote improved federal management and greater **efficiency** and effectiveness by providing a focus for strategic and operational improvement and encouraging data-based decision-making. Federal agencies are required to set goals and report annually on performance regarding program operations. Developing, implementing, and monitoring KPIs can help the Department understand resource needs and ensure program operations are being performed as expected. However, some Federal programs have not established or implemented KPIs.

Vulnerabilities Resulting from Transparency Challenges

Coast Guard offers a Streamlined Inspection Program (SIP) as an optional, alternative inspection program to verify U.S. documented or U.S. registered vessels follow regulations while maintaining a high level of safety. Although required to establish goals and objectives to ensure compliance with relevant regulations, accurate reporting, and effective and **efficient** operations, SIP has not established or implemented KPIs or conducted evaluations on outcomes that would demonstrate it is operating as intended to safeguard U.S. Waterways. Additionally, data reported on SIP enrollment, deficiencies detected, and casualties were not always accurate and reliable.

SIP Goals and Benefits

- Operations in continual compliance with regulations
- Better management of vessel costs
- Increased involvement and responsibility by vessel personnel
- Increased crew professional advancement

Source: Marine Safety: Domestic Inspection programs, COMDTINST 16000.71, September 2021

Source: Department

Accountability

CBP plays a critical role in the Nation's efforts to safeguard the American public by interdicting drugs entering the United States, including through international mail inspected at International Mail Facilities (IMFs). Assessing the condition, function, and overall performance of existing facilities can help the Department identify deficiencies, including life safety issues. The Office of Facilities and Asset Management (OFAM) manages CBP's portfolio of owned and leased real property, including IMFs, and is responsible for actively managing facility leases and providing support and review of facility assessments. CBP's regular review of these assessments can help ensure programmatic **efficiencies**, such as facility condition and functionality and optimization of terms and costs.

Vulnerabilities Resulting from Accountability Challenges

CBP hired a contractor to assess eight IMFs and prepare facility assessment reports; subsequently, the contractor notified OFAM of life safety deficiencies and critical maintenance issues at 7 of the 8 IMFs. Although OFAM was aware of deficiencies raised in facility assessment reports and is **accountable** for managing property and ensuring an appropriate level of use, these deficiencies were generally left unresolved and had not been communicated to staff at IMFs. These issues occurred because OFAM did not prioritize monitoring and resolving facility deficiencies and other maintenance issues at IMFs. The lack of communication regarding these deficiencies left staff unaware of potential facility hazards and threatened officer safety. Additionally, OFAM had not taken action to effectively renegotiate space agreements to house its IMFs. Specifically, CBP paid $3.2 million for unusable space at two IMFs and operated without a space agreement at a third IMF. Guidance requires components to **efficiently** use available space and conduct regular reviews to identify property that is underutilized or does not align with mission or intended use. Leasing partial unusable space and operating without a lease agreement are **inefficient** use of Government resources, and in some cases impacted operations, potentially allowing drugs and other illicit items to enter the United States.

Figures 13-15: Unused/ Inoperable Conveyor Belts Occupying Space, Rodent Infestation, & Safety Net with Debris

Source: OIG, General Services Administration, and CBP

Table 5: IMF Assessment Deficiencies

IMF	# of Deficiencies	# of Critical or Life Safety Deficiencies
Chicago	17	3
Honolulu	12	1
JFK	6	1
Los Angeles	9	2
Miami	4	2
Newark	7	1
San Juan	11	0
U.S. Virgin Islands	4	1

Source: OIG analysis of CBP facility assessments and OFAM responses

Strengthen Preparedness and Resilience

Components Impacted

CBP, CISA, FEMA, ICE, TSA, Coast Guard, Secret Service, HQ/Support

Related Strategic Priority

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Recent OIG Reports

- FEMA Did Not Provide Sufficient Oversight of Project Airbridge (OIG-23-14)
- FEMA Should Increase Oversight to Prevent Misuse of Humanitarian Relief Funds (OIG-23-20)
- FEMA Did Not Effectively Manage the Distribution of COVID-19 Medical Supplies and Equipment (OIG-23-34)
- FEMA Continues to Make Improper Reimbursements through the Presidential Residence Protection Assistance Grant Program (OIG-23-37)
- Ineffective Controls Over COVID-19 Funeral Assistance Leave the Program Susceptible to Waste and Abuse (OIG-23-42)
- FEMA's Technological Hazards Division Assisted State, Local, and Tribal Governments in Preparing to Respond to Radiological and Chemical Incidents (OIG-23-49)

Source: Department

DHS Strategic Goal

The United States will never be completely impervious to present and emerging threats and hazards across the homeland security mission space. 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 surpass the capabilities of communities, so the Federal Government must remain capable of responding to natural disasters, physical and cyber attacks, weapons of mass destruction attacks, critical infrastructure disruptions, and search and rescue distress signals. Following disasters, the Federal Government must be prepared to support local communities with 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.

Accountability

Ensuring project requirements have sufficient controls in place to hold contractors or other parties **accountable** is critical when the Department acquires services for program operations. The Department owns the outcomes of project operations and is **accountable** for providing oversight, including training and guidance. However, FEMA experienced challenges overseeing programs related to disaster resilience, hindering its ability to accomplish its mission **efficiently** and effectively.

Vulnerabilities Resulting from Accountability Challenges

FEMA did not provide sufficient oversight of Project Airbridge, a COVID-19 initiative. Project Airbridge was established to mitigate disruptions in global medical supply chains and was intended to be used as a temporary measure to address perceived shortfalls in distributors' personal protective equipment inventories. However, the project actually supplemented the distributors' already large domestic inventory. FEMA, with its limited understanding of commercial supply and demand, did not sufficiently assess whether medical supply distributors needed Project Airbridge to stabilize their supply chains or implement controls to enforce compliance with memorandums of understanding. Further, because it did not have sufficient controls to hold the distributor **accountable**, FEMA expended more than $238 million that may have been better spent on other COVID-19 initiatives. These costs resulted from transporting personal protective equipment not always necessary to meet distributors' needs and delivering to locations not in need of equipment.

FEMA further experienced **accountability** challenges associated with the implementation of effective controls over the COVID-19 Funeral Assistance Program. FEMA acquired the services of a call center contractor to assist with processing the large volume of COVID-19 Funeral Assistance applications. However, it did not always provide its contractor with the guidance and training required to adequately monitor its performance, contributing to FEMA issuing questionable awards for an estimated 41,696 Funeral Assistance applications.

Example of Exceptional Department Accountability

Through the Radiological Emergency Preparedness Program and the Chemical Stockpile Emergency Preparedness Program, FEMA's Technical Hazards Division is **accountable** for and has taken appropriate actions during fiscal years 2018 through 2021 to assist state, local, and tribal governments with preparing to respond to radiological and chemical incidents. These actions are consistent with program requirements, related laws and regulations, and FEMA's responsibilities under two Memorandums of Understanding.

Figures 16 & 17: Radiological and Chemical Emergency Preparedness Exercises

Source: FEMA

Efficiency

Congress holds FEMA **accountable** for administering and overseeing the **efficient** use of funds it appropriates to assist or reimburse eligible entities or individuals or provides for a wide range of preparedness and resilience programs. In turn, FEMA issues application guidance to administer the appropriate use of funding, such as eligibility criteria, documentation requirements, allowable expenses, and maximum award amount, if applicable. Accordingly, government entities and individuals submit applications for assistance or reimbursement to FEMA for review, a determination is made as to applicant eligibility, and funds are issued based on allowable expenses and maximum award, if applicable. However, FEMA did not always manage its disaster and non-disaster assistance funds to ensure financial **accountability** and safeguarding of the funds, hindering its ability to **efficiently** accomplish its mission. For instance, it did not always review expenses in accordance with its policies.

Vulnerabilities Resulting from Efficiency Challenges

Approximately $24.4 million in ineligible expenses were issued as part of FEMA's COVID-19 Funeral Assistance funds. An additional $1.3 million was issued to multiple parties for the same decedent and over $550,000 was awarded for applications that exceeded the $9,000 per decedent maximum. Further, FEMA inconsistently applied documentation review guidance when calculating and issuing awards resulting in an additional almost $600,000 questioned cost. OIG surveyed all FEMA caseworkers assigned to process COVID-19 Funeral Assistance applications; nearly a third of responses ranged from neutral to strong disagreement that FEMA prepared respondents to perform their roles with both program-specific training and guidance on processing applications. In total, OIG identified over $26.9 million in questioned costs related to the COVID-19 Funeral Assistance program, highlighting FEMA's less than **efficient** use of taxpayer funding.

The Office of Management and Budget requires each agency's OIG to review the agency's payment integrity reporting; an agency must meet all 10 Payment Integrity Information Act requirements to be considered compliant. Although the Department complied with 9 of the 10 requirements, it did not ensure that the improper payments risk assessment methodology used adequately concluded whether a program was likely to make improper and unknown payments above or below the statutory threshold.

"...the Department concluded FEMA's Funeral Assistance program was unlikely to make improper or unknown payments."

This was inconsistent with OIG's conclusion, which indicated the program is at high risk for improper payments, fraud, waste, and abuse.

FEMA also administered Presidential Residence Protection grants to local law enforcement agencies, reimbursing $8.9 million for unallowable overtime fringe benefits and $10.2 million for protection activities not directly associated with the President's non-governmental residences.

FEMA awarded $110 million *American Rescue Plan Act of 2021* humanitarian relief funds to provide services to families and individuals in communities most impacted by the humanitarian crisis at the border. After reviewing just $12.9 million from 18 local recipient organizations, OIG questioned $7.4 million, or 58 percent, that lacked the documentation required to support claimed reimbursements.

Champion the DHS Workforce and Strengthen the Department

Components Impacted

All

Related Strategic Priority

All

The Department's recent APRs include numerous challenges and risks its components face relating to their ability to champion the DHS workforce and strengthen the Department, including but not limited to:

- integrating into a common platform across mission areas
- coordinating a joint process of collection, stewardship analysis, and information dissemination
- increasing vacancy rate and human resources challenges.

Recent OIG Reports

- DHS Has Made Progress in Fulfilling Geospatial Data Act Responsibilities, But Additional Work is Needed (OIG-23-07)
- DHS Grants and Contracts Awarded through Other Than Full and Open Competition Fiscal Year 2022 (OIG-23-15)
- DHS Has Refined Its Other than Full and Open Competition Reporting Processes (OIG-23-22)
- The United States Coast Guard Needs to Improve Its Accounting for Non-Capitalized Personal Property Assets (OIG-23-23)
- DHS Components Did Not Always Adhere to Internal Control Policies and Procedures for Ensuring That Bankcard Program Spending Limits are Established Based on Procurement Needs (OIG-23-35)
- United States Coast Guard Instituted Controls for the Offshore Patrol Cutter Extraordinary Relief Request, But Guidance Could Be Improved (OIG-23-36)
- DHS Needs to Update Its Strategy to Better Manage Its Biometric Capability Needs (OIG-23-58)
- ICE Should Improve Controls Over Its Transportation Services Contracts (OIG-23-59)

DHS Strategic Goal

Since the Department's formation, each Secretary has recognized the importance of strengthening the integrated relationships between and among Headquarters Offices and Operational Components to optimize the Department's efficiency and effectiveness. Despite the considerable progress during the last 15 years to establish and strengthen DHS management functions, the Department has much to improve. Over the next four years, DHS will continue to mature as an institution by increasing integration, clarifying roles and responsibilities, championing its workforce, advancing risk-based decision-making, and promoting transparency and accountability before the American people. In an important step forward, DHS is beginning to consolidate Support Components and the Office of the Secretary on the St. Elizabeths Campus, which will further promote integration.

Transparency

Information and data collection benefit the Department and its many programs. But it is also an asset for ensuring the Department's actions reflect the will of the people. For example, **transparency** and program oversight foster strong partnerships with stakeholders through clear communication of processes, decision-making criteria, and performance, and facilitation of collaborative processes and dialogue. Open lines of communication build trust and enable stakeholders to provide valuable input and feedback, leading to improved practices and increased synergy among stakeholders. Key aspects of the Department's strategic goal 6 include the promotion of **transparency** before the American people and advancement of risk-based decision-making. Alternatively, a lack of **transparent** or comparable data inhibits the public and policymakers' ability to fully understand and address problematic or **inefficient** practices and their consequences.

The Department's Data Mission is to "provide transparent access to valid, reliable, and interoperable data that supports the Department's mission and promotes the public good." To meet established requirements and to promote better use and management of data, the Department implemented an Evidence-Based Data Strategy (Data Strategy), with seven goals, to fully address issues that are foundational for strengthening its ability to support evidence building, leverage information sharing, and promote standards that coincide with Department-level strategic planning.

Department Data Strategy Goals

1. **Make Data Visible** – ease of discovery and use of Department data in creating meaningful analyses that have depth and breadth.
2. **Make Data Accessible** – the ease of availability to authorized users in the most relevant and meaningful forms.
3. **Make Data Understandable** – the quantity and quality of sharable insights and visualizations made available to decision makers.
4. **Make Data Linked** – adherence to industry best practices and ensures that connections across disparate sources, relationships, and dependencies can be uncovered, maintained, and leveraged for analytics.
5. **Make Data Trustworthy** – documentable quantitative and qualitative credibility, transferability, dependability, and confirmability of Department information for authorized users and stakeholders.
6. **Make Data Interoperable** – the quality and quantity of machine-to-machine communications across different technology systems and software applications.
7. **Make Data Secure** – the degree to which the guiding principles of risk prioritization, cost effectiveness, innovation, agility, and collaboration are being leveraged to foster resiliency across software, hardware, services, and technologies.

Vulnerabilities Resulting from Transparency Challenges

Although the *Inspector General Act of 1978*, as amended, allows Inspectors General unrestricted access to agency records, OIG's requests have been met with resistance and in many cases denial by the Department. As previously reported in its Semiannual Report to Congress, OIG's requests for data and information system access, critical for conducting oversight responsibilities, have been routinely delayed or denied. Similarly, the Department restricted OIG access to numerous component SharePoint sites containing organizational policies and procedures. This barrier to **transparency** impairs OIG's ability to achieve its mission; specifically, the denial of full and independent access to agency records and information may adversely impact program **sustainability** and **efficiencies** and severely damage its critical oversight function. Additionally, without unfettered oversight, citizens, Congress, and other stakeholders are unable to hold the Department **accountable** for actions and decisions regarding performance, deficiencies, services, and costs.

In FY 2021, Coast Guard **spent over $6 million** on operations and maintenance costs for the Nationwide Automatic Identification System, even though the system has not met its performance goals since being deployed in 2018.

The Department invests billions of dollars to acquire and sustain critical systems to support its many missions. Once a major system is fully deployed, it transitions to the sustainment phase where upon the Office of Management and Budget requires a periodic operational analysis to ensure systems continue to perform as intended. Between fiscal years 2018 and 2021, the Department transitioned 15 major systems to the sustainment phase requiring operational analyses; these systems had operations and maintenance costs totaling about $1.1 billion in fiscal year 2021. Department components completed an operational analysis for 12 of the 15 systems but did not complete all 12 in accordance with Federal and department guidance; additionally, the Transportation Security Administration did not complete an operational analysis for three of its systems. As a result, the Department does not have assurance that its multibillion-dollar systems perform as intended and fully meet mission needs. Without accurate and **transparent** reporting, the Department risks continuing to invest in programs that detract from its mission and create **inefficiencies**, such as significant cost overruns.

Vulnerabilities Resulting from Transparency Challenges (continued)

Geospatial data supports numerous activities such as natural disaster response, law enforcement, and healthcare, and enhances decision-making by organizational leaders. However, prior **inefficiencies** in data collection resulted in duplications of effort and resources. As such, Congress enacted the *Geospatial Data Act of 2018* (GDA) to promote more **efficient** management of geospatial data, technologies, and infrastructure through enhanced coordination among Federal, state, local, and tribal governments, as well as the private sector and academia. The Department published it geospatial data strategy as an addendum to the Data Strategy it published to comply with the *Foundations for Evidence-Based Policymaking Act of 2018* (Evidence Act). The Evidence Act required each agency to develop and maintain a comprehensive data inventory. The Department further included within its Data Strategy that data are to be inventoried in a comprehensive data catalog with relevant information on purpose, ownership, points of contact, security, standards, interfaces, limitations, and restrictions on use (related to Goal 2). However, the Department has not completed its comprehensive inventory of all its geospatial assets. Without a complete inventory, the Department cannot ensure it complies with the GDA for all its geospatial assets.

Recent Progress Reported by the Department

The Department is currently inventorying its data assets and collecting the data's corresponding metadata from its components and responsible offices. It intends to use the metadata to create a one-stop electronic data catalog. The catalog will include what data the Department possesses, which entity within the Department houses the data, and from whom access must be requested to obtain the data.

Accountability

Rooted alongside **transparency**, the Department emphasizes the need for **accountability** in its strategic goal 6; accordingly, policymaking and managing business processes are essential functions for ensuring control activities are implemented throughout the Department. Policies and procedures dictate the responsibilities and actions that drive day-to-day program operations, ensure compliance with laws and regulations, guide decision-making, and streamline processes. However, to achieve its mission, the Department must hold responsible parties **accountable** for enforcing policies and procedures put in place to promote **efficient** programs and prevent fraud, waste, and abuse.

Vulnerabilities Resulting from Accountability Challenges

The OCIO is **accountable** for providing the infrastructure, governance, and oversight necessary to deliver mission capabilities in a secure, **efficient**, and effective manner. As part of its strategy, the OCIO has established its commitment to:

- optimize workplace technologies and introduce innovative solutions
- refine mechanisms to connect with and leverage IT services and solutions
- provide architecture and engineering services to components, programs, and acquisitions for enterprise-wide IT initiatives.

However, as the Department's technology capabilities have expanded, shadow IT organizations have been established within some components, and allowed to operate outside the OCIO's umbrella. As identified recently, these IT organizations have made problematic investments in several software applications without appropriate user engagement, sufficient requirements gathering, or assessment of functionality demonstrated by the loss of data and inoperability. Involvement by subject matter experts is essential to ensuring that invested resources will deliver adequate solutions and customers will be able to perform work **efficiently** and effectively. Establishing the OCIO as the **accountable** party only facilitates successful IT implementation if they are truly responsible and part of the identification and acquisition of technologies. It is vital that as the Department continues to grow and expand its technology capabilities, that OCIO and other relevant parties collaborate to ensure acquisitions onboard capabilities necessary to **efficiently** perform required functions and are capable of **sustaining** Department operations into the future.

Recent Progress Reported by the Department

In January 2023, a memorandum issued by the CISA director, required all CISA divisions and mission enabling offices to transition oversight and management of CISA information technology functions to the OCIO. According to the memorandum, this change in organizational structure allowed a more comprehensive governance of assets and enhanced IT operations and information security.

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Vulnerabilities Resulting from Accountability Challenges (continued)

The Department's "Bankcard Program" established a mechanism for the procurement of commercial goods and services in an **efficient** and flexible manner. As a means to ensure effective program operations, internal controls and safeguards were developed to focus on preventing the occurrence of fraud, waste, and abuse. However, although established, the Department did not always adhere to its own policies and procedures. A lack of implementation or adherence to policies and procedures increases the Department's risk for material loss and vulnerability to fraud. The Department may also have limited assurance that the controls in place are effective and support informed decision-making and overarching program management. Ultimately, without the enforcement of established policies and procedures, organizations and individuals are not held **accountable** when loss occurs, and programs fail.

Recent Progress Reported by the Department

ICE HSI drafted and submitted a CSS-related privacy impact assessment for privacy review; it was approved in January 2022.

Additionally, privacy sensitive technology is governed by **accountability** requirements set forth in the *E-Government Act of 2002*, the *Privacy Act of 1974*, and various Department policies, ensuring sufficient protections for privacy of personal information. Specifically, agencies are required to conduct a privacy impact assessment before developing or procuring information technology that collects, maintains, or disseminates information in an identifiable form. However, the Department did not always adhere to the Federal statutes or its own policies that require an approved privacy impact assessment that describes what information an agency is collecting and why the information is collected; how the information will be used, stored, and shared; how the information may be accessed; how the information will be protected from unauthorized use or disclosure; and how long will be retained. For example, ICE HSI did not adhere to the Department's privacy policy and the E-Government Act of 2002 that require CSS to have a privacy impact assessment before its use. This barrier to **transparency** may impact public trust and lead to data privacy and sensitivity issues.

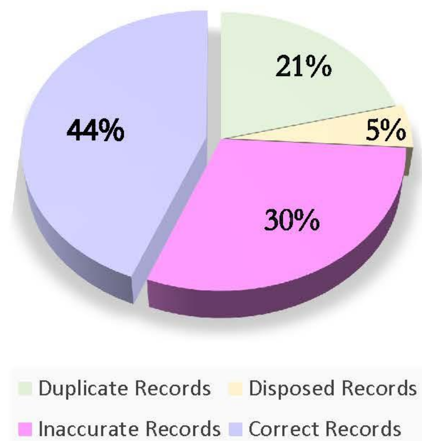
Efficiency

Reporting accurate asset inventory is critical to the Department's ability to accomplish mission goals **efficiently**, such as the prevention of improper disposal, misuse, and theft. Effective controls, such as assessing data quality for accuracy and completeness and conducting physical inventory of assets, should be implemented to help the Department identify duplicate records, invalid or duplicate identifiers, and discrepancies between records and inventory.

Vulnerabilities Resulting from Efficiency Challenges

In a recent review, OIG identified that 56 percent of Coast Guard's non-capitalized personal property records sampled were inaccurate or misstated in its SOR. Additionally, Coast Guard has not performed a 100 percent annual inventory of non-capitalized personal property and has not consistently implemented effective controls to maintain accurate, complete, and consistent data records of its physical inventory, as required. As a result, non-capitalized personal property assets valued at approximately $870 million as of September 30, 2022, could be misstated in the SOR and be susceptible to misuse or theft.

Figure 18: Duplicate, Inaccurate, or Disposed of Records in SOR



Source: OIG analysis of Coast Guard-provided

Figure 19: Non-Capitalized Personal Property Asset, Large Cutter Boat

Source: Coast Guard

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Unaudited

Sustainability

The Department's Strategic Goal 6 highlights the importance of strengthening departmental governance and management, developing and maintaining a high performing workforce, and optimizing support for mission operations. However, the Department does not establish a clear path for achieving these goals, resulting in the potential inability of program **sustainability**. As noted throughout this year's Management Challenge and Performance report, the Department has struggled to adequately manage and oversee programs and operations and report **transparently** to Congress and other stakeholders regarding the program **efficiencies** for which it is **accountable**. Further, the Department's attempts to recruit, hire, and retain staff to perform operational responsibilities and its lack of adequate internal controls have negatively impacted program **efficiencies** with a potential lasting impact to the Department's overall **sustainability**.

Appendix A - Department of Homeland Security's Six Strategic Goals

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-Drive 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

Appendix B - Department of Homeland Security's Updated 12 Cross-Functional Priorities

Prior to the Department's 20th anniversary, Secretary Alejandro Mayorkas updated the following cross-functional priorities, first issued in 2022. These priorities were intended to guide the Department's focus through better preparation, enhanced prevention, and enhanced response to threats and challenges.

Organization Advancement

1. **Support and champion** the workforce and advance a culture of excellence
2. **Recruit, hire, and retain** a world-class, diverse workforce to create an inclusive, representative, and trusted department
3. **Advance cohesion** across the Department to improve mission execution and drive greater efficiency
4. **Innovate and transform** the delivery of services to advance mission execution, improve the customer experience, and increase access to services
5. **Enhance openness and transparency** to build greater trust with the American people and ensure the protection of the privacy, civil rights, civil liberties, and human rights of the communities we serve
6. **Transform the Department's Infrastructure** to ensure it is a more productive and flexible workplace responsive to the workforce's and the public's need

Mission-Specific Advancement

7. **Combat** all forms of terrorism and targeted violence
8. **Increase cybersecurity** of our nation's networks and critical infrastructure, including election infrastructure
9. **Secure our borders** and modernize ports of entry
10. **Build** a fair, orderly, and humane immigration system
11. **Ready the nation** to respond to and recover from disasters and combat the climate crisis
12. **Combat** human trafficking, labor exploitation, and child exploitation.

Appendix C – Office of Inspector General Audits, Inspections, and Evaluations Published in Fiscal Year 2023

Report Number	Report Title and Issue Date	Standards/ Authority	Related Strategic Goal	Recommendation Status
OIG-23-01	Major Management and Performance Challenges Facing the Department of Homeland Security (October 2022)	Not Applicable	All	No recommendations issued.
OIG-23-02	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 2022)	GAGAS	3, 5, & 6	19 Recommendations (3 open, 16 closed)
OIG-23-03	El Centro and San Diego Facilities Generally Met CBP's TEDS Standards but Struggled with Prolonged Detention and Data Integrity (December 2022)	Quality Standards for Inspection and Evaluation	2	2 Recommendations (1 open, 1 closed)
OIG-23-04	DHS Did Not Always Promptly Revoke PIV Card Access and Withdraw Security Clearances for Separated Individuals (December 2022)	GAGAS	3	6 Recommendations (6 open, 0 closed)
OIG-23-05	DHS Did Not Consistently Comply with National Instant Criminal Background Check System Requirements (December 2022)	GAGAS	1	4 Recommendations (4 open, 0 closed)
OIG-23-06	Management Alert – CBP Needs to Provide Adequate Emergency Surveillance Systems at the Blaine Area Ports to Ensure Secure and Safe Operations (REDACTED) (January 2023)	GAGAS	2	3 Recommendations (3 open, 0 closed)
OIG-23-07	DHS Has Made Progress in Fulfilling Geospatial Data Act Responsibilities, But Additional Work is Needed (January 2023)	GAGAS	6	4 Recommendations (4 open, 0 closed)

Report Number	Report Title and Issue Date	Standards/ Authority	Related Strategic Goal	Recommendation Status
OIG-23-08	Review of U.S. Coast Guard's Fiscal Year 2022 Detailed Accounting Report for Drug Control Funds (January 2023)	GAGAS	All	No recommendations issued.
OIG-23-09	Review of U.S. Coast Guard's Fiscal Year 2022 Drug Control Budget Formulation Compliance Report (January 2023)	GAGAS	All	No recommendations issued.
OIG-23-10	Review of U.S. Customs and Border Protection's Fiscal Year 2022 Detailed Accounting Report for Drug Control Funds (January 2023)	GAGAS	1, 2, 4, 5, & 6	No recommendations issued.
OIG-23-11	Review of U.S. Customs and Border Protection's Fiscal Year 2022 Drug Control Budget Formulation Compliance Report (January 2023)	GAGAS	1, 2, 4, 5, & 6	No recommendations issued.
OIG-23-12	ICE and CBP Deaths in Custody during FY 2021 (February 2023)	Quality Standards for Inspection and Evaluation	2	No recommendations issued.
OIG-23-13	Violations of Detention Standards at ICE's Port Isabel Service Processing Center (February 2023)	Quality Standards for Inspection and Evaluation	2	9 Recommendations (0 open, 9 closed)
OIG-23-14	FEMA Did Not Provide Sufficient Oversight of Project Airbridge (February 2023)	GAGAS	5	2 Recommendations (2 open, 0 closed)
OIG-23-15	DHS Grants and Contracts Awarded through Other Than Full and Open Competition Fiscal Year 2022 (February 2023)	GAGAS	6	No recommendations issued.
OIG-23-16	FEMA Should Improve Controls to Restrict Unauthorized Access to Its Systems and Information (February 2023)	GAGAS	3	10 Recommendations (9 open, 1 closed)
OIG-23-17	Secret Service and ICE Did Not Always Adhere to Statute and Policies Governing Use of Cell-Site Simulators (REDACTED) (February 2023)	GAGAS	1 & 6	6 Recommendations (6 open, 0 closed)

Unaudited

Report Number	Report Title and Issue Date	Standards/ Authority	Related Strategic Goal	Recommendation Status
OIG-23-18	Violations of ICE Detention Standards at Richwood Correctional Center in Monroe, Louisiana (February 2023)	Quality Standards for Inspection and Evaluation	2	8 Recommendations (7 open, 1 closed)
OIG-23-19	CISA Made Progress but Resources, Staffing, and Technology Challenges Hinder Cyber Threat Detection and Mitigation (March 2023)	Quality Standards for Inspection and Evaluation	3	4 Recommendations (3 open, 1 closed)
OIG-23-20	FEMA Should Increase Oversight to Prevent Misuse of Humanitarian Relief Funds (March 2023)	GAGAS	5	2 Recommendations (1 open, 1 closed)
OIG-23-21	Evaluation of DHS' Information Security Program for Fiscal Year 2022 (April 2023)	Quality Standards for Inspection and Evaluation	3	1 Recommendation (1 open, 0 closed)
OIG-23-22	DHS Has Refined Its Other than Full and Open Competition Reporting Processes (April 2023)	GAGAS	6	No recommendations issued.
OIG-23-23	The United States Coast Guard Needs to Improve Its Accounting for Non-Capitalized Personal Property Assets (April 2023)	GAGAS	6	3 Recommendations (3 open, 0 closed)
OIG-23-24	Intensifying Conditions at the Southwest Border Are Negatively Impacting CBP and ICE Employees' Health and Morale (May 2023)	Modified GAGAS	2	3 Recommendations (2 open, 1 closed)
OIG-23-25	DHS' Fiscal Year 2022 Compliance with the Payment Integrity Information Act of 2019 (May 2023)	GAGAS	5	3 Recommendations (3 open, 0 closed)
OIG-23-26	Results of an Unannounced Inspection of Northwest ICE Processing Center in Tacoma, Washington (May 2023)	Quality Standards for Inspection and Evaluation	2	8 Recommendations (1 open, 7 closed)
OIG-23-27	CBP Facilities in Vermont and New York Generally Met TEDS Standards, but Details to the Southwest Border Affected Morale, Recruitment, and Operations (May 2023)	Quality Standards for Inspection and Evaluation	2	No recommendations issued.

Report Number	Report Title and Issue Date	Standards/ Authority	Related Strategic Goal	Recommendation Status
OIG-23-28	Results of Unannounced Inspections of CBP Holding Facilities in the Rio Grande Valley Area (May 2023)	Quality Standards for Inspection and Evaluation	2	3 Recommendations (3 open, 0 closed)
OIG-23-29	Results of Unannounced Inspections of CBP Holding Facilities in the Yuma and Tucson Areas (June 2023)	Quality Standards for Inspection and Evaluation	2	4 Recommendations (4 open, 0 closed)
OIG-23-30	Evaluation of DHS' Compliance with Federal Information Security Modernization Act Requirements for Intelligence Systems for Fiscal Year 2022 (June 2023)	Quality Standards for Inspection and Evaluation	3	2 Recommendations (2 open, 0 closed)
OIG-23-31	CBP Released a Migrant on a Terrorist Watchlist, and ICE Faced Information Sharing Challenges Planning and Conducting the Arrest (June 2023)	Quality Standards for Inspection and Evaluation	1	3 Recommendations (3 open, 0 closed)
OIG-23-32	FEMA Did Not Always Secure Information Stored on Mobile Devices to Prevent Unauthorized Access (July 2023)	GAGAS	3	4 Recommendations (4 open, 0 closed)
OIG-23-33	ICE Should Improve Controls to Restrict Unauthorized Access to Its Systems and Information (July 2023)	GAGAS	3	7 Recommendations (7 open, 0 closed)
OIG-23-34	FEMA Did Not Effectively Manage the Distribution of COVID-19 Medical Supplies and Equipment (July 2023)	GAGAS	5	3 Recommendations (3 open, 0 closed)
OIG-23-35	DHS Components Did Not Always Adhere to Internal Control Policies and Procedures for Ensuring That Bankcard Program Spending Limits are Established Based on Procurement Needs (July 2023)	GAGAS	6	3 Recommendations (3 open, 0 closed)

Report Number	Report Title and Issue Date	Standards/ Authority	Related Strategic Goal	Recommendation Status
OIG-23-36	United States Coast Guard Instituted Controls for the Offshore Patrol Cutter Extraordinary Relief Request, But Guidance Could Be Improved (July 2023)	GAGAS	6	1 Recommendation (1 open, 0 closed)
OIG-23-37	FEMA Continues to Make Improper Reimbursements through the Presidential Residence Protection Assistance Grant Program (July 2023)	GAGAS	5	3 Recommendations (3 open, 0 closed)
OIG-23-38	Results of an Unannounced Inspection of ICE's Stewart Detention Center in Lumpkin, Georgia (July 2023)	Quality Standards for Inspection and Evaluation	2	9 Recommendations (9 open, 0 closed)
OIG-23-39	CBP Outbound Inspections Disrupt Transnational Criminal Organization Illicit Operations (REDACTED) (August 2023)	GAGAS	2	3 Recommendations (3 open, 0 closed)
OIG-23-40	USCIS Has Generally Met Statutory Requirements to Adjudicate Asylum Applications from Paroled Afghan Evacuees (August 2023)	Quality Standards for Inspection and Evaluation	2	1 Recommendation (1 open, 0 closed)
OIG-23-41	ICE Has Limited Ability to Identify and Combat Trade-Based Money Laundering Schemes (August 2023)	GAGAS	1	2 Recommendations (2 open, 0 closed)
OIG-23-42	Ineffective Controls Over COVID-19 Funeral Assistance Leave the Program Susceptible to Waste and Abuse (August 2023)	GAGAS	5	5 Recommendations (3 open, 2 closed)
OIG-23-43	CBP Implemented Effective Technical Controls to Secure a Selected Tier 1 High Value Asset System (August 2023)	Quality Standards for Inspection and Evaluation	3	No recommendations issued.
OIG-23-44	Cybersecurity System Review of the Transportation Security Administration's Selected High Value Asset (August 2023)	Quality Standards for Inspection and Evaluation	3	12 Recommendations (12 open, 0 closed)
OIG-23-45	CBP Could Do More to Plan for Facilities Along the Southwest Border (August 2023)	GAGAS	2	2 Recommendations (2 open, 0 closed)

Report Number	Report Title and Issue Date	Standards/ Authority	Related Strategic Goal	Recommendation Status
OIG-23-46	The United States Coast Guard Needs to Determine the Impact and Effectiveness of Its Streamlined Inspection Program (August 2023)	GAGAS	4	3 Recommendations (3 open, 0 closed)
OIG-23-47	DHS Does Not Have Assurance That All Migrants Can be Located Once Released into the United States (REDACTED) (September 2023)	GAGAS	2	4 Recommendations (4 open, 0 closed)
OIG-23-48	CBP's Management of International Mail Facilities Puts Officer Safety and Mission Requirements at Risk (August 2023)	GAGAS	4	3 Recommendations (3 open, 0 closed)
OIG-23-49	FEMA's Technological Hazards Division Assisted State, Local, and Tribal Governments in Preparing to Respond to Radiological and Chemical Incidents (September 2023)	GAGAS	5	No recommendations issued.
OIG-23-50	Results of Unannounced Inspections of CBP Holding Facilities in the El Paso Area (September 2023)	Quality Standards for Inspection and Evaluation	2	5 Recommendations (5 open, 0 closed)
OIG-23-51	Results of an Unannounced Inspection of ICE's Caroline Detention Facility in Bowling Green, Virginia (September 2023)	Quality Standards for Inspection and Evaluation	2	8 Recommendations (8 open, 0 closed)
OIG-23-52	ICE Did Not Accurately Measure and Report Its Progress in Disrupting or Dismantling Transnational Criminal Organizations (September 2023)	GAGAS	1, 2, & 3	3 Recommendations (3 open, 0 closed)
OIG-23-53	Homeland Advanced Recognition Technology System Compliance with 28 C.F.R. Part 23 (September 2023)	GAGAS	3	3 Recommendations (3 open, 0 closed)
OIG-23-54	CBP Needs to Improve Its Video and Audio Coverage at Land Ports of Entry (September 2023)	GAGAS	2	7 Recommendations (7 open, 0 closed)

Report Number	Report Title and Issue Date	Standards/ Authority	Related Strategic Goal	Recommendation Status
OIG-23-55	DHS Needs to Improve Annual Monitoring of Major Acquisition Programs to Ensure They Continue to Meet Department Needs (September 2023)	GAGAS	All	3 Recommendations (3 open, 0 closed)
OIG-23-56	CBP Did Not Effectively Conduct International Mail Screening or Implement the STOP Act (REDACTED) (September 2023)	GAGAS	4	5 Recommendations (5 open, 0 closed)
OIG-23-57	Better TSA Tracking and Follow-up for the 2021 Security Directives Implementation Should Strengthen Pipeline Cybersecurity (REDACTED) (September 2023)	GAGAS	3	3 Recommendations (3 open, 0 closed)
OIG-23-58	DHS Needs to Update Its Strategy to Better Manage Its Biometric Capability Needs (September 2023)	GAGAS	6	4 Recommendations (4 open, 0 closed)
OIG-23-59	ICE Should Improve Controls Over Its Transportation Services Contracts (September 2023)	GAGAS	6	7 Recommendations (7 open, 0 closed)
OIG-23-60	CBP Accounted for Its Firearms but Did Not Always Account for Ammunition or Monitor Storage Facilities (September 2023)	GAGAS	1, 2, & 4	7 Recommendations (7 open, 0 closed)
OIG-23-61	CBP, ICE, and Secret Service Did Not Adhere to Privacy Policies or Develop Sufficient Policies Before Procuring and Using Commercial Telemetry Data (Redacted) (September 2023)	GAGAS	6	8 Recommendations (6 open, 2 closed)
OIG-23-62	Results of Unannounced Inspection of CBP Holding Facilities in the Laredo Area (September 2023)	Quality Standards for Inspection and Evaluation	2	3 Recommendations (3 open, 0 closed)

U.S. Department of Homeland Security
Washington, DC 20528

Homeland Security

November 7, 2023

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: 2023.11.07 08:39:45 -05'00'

SUBJECT: Management Response to Draft Report: "Major Management and Performance Challenges Facing the Department of Homeland Security" (Project No. 24-003-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 recognizes the Office of Inspector General's (OIG's) work in planning and conducting its review and issuing this report. This included OIG's independent research, assessment of prior work, and professional judgment to identify what the OIG considers as the most serious management and performance challenges facing the Department, and DHS's progress in addressing these challenges.

Senior DHS leadership, Component-level program officials, subject matter experts, and others throughout the Department will give appropriate consideration to the OIG perspectives offered in this major management and performance challenges (MMPC) report as part of continuing efforts to improve the effectiveness and efficiency with which the Department carries out its mission of safeguarding the American people, our homeland, and our values. In particular, DHS appreciates OIG's redesign of this year's report to highlight overarching challenges—transparency, accountability, efficiency, and sustainability—as opposed to identifying challenges focusing more narrowly on programs and operations, as the "Performing Fully and Effectively during COVID-19" challenge reported last year.

However, leadership believes the overall usefulness of the report can be improved, including by providing additional context for statements that appear to overstate some of the findings in OIG's prior work without providing sufficient background or accounting for concerns and other information raised in Departmental management responses to that work. Furthermore, leadership disagrees with OIG's assertion that the Department has

In a departure from well-established practice, the Office of Inspector General (OIG) published its Major Management and Performance Challenges report without the Department's management response letter, which was provided in accordance with OMB Circular No. A-136. Despite many efforts to engage with the Office of Inspector General leadership, the OIG did not respond to our inquiries relating to the shortened timeline for review and reasons why our management response letter was not included. Accordingly, the Department's recourse to acknowledge the challenges and ensure that our concerns with accuracy and lack of proper context in the report are taken into consideration is to include our management response letter in the Department's Agency Financial Report, as part of the section which includes the OIG report in its entirety.

inappropriately "delayed" or "denied" OIG access to Information Technology (IT) systems and data. Finally, the process and timeline OIG used when developing and socializing this year's MMPC report with DHS officials deviated significantly from past practice and provided inadequate time for management to respond. Each of these issues is described in greater detail below.

Overall Usefulness of the Report

DHS leadership believes the revised construct for this year's MMPC report represents an improvement over prior reports in that the report highlights four broad themes as challenges to fully achieving the Department's strategic goals compared to being more narrowly focused on programs and operations. However, leadership generally observed that the draft report seems to primarily be a compendium of OIG reports issued during the past year, the majority of which focused on Component-specific activities without (1) clearly tying these activities to Department-wide strategic challenges, or (2) sufficiently addressing DHS efforts as discussed in the management response letters and other follow-up activities. DHS and its Components also expressed numerous accuracy and context concerns with the MMPC and separately highlighted those in technical comments for OIG's consideration. Some of these comments noted that the MMPC report did not accurately portray the information in the underlying reports it referenced.

For example, the MMPC report cites several recent OIG reports to address the DHS strategic goal of securing the borders but does not recognize the extent of initiatives DHS has implemented, as discussed throughout this response. Furthermore, the MMPC report cites the Department's latest Annual Performance Report (APR) as noting that "policy shifts, such as domestic immigration policy," have created challenges and risks in meeting this goal. The underlying reporting states that "Border Patrol agents continue to face demands including implementing COVID-19 procedures, challenging work locations, changing job requirements, and policy shifts," but does not make reference to shifts in "domestic immigration policy" specifically. While DHS appreciates that the OIG considered the APR when preparing the MMPC, the Department believes that proper context is critical for "cold readers" of the report, particularly when making wide-reaching claims without providing a factual foundation for the claims.

Similarly, the Department believes that additional background would be helpful for readers of the MMPC to understand the context related to the "vulnerabilities resulting from efficiency challenges" it cites, including the staffing issues raised. While the MMPC addresses recent progress made by the Department through the direct-hire authority request by U.S. Immigration and Customs Enforcement (ICE), it does not recognize the extent of initiatives DHS has implemented to support its personnel. For example, the MMPC does not mention the new Border Patrol Processing Coordinator positions established by U.S. Customs and Border Protection (CBP) and outlined in Departmental materials provided to the OIG, including in the management response letter

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to OIG's report on "Intensifying Conditions at the Southwest Border are Negatively Impacting CBP and ICE Employees' Health and Morale" (OIG-23-24, dated May 3, 2023). These new positions support U.S. Border Patrol agents in performing administrative tasks and allow agents to return to the frontline and focus on their border security mission. Rather, the MMPC falsely gives the impression that the Department is relying on "temporary solutions" by not more fully considering the numerous policies and efforts taken, ongoing, or planned to address such challenges. Further, to the extent that some of these conclusions arise from workforce challenge survey results, DHS reiterates its concerns that such survey results are not necessarily representative of the workforce issues that frontline law enforcement personnel may be experiencing, especially given the very low survey response rate of 18 percent. OIG's report did not identify any steps it took to mitigate the potential for nonresponse bias since opinions of those individuals who chose to respond may be meaningfully different from those who chose not to respond.[1]

In addition, ICE leadership noted that the draft report could be misleading to some readers because of inaccurate, contextually incomplete, and confusing statements about its efforts to carry out Department and Component missions. Specifically, ICE expressed concern that the report does not acknowledge completed and ongoing actions taken to address OIG recommendations associated with the "Counter Terrorism and Homeland Security Threats" and "Secure U.S. Borders and Approaches" strategic goals. This includes recommendations from OIG reports OIG-23-17, OIG-23-31, OIG-23-41, OIG-23-24, OIG-23-26, and OIG 23-38 (see Appendix C of the MMPC report for specific report titles and dates issued). Furthermore, while OIG highlights compliance shortfalls with the 2011 Performance-Based National Detention Standards at five ICE facilities, no mention is made in the MMPC of ICE's substantial disagreement with some of OIG's recommendations in the underlying reports or ICE's overarching concerns about the accuracy of some reports and whether they met "Quality Standards for Inspection and Evaluation" requirements issued by the Council of Inspectors General on Integrity and Efficiency (i.e., the "Blue Book," dated December 2020).[2]

Similarly, the MMPC report cites CBP apprehension numbers between March 2021 and August 2022 as well as tracking of migrant addresses of these individuals without providing sufficient background on the issue and the Departmental responses. This summary does not contextualize the longstanding challenges associated with collecting noncitizens' addresses at the time of initial border processing, nor does it address the significant improvements DHS has made in how it processes noncitizens encountered along our borders and technology improvements to facilitate better information-sharing to

[1] https://www.oig.dhs.gov/reports/2023/intensifying-conditions-southwest-border-are-negatively-impacting-cbp-and-ice-employees-health-and-morale/oig-23-24-may23

[2] https://www.ignet.gov/sites/default/files/files/QualityStandardsforInspectionandEvaluation-2020.pdf

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support accurate and timely processing and tracking of migrants among various Components and agencies. Such efforts are outlined in the Department's management response letter to the underlying report[3] and provide important context that does not appear to have been fully considered by the OIG in developing the MMPC. Without proper context for these ongoing efforts, the MMPC is incomplete and potentially misleading to its readers.

Multiple components also remarked that the MMPC would be significantly more useful if it contained a holistic analysis of its recommendations as they relate to the Department's priorities. For example, Cybersecurity and Infrastructure Security Agency leadership advised that the MMPC report would be more useful if it provided an overall assessment of recommendations from its body of audit-related work associated with the Department's strategic goals and specifically identified actions OIG believes are needed to improve DHS's performance against its goals, so that DHS officials have something to act towards and measure progress against. This could include a breakdown of actionable open and unimplemented recommendations relating to each strategic goal that OIG believes are the most critical ones for DHS for focus on implementing, similar to the annual letter the Comptroller General of the United States sends the Secretary of Homeland Security identifying "Priority" recommendations that the U.S. Government Accountability Office (GAO) believes warrant the Secretary's personal attention.[4] Both Federal Emergency Management Agency and DHS Office of Homeland Security Situational Awareness (OSA) leadership also commented that future MMPC reports would be more of a value-add if they include an overall assessment or set of recommendations on what the Department and/or its Components could do to improve in the overarching challenges OIG highlights.

OSA leadership also noted that they did not see any mention in the MMPC report about how cross-departmental boards and bodies are functioning, especially with regard to information-sharing and collaboration. For example, the Countering Weapons of Mass Destruction Office in partnership with the DHS Counterterrorism Coordinator chartered a new executive group to conduct strategic coordination for NSPM-36, "Guidelines for United States Government Interagency Response to Terrorist Threats or Incidents in the United States and Overseas," promulgated in January 2021, and OSA created a Senior Leader Situational Awareness Forum to promote situational awareness and information-sharing across the Department.

Lastly, DHS believes the MMPC report could be more useful if, rather than simply mentioning that the OIG reviewed relevant GAO reports, it also provided insights about which reports were reviewed and how those reports and the Departmental management responses to them helped inform the OIG's perspective on the most serious management

[3] https://www.oig.dhs.gov/sites/default/files/assets/2023-09/OIG-23-47-Sep23-Redacted.pdf
[4] https://www.gao.gov/products/gao-23-106483

and performance challenges facing the Department, and DHS's progress in addressing these challenges. The Department also notes that like the OIG's 2022 MMPC report, its 2023 draft report does not include an "Objective, Scope, and Methodology" section similar to the one included in all OIG audit and inspection reports. DHS continues to believe that including such a section in OIG's annual MMPC report would provide readers of the report important insights about the independent research conducted, assessment of prior work and Departmental communications relating to any recommendations, and professional judgment used to identify what the OIG considers as the most serious management and performance challenges facing the Department, and DHS's progress in addressing these challenges.

IT System and Data Access Requests

DHS leadership adamantly disagrees with OIG's assertion that the Department has inappropriately "delayed" or "denied" OIG access to IT systems and data. OIG has made similar allegations in the past and each time the Department has specifically refuted them, most recently via the Secretary of Homeland Security's transmittal letter to Congress on the OIG's semiannual report to Congress (for the period ending March 31, 2023), dated July 14, 2023. DHS notes that OIG's allegations frequently raise more questions than answers, do not acknowledge Departmental efforts to resolve the OIG concerns, and often lack meaningful specifics.

The Department is fully committed to cooperating with OIG requests for information and is not aware of any record requested by the OIG that has been withheld. For example, the MMPC notes that OIG does not have access to numerous Component SharePoint sites containing organizational policies and procedures and alleges this impairs OIG's ability to achieve its mission. On the contrary, while DHS is not always able to provide wholesale access to Departmental or Component IT databases in the exact manner the OIG requests, DHS offices and Components have never restricted OIG access to organizational policies and procedures. The Department and Components evaluate OIG requests for direct access to IT databases, including SharePoint, on a case-by-case, basis while also carrying out due diligence related to requirements for safeguarding sensitive information and systems. For example, SharePoint may be used differently by Components and offices, and in some instances, SharePoint is used as a collaboration tool for real-time deliberations. Because the wholesale access OIG seeks could result in chilling effect on real-time, ongoing deliberations, program officials have sometimes used alternative means to provide the OIG-requested information, but the information has always been provided.

DHS leadership supports providing the OIG timely access to relevant information, including requests for data related to programs, operations, and activities that are within the scope and objectives of an identified audit, evaluation, inspection, or review (OIG criminal investigations are handled differently). As the steward of its data, DHS is

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responsible for engaging with the OIG on the relevance of a data request to the scope and objectives of the OIG's work, especially in light of the types of sensitive data held by DHS, including sensitive security information, personally identifiable information of vulnerable populations and others, as well as proprietary, classified, and investigative law enforcement sensitive information. In some instances, DHS IT systems hold data from other partner federal departments and agencies which requires further coordination with these partners for access. Although the Department has sometimes justifiably questioned the breadth of some the OIG requests for IT systems access, it has nonetheless attempted to work closely with the OIG in every instance to ensure that information is made available, as appropriate. This includes offers to provide the OIG with executive-level access, assistance from program officials and subject-matter experts familiar with the databases by running unlimited searches of the databases, using queries provided by the OIG and pulling the requested data based on those queries, and allowing for real-time viewing of such searches to ensure the OIG receives all information it believes is needed for its engagements. The OIG has not always been receptive to these offers in part because of stated concerns about whether working with the Department in this manner might compromise OIG independence, which DHS does not believe would be adversely impacted by this narrow collaboration on provision of data.

Further, DHS is concerned that the examples cited in the MMPC were not sufficiently discussed or raised to Departmental leadership to allow for an opportunity to arrive at an agreed-upon resolution before sharing these disagreements with Congress and the public. The Department values having the OIG's independent and unique perspective on DHS's many programs, operations, and activities. The OIG's independence, however, is not impinged by discussing access concerns with the Department's leadership in a good-faith attempt to reach resolution.

Process and Timeline Concerns

DHS leadership is concerned that OIG's process and timeline for developing and publishing this annual MMPC report was not reasonable nor sufficiently inclusive of management officials across the Department. For this 2023 draft report, OIG:

- Did not, to our knowledge, issue an announcement letter identifying point(s) of contact (POC) or hold an Entrance or Exit Conference, nor any in-progress (i.e., fieldwork) meetings with DHS officials either at the Headquarters or Component levels to discuss its work as is its normal practice for other audit and inspection-related work. In addition, once DHS identified a POC for this work, multiple OIG officials at the Senior Executive Service level were not responsive to Departmental requests seeking to discuss the process and timeline of this work.

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Unaudited

- Requested DHS-wide (i.e., all Components and the Headquarters offices) technical comment feedback[5] "as soon as possible" and no later one calendar week (i.e., 7 days) after receipt of the draft, which was an unreasonable request that DHS could not meet, especially since DHS was just learning about the redesigned report for the first time. By contrast, for the 2022 and 2021 reports, OIG asked for the Department's feedback within 21 days. For context, OIG generally asks for feedback on most of its reports within 30 calendar days. There is no basis for the drastically different timeline for the 2023 MMPC with no previous notification to the Department of a change to the well-established process.

- Did not provide the Department a copy of its OIG's draft report until October 11, 2023, just over a month before the final report must—by law—be available for inclusion in the DHS 2023 Agency Financial Report, which is published no later than November 15th each year. Collecting, consolidating, and providing DHS-wide feedback (from 14 Components and 15 other offices) on a draft report as significant as the MMPC takes considerable time to obtain an informed response. DHS would prefer a schedule where the draft MMPC report is released for management review and comment in late August or early September (OIG's 2022 draft report was released on September 16, 2022) for a 30-day comment period.

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. We look forward to more closely working with OIG in a mutually open and transparent manner during development of the 2024 MMPC report.

[5] Agency comments focus on accuracy, sensitivity context, and editorial issues. As a part of the sensitivity review, components identify any information that, either on its own or in connection with other information, is inappropriate for public disclosure. This includes classified information, Sensitive but Unclassified Information, Law Enforcement Sensitive information, information subject to Executive Privilege, and information that is subject to statutory or regulatory confidentiality requirements. The comments are not intended to substantively alter any of OIG's overall findings, conclusions, or recommendations, but rather to strengthen final work products.

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Appendices

Appendix A: Acronym List

A

ADA – Americans with Disabilities Act

AFR – Agency Financial Report

AGA -- Association of Government Accountants

AI – Artificial Intelligence

AITF – Artificial Intelligence Task Force

AMO – Air and Marine Operations

APB – Acquisition Program Baseline

APG – Agency Priority Goal

API – Application Programming Interface

APP – Annual Performance Plan

APR – Annual Performance Report

ARPA – American Rescue Plan Act, 2021

ATON – Aids to Navigation

B

BCA – Benefit-Cost-Analysis

BFCT – Biometric Facial Comparison Technology

BOD – Binding Operational Directive

BRIC – Building Resilient Infrastructure and Communities

BRS – Blended Retirement System

C

CAA – Consolidated Appropriations Act

CARES – Coronavirus Aid, Relief, and Economic Security Act, 2020

CBP – U.S. Customs and Border Protection

CBRN – Chemical, Biological, Radiological and Nuclear

CBRNE – Chemical, Biological, Radiological, Nuclear, and Explosive

CDL – Community Disaster Loans

CDP – Center for Domestic Preparedness

CEAR – Certificate of Excellence in Accountability Reporting

CEIU – Child Exploitation Investigations Unit

CFIUS – Committee on Foreign Investment in the United States

CFO – Chief Financial Officer

CFTF – Cyber Fraud Task Force

CIO – Chief Information Officer

CIP – Construction in Progress

CIO – Chief Information Officer

CISA – Cybersecurity and Infrastructure Security Agency

COBRA – Chemical, Ordinance, Biological, and Radiological

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

CPSS – Checkpoint Property Screening System

CSEA – Child Sexual Exploitation and Abuse

CSRB – Cyber Safety Review Board

CTMS – Cybersecurity Talent Management System

C-UAS – Counter Unmanned Aircraft Systems

CWMD -- Countering Weapons of Mass Destruction Office

CX – Customer Experience

D

DADLP – Disaster Assistance Direct Loan Program

DCIA – Debt Collection Improvement Act, 1996

DEF – Disaster Emergency Fund

DEIA – Diversity, Equity, Inclusion, and Accessibility

DHS – Department of Homeland Security

DOD – Department of Defense

DOJ – Department of Justice

DOL – Department of Labor

DRF – Disaster Relief Fund

DVE – Domestic Violent Extremism

E

E2C2 – Export Enforcement Coordination Center

ECTF – European Electronic Crime Task Force

EDS – Explosive Detection System

EOIR – Executive Office for Immigration Review

ERM – Enterprise Risk Management

ERO – Enforcement and Removal Operations

EV – Electric Vehicle

F

FAA – Federal Aviation Administration

FAA – DHS Financial Accountability Act

FAST – Fentanyl Abatement and Suppression Team

FBwT – Fund Balance with Treasury

FCC – Federal Communications Commission

FCEB – Federal Civilian Executive Branch

FCU – Financial Crimes Unit

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

FFRD – Future of Flood Risk Data

FIFO – First In-First Out

FIMA – Flood Insurance Mitigation Administration

FISMA – Federal Information Security Management Act

FLETC – Federal Law Enforcement Training Centers

FMA – Flood Mitigation Assistance

FMFIA – Federal Managers' Financial Integrity Act

FPS – Federal Protective Service

FSMS – Financial Systems Modernization Solution

FY – Fiscal Year

G

GAAP – Generally Accepted Accounting Principles

GAO – U.S. Government Accountability Office

GE – Global Entry

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 Adjusted Trial Balance System

H

HART – Humanitarian, Adjustment, Removing Conditions and Travel

HMA – Hazard Mitigation Assistance

HMGP – Hazard Mitigation Grant Program

HSI – Homeland Security Investigations

HVE – Homegrown Violent Extremists

I

I&A – Office of Intelligence and Analysis

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

IHSC – ICE Health Service Corps

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

IUC – Information Used in Controls

IUUF – Illegal, Unreported, and Unregulated Fishing

J

JCDC – Joint Cyber Defense Collaborative

JPMO – Joint Program Management Office

K

KEVS – Known Exploited Vulnerabilities

L

LECC – Law Enforcement Coordination Council

LOI – Letter of Intent

M

MERHCF – Medicare–Eligible Retiree Health Care Fund

MGMT – Management Directorate

MHS – Military Health System

MMPC – Major Management and Performance Challenges

M-UAS – Medium UAS

N

NAGC – National Association of Government Communications

NATO – North Atlantic Treaty Organization

NCATC – National Criminal Analysis and Targeting Center

NCFI – National Computer Forensics Institute

NCP – Normal Cost Percentage

NCR – National Capital Region

NDAA – National Defense Authorization Act

NDD – Non-Detained Docket

NFIP – National Flood Insurance Program

NGO – Nongovernmental Organization

NICE – National Initiative for Cybersecurity Education

NICS – Next Generation Incident Command System

NII – Non-Intrusive Inspection

NIMS – National Incident Management System

NISAC – National Infrastructure Simulation and Analysis Center

NOC – National Operations Center

NPFC – National Pollution Funds Center

NRCC – National Response Coordination Center

NRMC – National Risk Management Center

NSC – National Security Cutter

NSSE – National Special Security Event

NTAC – National Threat Assessment Center

O

OCFO – Office of the Chief Financial Officer

OCIO – Office of the Chief Information Officer

OIG – Office of Inspector General

OM&S – Operating Materials and Supplies

OMB – Office of Management and Budget

OPEB – Other Post Retirement Benefits

OPLA – Office of the Principal Legal Advisor

OPM – Office of Personnel Management

ORB – Other Retirement Benefits

OSA – Office of Homeland Security Situational Awareness

OSLTF – Oil Spill Liability Trust Fund

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

PM – Performance Management

PMDF – Performance Measure Definition Form

POA&M – Plan of Action and Milestones

PP&E – Property, Plant, and Equipment

PPA – Programs, Projects, and Activities

Q

QHSR – Quadrennial Homeland Security Review

R

RPA – Robotic Process Automation

RSI – Required Supplementary Information

S

S&T – Science and Technology Directorate

SBR – Statement of Budgetary Resources

SEACATS – Seized Assets and Case Tracking System

SES – Senior Executive Service

SFFAS – Statement of Federal Financial Accounting Standards

SFRBTF – Sport Fish Restoration Boating Trust Fund

SLTT – State, Local, Tribal, and Territorial

SMD – Strategic Management Division

SOC – Service Organization Control

SPM – Service Provider Monitoring

S-UAS – Small UAS

SWB – Southwest Border

T

TAK – Team Awareness Kit

TBI – Treasury Breakeven Inflation

TIER - Treasury Information Executive Repository

TSA – Transportation Security Administration

TSO – Transportation Security Officer

TSP – Thrift Saving Plan

TTP – Trusted Traveler Program

TVS – Travel Verification System

U

UAS – Unmanned Aircraft System

UCMM – Unified Cybersecurity Maturity Model

UFLPA – Uyghur Forced Labor Prevention Act, 2022

UN – United Nations

UPR – Unearned Premium Reserve

USBP – U.S. Border Patrol

USCG – U.S. Coast Guard

USCIS – U. S. Citizenship and Immigration Services

USFA – U.S. Fire Administration

USM – Under Secretary for Management

USPS – U.S. Postal Service

USSGL – U.S. Standard General Ledger

USSS – U.S. Secret Service

V

VAP – Victim Assistance Program

VAV – Virtual Attorney Visitation

VAYGo – Validate as You Go

W

WFFR – Wildland Firefighter Respirator

WYO – Write Your Own

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 2023 Agency Financial Report for their hard work and contributions.

U.S. CUSTOMS AND BORDER PROTECTION
CYBERSECURITY AND INFRASTRUCTURE SECURITY AGENCY
FEDERAL EMERGENCY MANAGEMENT AGENCY
U.S. IMMIGRATION AND CUSTOMS ENFORCEMENT
TRANSPORTATION SECURITY ADMINISTRATION
U.S. COAST GUARD
U.S. CITIZENSHIP AND IMMIGRATION SERVICES
U.S. SECRET SERVICE
COUNTERING WEAPONS OF MASS DESTRUCTION OFFICE
FEDERAL LAW ENFORCEMENT TRAINING CENTERS
OFFICE OF HOMELAND SECURITY SITUATIONAL AWARENESS
OFFICE OF INTELLIGENCE AND ANALYSIS
OFFICE OF INSPECTOR GENERAL
MANAGEMENT DIRECTORATE
SCIENCE AND TECHNOLOGY DIRECTORATE

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