

Modernizing Financial Management Systems: Insights from Stacy Marcott, Senior Official Performing the Duties of the Chief Financial Officer, U.S. Department of Homeland Security

By Michael J. Keegan



Today, the nation faces a range of diverse threats and challenges. The U.S. Department of Homeland Security (DHS) continues to play a leading role in battling the pandemic, securing the border, implementing our immigration laws, strengthening the nation's cybersecurity, building greater

resilience and preparedness, and so much more.

The third largest department in the U.S. federal government, DHS meets its mission with the dedication of more than 240,000 employees and an annual budget of \$90 billion. One of its most important duties is to be good stewards of taxpayer dollars. To do that, the department continues to modernize its financial management systems. The objective is always to improve access to financial data across the enterprise and leverage that data to inform decision-making and resource allocation.

“Our financial management strategy has four core goals,” describes Stacy Marcott, senior official performing the duties of the chief financial officer (CFO) at DHS. “First, be a workplace of choice for highly skilled and talented people delivering financial excellence. Second, revolutionize CFO business practices and systems to enable proactive decision support. Third, resource DHS based on mission requirements, priorities, and availability. Last but not least, provide evidence to DHS partners, Congress, and the public that we are good stewards of taxpayer money.”

Stacy joined me on *The Business of Government Hour* to discuss DHS' financial management strategy and progress on its financial systems modernization (FSM) journey. We also addressed the U.S. Coast Guard's implementation of FSMS,

lessons learned and best practices in financial modernization, and hiring opportunities within her office. Underlying our conversation was the impact of COVID-19 on DHS operations. The following is an edited excerpt of our discussion, complemented with updated and additional research.

What is the mission of your office and how does it support the overall mission of DHS?



First, our mission is to safeguard the American people, our homeland, and our values. It's critical we secure and protect resources that allow Homeland Security to perform its mission efficiently and effectively. Therefore, we are fundamentally mission enablers. We support the department's frontline operators. This means getting the money to the right people, at the right time, who are in the right places.

DHS is a diverse organization composed of eight frontline components—Cybersecurity and Infrastructure Security Agency (CISA), U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement (ICE), Federal Emergency Management Agency (FEMA), Transportation Security Administration (TSA), U.S. Coast Guard (USCG), U.S. Secret Service (USSS), and U.S. Citizenship and Immigration Services (USCIS). About 94 percent of our budget goes to the big eight components.

We are the second largest revenue collector in the federal government after IRS. With such an expansive mission, the department also has a diverse set of financial systems totaling twelve separate systems, some with outdated technology. Some 240,000 people, including 43,000 active military personnel, are dedicated to executing the mission of DHS. This is done throughout the U.S. in 12,386 buildings and across fifty-nine countries.

What key challenges do you face?

 Of our top three, the number one challenge is getting resources to support the growing mission areas. The scope of DHS continues to grow, especially in response to national emergencies, such as the pandemic and surge operations at the Southwest border. Many of these efforts require cross-agency collaboration, such as partnering with U.S. Health and Human Services (HHS). We've been given mission sets to lead unified coordination groups across the federal government in response to things that the administration wants us to help tackle. Multiagency operations are extremely challenging, given department restrictions on using resources for certain purposes.

The second challenge is attracting and bringing onboard the right talent and people. For me, it is essential to grow the pipeline of leaders for our organization and making sure they have the right skills. Third, and perhaps the most significant challenge, is the ongoing pandemic and working in a remote/hybrid environment. It's been a long, stressful two years for everyone. Here and elsewhere, it can be harder to show folks you care, harder to feel like a team, harder to communicate—harder to do everything. Dealing with COVID has made us stronger in some ways and enabled more flexibility. I've called it a social psychology experiment, whose longer-term impacts will become clearer over time.

So I encourage my team to be very adaptive. Because change is always difficult, you simply cannot communicate enough. The most important aspect of communication is listening. We need to mentally adapt and overcome. We need to work to get resources, training, and people in place to support our success.

What progress have you made modernizing agency financial systems?

 Financial systems modernization (FSM) has been near and dear to my heart because we've lived it for the last nineteen years. It's been quite a long, bumpy journey, going around cliffs, up and down mountains, to get to where we are today. We've made a lot of progress on the FSM front. To date, we have consolidated twenty-two separate federal agencies—all with diverse organizations, missions, accounting, and systems. When we were formed, DHS itself had twelve diverse financial systems, many with outdated technology.

Most recently, U.S. Coast Guard's FSM Solution (FSMS) went live. DHS now has 40 percent of its spending flowing through a modern, integrated, financial system. Prior to that, two other components—Countering Weapons of Mass Destruction Office (CWMD) and the Transportation Security Administration (TSA)—migrated to a modern, integrated financial system. These were the first to go live on FSMS.

What lessons have you learned from your FSM efforts?

 First and foremost, the FSM is a component effort. We help, guide, and bring tools, but most of the work will always fall on the component. It goes without saying that subject matter expert engagement early and often in the process is irreplaceable. Grouping all user testing at the end of the project is a recipe for disaster. User testing must be incorporated throughout.

One challenge we faced was migrating a massive quantity of old and often unreliable data. The migration was fraught with surprises. We performed five practice migrations before cut-over and still were often surprised and delayed by data anomalies during cut-over. Another key challenge involves a large, complex component—like the USCG, which has many business processes across many layers of the organization. It is almost impossible to uncover all the business processes. And those that are buried the deepest and arise at the last minute are the most difficult to migrate. Continuous SME engagement is key to quickly addressing these issues. Overall, change management is a challenge, although our old systems had shortcomings. Our users were familiar with them and knew how to make them work.





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One key lesson learned from our implementations is that you can never do too much training. However, you can train too early. Getting the right training, to the right users, at the right time, is critical. In terms of timing, training just before go-live is critical along with post go-live hyper care support.

We’ve stayed in constant contact with the future system users, particularly over the last 100 days. USCG leadership had an excellent engagement plan that included multiple messages per week from their CFOs. Generating confidence in a successful migration is the most important thing we can do. It helps end users through the adaptation process. Doubt prevents them from taking the necessary actions to be successful—that is, preparing, accessing training, and engaging with information we send them.

What is the future of DHS’ financial modernization journey?

 We have planned migrations of the remaining agencies in FY24 through FY27. FEMA is 41 percent of DHS spending. Having every dollar of DHS spending flowing through a modern, integrated, financial system is very important to me because it will reduce the risk of waste, fraud, and abuse. It also better enables us to use financial reporting data to make data-driven decisions across the department. In turn, we become better stewards of taxpayer dollars.

What is your approach to hiring and training staff?

 We have made employee development a priority, and the Office of Chief Financial Officer (OCFO) has channeled efforts through a dedicated Workforce Development Division (WDD). WDD has developed a robust array of training and developmental opportunities such as the Centralized Training Program, detail opportunities, internal and external leadership programs, and Career Path Guides. It is probably one of our smaller divisions within OCFO that is making a long-lasting impact on our workforce.

The Centralized Training Program delivers 60 distinct courses per year, covering a wide array of topics in technical, data analytics, leadership, and workplace skills. We focus training on competencies prioritized through the annual needs assessment. This is available to the entire DHS financial management community.

With many vacancies throughout the department, as well as our continued focus on professional development, staff can broaden their skill sets through detail assignments. We have leadership development programs, technical training programs, and career path guides in place for different functional areas. Having these assets in place illustrates our support for our employees to build their skill sets.

Technology expands training and developmental opportunities, improves efficiency and productivity, facilitates collaboration, and strengthens employee engagement across our CFO team. Building a workforce that embraces and applies innovative uses for technology remains a critical driver of future organizational capabilities. Partnerships are critical to continue to bring in fresh and innovative ideas to the organization, as well as to fortify our bench strength and skill sets.



How has COVID-19 impacted your operations?



I am proud to say that our financial operations haven't skipped a beat. While the pandemic may have caught us off guard, our workforce adapted overnight. I think the key challenge was the transition of our mindsets for all OCFO staff, including myself. Moving to a hybrid or fully virtual environment impacted everyone a little differently, but the workload never ceased, nor did the productivity. There was no change in the quality of our products. Our people really stepped up to the challenge, despite the uncertainty the last two years presented.

What leadership principles do you follow?



Leadership is about creating a positive environment where people can be successful and authentically themselves. I like to characterize my leadership philosophy as the ABCs of leadership. The “A” is your *attitude*—keeping it positive. Attitudes have the potential to build up or tear down the success of teams. We all know a negative attitude can spread across an organization. You can build your teams with respect by keeping things positive.

“B” is for be *bold*. Look for gaps, or places where you can be helpful, and take the initiative to fill those gaps. You need to step outside your comfort zone. Being *bold*—looking for gaps and not waiting for tasks to be given to you—is probably one of the characteristics that I value most in any employee.

The “5 Cs” of leadership are about building *connections* with people. Leadership is not about control, power, or job title. It's about building positive relationships with people. Leaders spend 70-90 percent of their time in group or team interactions every day—not working on spreadsheets or creating pivot tables.

Communication and leadership are joined at the hip. The challenge with communication isn't one of quantity—it's a quality issue. The most important part of communication is listening—listening with quality, which is extremely hard in the virtual environment.

Collaboration is critical to create a shared understanding of issues, as well. This is foundational for future action. You can't stay stuck in a silo if you want your team to be successful. Problems today are multifaceted, so good leaders are skilled facilitators who focus on getting problems out of their workers' ways. When my Director for the Joint Program Management Office (JPMO) comes to me and says that



he isn't getting something he needs, I often can't solve the problem by myself and have to collaborate with other lines of business (LOBs) or even a component.

Also, leaders *cultivate curiosity*. Again, don't be satisfied with the status quo. It is about asking the “why” behind something—and not being afraid to ask. Leaders need to create an environment where people feel safe to try new things—where failure is a learning experience, not an embarrassing one. You will create more curiosity because people will want to think of new and better ways of doing business.

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