



28 January 2022

Dear Sir or Madam:

This is an update to my 20 January 2022 letter. It includes the same background information with a specific update at the end. The Coast Guard transitioned to a new financial management and procurement system in the first quarter of Fiscal Year 2022. The integrated master schedule estimated the completion of legacy data migration and commissioning of the new system to occur in mid-November, 2021. Due to challenges with non-standard data and complex federal financial reporting requirements, the cutover lasted 30 days longer than anticipated. Consequently, the system was not made available to Coast Guard users until 17 December 2021. There were a number of system defects that prevented payments from being transmitted to the U.S. Treasury which were not resolved until early January, 2022.

During the cutover period, the Coast Guard was left without a system to pay more than 6,000 monthly invoices. A small quantity of payments were made manually through a U.S. Treasury system, but there is now a significant backlog of invoices. The Coast Guard has begun to process invoice payments in the new system. However, it will take several weeks until we are processing payments at a full rate of production.

I fully understand that the delay in making payments has caused a significant cash flow concern for all Coast Guard vendors. The Coast Guard could not perform its broad mission sets without the support of our vendor partners. We are working as quickly as possible to increase payment efficiency.

The Prompt Payment Act requires federal agencies to pay a daily interest penalty for any payments not made within 30 days of receipt of valid invoice. I recognize that cash flow issues may cause a vendor to question their relationship with the Coast Guard. As we overcome the challenges we have faced with this once in a generation financial system transformation, I hope we can rebuild the trust in the timeliness of our future payments. In the meantime, I request your patience with our staff which is working overtime to resolve issues and make payments to work down the backlog. The Coast Guard will pay all valid invoices as soon as we can.

28 January update: Since placing the legacy financial system off-line at the end of September 2021, the Coast Guard Finance Center has processed \$582 million in payments to our vendors. Additionally, the vendor payment line of business at the Finance Center has more than 100 accountants and technicians dedicated to adapting and improving our new process to ultimately deliver payments faster. This week our payment rate improved by 85% over the previous week and we aim to continue improvement next week. Additionally, the Coast Guard Contracting and Procurement community has made significant progress in decreasing the time it takes to review and approve invoices. We have over 400 Contracting Officers and more than 2,000 Contracting Officer's Representatives (CORs) supporting efforts across the Coast Guard to continually improve efficiency in processing invoice payments. The Coast Guard also has over 200 financial managers validating or modifying attributes required on obligating records in the system to facilitate matching invoices to obligations. We appreciate your patience as we continue to navigate through this transition period.

Sincerely,

A handwritten signature in blue ink, appearing to read "M. J. Fedor".

M. J. FEDOR

Chief Financial Officer

Rear Admiral, United States Coast Guard