



14 February 2022

Dear Sir or Madam:

This is an update to my 04 February 2022 letter.

14 February update: An additional \$173 million in payments to vendors have been made since the 28 January update, for a total of \$755 million paid since October 2021. Additionally, \$250 million in invoices have been staged into the new system and are in process for payment. The Finance Center's average daily payment rate improved another 40% last week, and again achieved a new high of invoices paid in one day. The Coast Guard is bringing in additional outside staff to begin processing invoices and approving invoice payments.

04 February update: The payment rate at the Finance Center continued to improve this week and we hit a new single day high for payments processed. With thousands of invoices in backlog after more than 75 days with a system off-line, the Coast Guard is working to prioritize payments based on any financial hardship. We are prioritizing small businesses and other socioeconomic disadvantaged businesses. The contracting and procurement community completed a two-day stand-down and we have made significant progress in confirming that contracts successfully migrated to the new financial system, and validating that the Contracting Officer's Representatives and Contracting Officers are correct in the system for validation of invoices to facilitate payments to our contractors. This week we implemented a rapid feedback loop to enable invoices with missing obligation attributes to be corrected the same business day. We have also developed and are testing coding to automate business process steps to decrease the payment processing time. While I know that hearing about these actions does not help the cash flow issues for vendors that have not yet received payment, hopefully they do convey the significant level of effort we have committed to make more payments more quickly. I appreciate your understanding and patience.

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.

20 January 2022 letter. 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.

Sincerely,



M. I. FEDOR

Chief Financial Officer

Rear Admiral, United States Coast Guard