

DHS MANAGEMENT AND ACQUISITION REFORM

HEARING

BEFORE THE

COMMITTEE ON
HOMELAND SECURITY AND
GOVERNMENTAL AFFAIRS
UNITED STATES SENATE
ONE HUNDRED FOURTEENTH CONGRESS

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CONTENTS

Opening statements:	Page
Senator Johnson	1
Senator Carper	2
Senator Lankford	20
Prepared statements:	
Senator Johnson	25
Senator Carper	26

WITNESS

WEDNESDAY, MARCH 16, 2016

Hon. Russell C. Deyo, Under Secretary for Management, U.S. Department of Homeland Security	4
Hon. Charles H. Fulghum, Deputy Under Secretary for Management and Chief Financial Officer, U.S. Department of Homeland Security	7
Hon. John Roth, Inspector General, U.S. Department of Homeland Security ...	9
Rebecca Gambler, Director, Homeland Security and Justice, U.S. Government Accountability Office	10
Michele Mackin, Director, Acquisition and Sourcing Management, U.S. Government Accountability Office	12

ALPHABETICAL LIST OF WITNESSES

Deyo, Hon. Russell C.:	
Testimony	4
Joint prepared statement	28
Fulghum, Hon. Charles H.:	
Testimony	7
Joint prepared statement	28
Gambler, Rebecca:	
Testimony	10
Joint prepared statement	56
Mackin, Michele:	
Testimony	12
Joint prepared statement	56
Roth, Hon. John:	
Testimony	9
Prepared statement	40

APPENDIX

Responses to post-hearing questions for the Record from:	
Mr. Deyo and Mr. Fulghum	82
Mr. Roth	104
Ms. Gambler and Ms. Mackin	107

U.S. DEPARTMENT OF HOMELAND SECURITY MANAGEMENT AND ACQUISITION REFORM

WEDNESDAY, MARCH 16, 2016

U.S. SENATE,
COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Committee met, pursuant to notice, at 2:00 p.m., in room SD-342, Dirksen Senate Office Building, Hon. Ron Johnson, Chairman of the Committee, presiding.

Present: Senators Johnson, Lankford, Ayotte, Ernst, Sasse, Carper, Booker, and Peters.

OPENING STATEMENT OF CHAIRMAN JOHNSON

Chairman JOHNSON. This hearing will come to order.

I want to thank all of our witnesses for appearing before us today, for your thoughtful testimony, and for your time here today.

Unfortunately, I am going to have to leave at a little bit before 3:00. We will probably turn it over to the capable hands of my Ranking Member here.

Senator CARPER. I object. [Laughter.]

Chairman JOHNSON. Well, then we have a problem.

Senator CARPER. OK. I do not object.

Chairman JOHNSON. This is an important hearing. We have been working on this project for about a year in a bicameral, and I think, a very bipartisan way. We have been working with the House Committee on Homeland Security, this Committee, the Department of Homeland Security (DHS), and the Government Accountability Office (GAO) really trying to address many of the problems that GAO has recognized in its "High-Risk List," trying to authorize and put into statute the types of management reforms that the good folks, the dedicated people, at the Department of Homeland Security are trying to implement to pass on a stronger Department to the next Administration—which we really appreciate that. So, I do not want to take a whole lot of time in my opening statement. I just want to really encourage that process, in terms of DHS management and acquisition reform.

The difference with what we do here in the Senate is—the House passed a bill with that combined into one bill. I think, just recognizing there may be some issues, we decided to separate those 2 into 2 different bills. So, again, we are all about getting results here, in this Committee, trying to find areas of agreement.

I do have to note—because yesterday we did hold a hearing where we talked about potential problems, in our visa programs,

and, during that hearing, I did ask questions about a pretty troubling incident that occurred at the San Bernardino United States Citizenship and Immigration Services (USCIS) office, and I asked Director Sarah Saldaña and Director León Rodríguez about that.

Last night, we learned, shortly after the hearing, that the U.S. Immigration and Customs Enforcement (ICE) supervisors are seeking information about who provided that information to Congress. I am very concerned that ICE's management is seeking out those individuals in order to retaliate, or otherwise punish them, for providing information to Congress. So, I want to make it very clear, today, that our Committee will be monitoring this situation very carefully.

The Federal Government has a very poor record of retaliation. We have held numerous hearings about this, and it is really quite shocking how often the Federal Government retaliates. But, I certainly will not stand for—and I do not think this Committee will stand for—any retribution against those who had the courage to come forward to reveal this incident.

Federal law expressly protects Federal employees' rights to furnish information to Congress—and any form of retaliation against Federal employees for furnishing information to Congress will not—and should not—be tolerated.

So, this afternoon, I will be sending a letter to Homeland Security Secretary Jeh Johnson about this matter and asking him to direct all DHS managers and employees to follow Federal law regarding whistleblower protection. And, Inspector General (IG) John Roth, I will also be sending a letter to you about this matter, formally requesting that you investigate the San Bernardino incident.

With that, I will turn it over to my Ranking Member, Senator Carper.

OPENING STATEMENT OF SENATOR CARPER

Senator CARPER. Thank you. Thank you, Mr. Chairman.

I want to welcome back Under Secretary Russ Deyo, whom we have not seen for almost 24 hours—actually, a little bit longer than that—Deputy Under Secretary Chip Fulghum, John Roth, our DHS Inspector General, who I think we did see 24 hours ago, and GAO Directors Rebecca Gambler and Michele Mackin. It is nice to see you all. And, thank you, Mr. Chairman, for calling this important hearing, and to each of you for being here and for helping to guide us and for sharing your wisdom with us.

As the Chairman has alluded to, our oversight, on this Committee, is usually focused on the men and women at the Department of Homeland Security who are working on the front lines at our airports, our land borders, and our coasts. But, backing up the Department's front-line personnel is a dedicated cadre of professionals in the DHS Management Directorate. The Management Directorate controls the Department's finances; it oversees the acquisition of assets and the procurement of services; it manages the Department's information technology (IT) backbone; and it makes sure that all employees get the paychecks—the correct paychecks—as well as the benefits and salary that they have earned. And, as some of you have heard me say before—as my colleagues have

heard me say before—management really does matter. It does matter.

Our friends from GAO and the DHS Inspector General have kept a close eye on the Department's management and acquisition practices. We are grateful for that. And, as their testimony indicates, there have been a number of challenges in these areas since the Department's creation about 13 years ago. And, the management of the Department, of course, continues to be on GAO's "High-Risk List," as Secretary Johnson continues his predecessors' efforts to merge nearly 2 dozen agencies that were once spread across the entire Federal Government.

Despite the massive undertaking of stitching together so many agencies with different missions and different cultures, we have seen a number of management successes at the Department over the years. We celebrate those. In fact, I was very pleased to hear—we were very pleased to hear that the Department has just taken another step toward getting off of the "High-Risk List" by improving the monitoring of its key management initiatives. And, that is definitely good news—and Secretary Johnson and his team deserve to be commended—and we commend you.

But, as the Inspector General has noted before, addressing the Department's long-term management challenges requires a commitment to building—and sustaining—I will say that again—a commitment to building and sustaining a culture that recognizes the need to act in a more unified, inclusive, and transparent manner. And, I could not agree more. That is why I strongly support Secretary Johnson's "Unity of Effort Initiative," which seeks to create more cohesion and efficiency across the Department by standing up joint operations.

Last week, Secretary Jeh Johnson sat right here in front of us and told our Committee that he would like to see his management initiatives codified in law, so that the improvements he and his team are making can be sustained and made even stronger by the next Administration. I think that makes a lot of sense, and it is why I have joined our Chairman in cosponsoring two pieces of legislation that would seek to make permanent many of the management reforms that the Department has already instituted. In some cases, our legislation provides new authority or requirements. For example, the DHS management bill provides headquarters officials with additional authority that they can use to better oversee the activities of the components. It would also require DHS to report to GAO every 6 months on the progress being made to get off of the "High-Risk List."

The second bill focuses on improving the acquisition processes at the Department. Among other things, this bill would, for the first time, designate the Under Secretary for Management as the single leader accountable for all DHS acquisition programs. It would also vest the Under Secretary with the statutory authority to halt, to modify, or to cancel acquisition programs that are struggling or are not deemed to be viable. And, while I believe these bills provide a solid foundation for the Department to continue to mature and grow even stronger, I know they are not perfect. And, when something is not perfect, we should make it better. And, I look forward

to working with all of our colleagues on further ways to improve these bills.

In closing, I just want to add I think it is important to remember that the Department, at the tender age of 13, is still a young organization—a teenager. And, given this fact, it needs proper guidance, firm rules, and strong oversight. And, that is where these bills and this hearing come into place. By working together, we can help give the Department—enable the Department, I think, but give them the tools that they need and the authorities they need to continue to mature and truly become “One DHS.”

Thank you, Mr. Chairman. Thank you all. Welcome one and all.

Chairman JOHNSON. And 13-year-olds can be quite difficult. [Laughter.]

Thank you, Senator Carper.

I would ask that my opening statement be entered into the record.¹

With that, it is the tradition of this Committee to swear in witnesses, so if you will all rise and raise your right hand. Do you swear the testimony you will give before this Committee will be the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. DEYO. I do.

Mr. FULGHUM. I do.

Mr. ROTH. I do.

Ms. GAMBLER. I do.

Ms. MACKIN. I do.

Chairman JOHNSON. Please be seated.

Our first witness is Mr. Russ Deyo. Mr. Deyo is the Under Secretary for Management at the Department of Homeland Security. In this position, Mr. Deyo oversees the Department's management programs, processes, and workforces. Secretary Deyo.

TESTIMONY OF THE HONORABLE RUSSELL C. DEYO,² UNDER SECRETARY FOR MANAGEMENT, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. DEYO. Thank you, Mr. Chairman. It is a pleasure to be here. I appreciate that. It is actually an honor to be here at this table with the Deputy Under Secretary for Management and Chief Financial Officer (CFO) Chip Fulghum. I could not have a better partner and leader.

I am also very pleased with our working relationship with Inspector General Roth and with GAO, including with Ms. Gambler and Ms. Mackin. We work at an appropriate arm's length, but have a good, collaborative relationship—and it is a pleasure to be here.

Senator CARPER. Let the record show that the IG nodded his head affirmatively. [Laughter.]

Mr. DEYO. Thank you for putting that on the record.

Before I go further, Chairman Johnson, thank you for your opening comments. I understand your concerns, and I promise you I will personally follow up on this as well. But, I totally appreciate and understand your concerns.

¹The prepared statement of Senator Johnson appears in the Appendix on page 25.

²The joint prepared statement of Hon. Deyo and Hon. Fulghum appears in the Appendix on page 28.

I am going to be brief because we are familiar, but I thought I would try to just, at a high level, set the tone and the background for what we are seeking to address. The letter to me, the invitation, asked us to address 3 things: management and acquisition challenges historically faced by DHS, progress made in addressing those challenges, and potential reforms for outstanding challenges. And, I am going to address each of those very briefly, from my perspective—and my perspective, as many of you know, is based on my 25 years-plus experience at Johnson & Johnson, which, like the Department, is a highly decentralized organization with very different companies under the broad umbrella of health care. Just as the Federal Emergency Management Agency (FEMA) is quite different from ICE, Neutrogena, the consumer skin care company, is very different from Johnson Pharmaceutical, a research organization. So, I have experience in trying to find that right balance between when stand-alone entities can work, independently, but when it is best for them to work together. And, I have tried to bring that experience to bear on what I have seen.

As you know, I joined the Department last spring, basically a year into the Secretary's "Unity of Effort Initiative," which was based on some good work that had gone before, but, in my judgment, is very close to exactly the right balance between independence—Coast Guard acting on its own to deal with people lost at sea, but then, when it is appropriate and necessary, allowing for strong collaboration across the components to achieve our critical mission.

The "Unity of Effort" addresses a number of critical areas, as you know, and I will very briefly cover them.

You have to have a strategy. You have to have a forward-looking strategy that is reflective of the environment and the changing circumstances. Under "Unity of Effort," the Office of Policy has that responsibility, working very closely with the components to come up with a strategy as well as appropriate policy improvements and high-level operational directives.

Then you need senior groups of the leadership so that they can be engaged, involved, and have ownership of what is coming. So, we have the Senior Leadership Council and the Deputy Secretary's Management Action Group, which are very much involved in that process.

Importantly, you need to have mission-focused, cross-component budgeting, programming, and acquisition processes. And, I know that is heavily a tension today. I think we have worked hard at improving our acquisition process. A very quick example is obviously the Joint Requirements Council (JRC), where you have representatives of each component, led by a component leader, establishing the requirements. What are the needs that we are trying to address in this acquisition? What are the capabilities that we are trying to obtain, so that we can fulfill our mission responsibilities?

It does not go forward in the acquisition and process until there is alignment and clear definition there. That is a very important and huge improvement. And, just to cut a little bit to the head of the chase, we have had a JRC in the past, and it was not sustainable. It disappeared. What we are trying to do here, with the help of your good legislation, is to make sure these improvements, at all

of these aspects, are sustainable and are in place for the next Administration and beyond.

We also need coordinated operations when the components are working together, and that is where the Joint Task Forces (JTFs) and the work they are doing on the Southern Border is a good example—where components are working together in a common leadership structure—sharing data, sharing information, and working together to address very important mission-directed elements.

An area that is directly within my area's responsibility is coordinated and aligned administrative functions—and you made reference to this, Ranking Member Carper. We need strong and common finance processes, strong and common IT processes, strong and common human resources (HR) processes, and strong and common procurement processes. We are getting better at that because of the responsibilities of the chiefs of the lines of businesses that report to me, the Chief Information Officer (CIO), the head of human resources, and Mr. Fulghum, working across the components to come up with common approaches, common financial systems, and common IT systems—where they are collectively addressing what needs to be done to improve those systems, replace outmoded ones, and improve our cybersecurity. I am seeing it working every day—not that we cannot be better and not that we do not need increasing experience, but the alignment and the improvements are palpable.

So, we are working on all fronts to make that better, and we will continue to improve. So, from my perspective, the “Unity of Effort” is a big improvement—the right balance of independence—and collaboration. And, the legislation that is being considered—the 2 pieces of legislation—will go a long way to addressing what is, now, our biggest management issue, which is making it sustainable.

And, in that regard, I will also note that some added benefits of the legislation are that it makes accountability clear, it has great transparency to you and to the American public, and, as you well know, it adopts and codifies many of the recommendations from the Inspector General and from GAO about how we should be operating. And, we embrace that. We accept that. We accept the accountability. We accept the recommendations that will make us better at what we are doing. And, making it sustainable will have a huge benefit for us—a huge benefit for us, so people do not have to redo, rethink, or restart.

We need more experience. We will get better and better as we do more of these. We are well underway. Things are working. But, we just need to make it sustainable, and we will continue to improve it, as we go forward.

So, unless there are any questions for me at this point, I would like to turn it over to Mr. Fulghum. I will note this: Before I arrived at DHS, he was the Acting Under Secretary for Management. His leadership has made a huge difference under the “Unity of Effort.” He started huge improvements with our approach to appropriations—excuse me, acquisitions—

Senator CARPER. How do you say—how huge? Like really huge?

Chairman JOHNSON. With a “Y.”

Mr. DEYO. To be candid, we have a great partnership, and I do not think we would—it is great to have somebody who is inside and

familiar. I bring an outside perspective. We have very candid conversations. But, I have seen the impact of what he has done, personally, with his leadership, in getting us closer to a common financial system, improving our budgeting process, becoming mission-focused, and working on the acquisition piece. So, if you agree, I will ask Mr. Fulghum—

Chairman JOHNSON. Let me introduce him—but, first of all, thank you, Secretary Deyo. I think we have been very impressed with your contribution to this as well.

Mr. DEYO. Thank you.

Chairman JOHNSON. We are really thankful that you were able to come into government, not a real thank-filled job in many cases here.

Mr. DEYO. Not every day.

Chairman JOHNSON. But, we appreciate your service.

Our next witness is “Chip” Fulghum, the Deputy Under Secretary for Management and Chief Financial Officer at the Department of Homeland Security. Mr. Fulghum leads several lines of businesses across the Department, including financial, human capital, and information technology management. Mr. Fulghum.

**TESTIMONY OF THE HONORABLE CHARLES H. FULGHUM,¹
DEPUTY UNDER SECRETARY FOR MANAGEMENT AND CHIEF
FINANCIAL OFFICER, U.S. DEPARTMENT OF HOMELAND SE-
CURITY**

Mr. FULGHUM. Good afternoon, sir. Chairman Johnson and Ranking Member Carper, thank you for allowing us to be here today to discuss this important topic. And, thank you to both the IG and GAO for their continued partnership. I refer to them—and they have heard me say this before—as our “personal trainers.” We might not like it when we are going through the exercise, but they make us better and they put us through our paces.

Senator CARPER. That is nicer than some of the things they have been called. [Laughter.]

Mr. FULGHUM. So, when I arrived at the Department in 2012, I saw many of the same challenges that had been well documented by GAO, the IG, and the Congress. And, when you look at those recommendations, they really center around 4 areas, as it relates to acquisition.

First, is better documentation—and, in some cases, getting documentation as well as an improved requirements and definition process. They have recommended that we need focused oversight from the Department. We need better program managers that are certified. We need component acquisition executives that have clear accountability and whose offices are staffed properly. And, then they have repeatedly talked to us about a better linkage with science and technology (S&T), research and development (R&D), as well as test and evaluation.

Over the past 2 years, I believe we have made substantial progress—and I would like to briefly highlight some of that.

¹The joint prepared statement of Hon. Fulghum and Hon. Deyo appears in the Appendix on page 28.

Since 2012, no program has moved forward in the Department without the required documentation. All programs now have the required documentation, which includes a life-cycle cost estimate. As Mr. Deyo said, we have stood up an operator-focused Joint Requirements Council—and I want to underscore that—an operator-focused Joint Requirements Council. And, the first chairman of that Joint Requirements Council was a two-star admiral operator—to give us the right operational focus to make sure that we get the requirements right up front.

We have made the tough calls when it comes to programs. We have canceled programs and we have paused programs, with the goal—the simple goal—of making sure we get it right—making sure that we deliver the right capability to the operator.

We have elevated the Component Acquisition Executives (CAEs) into components, and there is now a clear relationship between the CAE and the Chief Acquisition Officer (CAO) in the Department. We have required certification of program managers and we have addressed staffing shortfalls in various programs.

We have improved our training. I believe the Homeland Security Acquisition Institute (HSAI) that Soraya Correa runs—our Chief Procurement Officer (CPO) runs—is an excellent program. It turns out we train about 8,000 folks a year in various courses. That is excellent—and we continue to improve that.

And then, in terms of affordability, we require certifications now from the CFO in terms—the component CFO, when every program moves forward at a major milestone, they have to provide us with an affordability certification for the next 5 years.

We have moved cost estimating to where I believe it belongs, which is with the Chief Financial Officer—and we are continuing to build that capability. And, as I said, now every program has a life-cycle cost estimate—every major program.

We have better integration with S&T under the leadership of Mr. Deyo. We continue to build that partnership with S&T because they are a valued partner, especially at the front end of an acquisition.

In short, all of these results culminate in years of work to reform acquisition in the Department—and this bill will drive us to sustainment. As I believe you said to us the other day, Senator Johnson, you said, “OK, here is the bill. Now we have to see you do it.” It increases accountability, it increases transparency, it increases efficiency, and it codifies the progress we have made. As our Secretary likes to say, it pours concrete over the hard work that the men and women in management have done.

So, in short, under the leadership of Mr. Deyo, we have made huge progress over the last year. I believe we will continue to make progress. This legislation is important to the Department because, as I said, it codifies much of the progress we have made and it holds us accountable to ensure that we sustain it, which is key to getting off of the “High-Risk List.”

So, with that, I welcome any questions you have at this time.

Chairman JOHNSON. Thank you, Secretary Fulghum.

Our next witness is John Roth. He is the Inspector General at the Department of Homeland Security. In this position, Mr. Roth leads the Office of Inspector General’s (OIG’s) independent audits,

investigations, and inspections of the programs and operations of DHS. Inspector General Roth.

**TESTIMONY OF THE HONORABLE JOHN ROTH,¹ INSPECTOR
GENERAL, U.S. DEPARTMENT OF HOMELAND SECURITY**

Mr. ROTH. Good afternoon, Chairman Johnson, Ranking Member Carper, and Members of the Committee. Thank you for inviting me here to discuss critical management and acquisition functions at DHS.

Acquisition management, which is critical to fulfilling the DHS functions or missions, is inherently complex and high risk. It is further challenged by the magnitude and the diversity of the Department's procurements. Since its inception in 2003, the Department has spent tens of billions of dollars, annually, on a broad range of assets and services—from ships, to aircraft, to surveillance towers, to financial, human resource, and information technology systems. DHS's yearly spending on contractual services and supplies, along with the acquisition of assets, exceeds \$25 billion. Although the Department has improved its acquisition processes and taken steps to strengthen oversight of major acquisition programs, challenges to cost effectiveness and efficiency remain.

DHS has taken many steps to strengthen department-wide acquisition management.

For example, it has established the Acquisition Life Cycle Framework—a four-phase process to assure consistent and efficient operation of acquisition management, support, review, and approval.

Second, it created the Office of Program Accountability and Risk Management (PARM) in 2011. This office oversees the acquisition work of the Department and its components as well as enforces DHS policies and procedures.

Third, it established an Acquisition Review Board (ARB), which determines whether or not the components' acquisitions meet specific requirements at key phases throughout the acquisition process.

Fourth, DHS established a Joint Requirements Council to review high-dollar acquisitions and make recommendations to the Acquisition Review Board on cross-cutting savings opportunities.

Lastly, it has increased component-level acquisition capability. For instance, the Department has appointed component acquisition executives to oversee and support their respective programs. It has also initiated various training and information-sharing programs within the components themselves.

Although DHS has made much progress, we do not believe it has yet achieved the cohesion and sense of community to act as one entity working towards a common goal. The Department continues to face challenges establishing and enforcing a strong central authority and uniform policies and procedures. Many of DHS's major acquisition programs continue to cost more than expected, take longer to deploy than planned, and deliver less capability than promised.

We have analyzed the acquisition failures and have identified 3 root causes.

¹ The prepared statement of Hon. Roth appears in the Appendix on page 40.

First, components do not always follow departmental acquisition guidance, which may lead to cost overruns, missed schedules, and mediocre acquisition performance. All of these have an effect on budget, security, and efficient use of resources.

Second, components often do not engage in appropriate oversight of their own acquisition process. To protect the Department's investments, components must properly manage assets throughout the life cycle. Our reviews of equipment maintenance contracts, for example, revealed that components need to improve oversight to ensure contractors provide the required services and correct maintenance deficiencies.

Lastly, DHS needs better data and acquisition management tools. Strong management of Department programs requires accurate and reliable data, clear and well-communicated guidance, and a collaborative and unified environment. We have identified cross-cutting programs in which better management, oversight, and guidance could have improved transparency, effectiveness, and efficiency.

In the last few years, DHS has initiated significant reforms to the acquisition process and has exerted significant leadership to gain control over an unruly and wasteful process. However, I worry that the significant reforms, if not continuously enforced over time, could be undone. We believe that the passage of the 2 bills under consideration by this Committee, the DHS Headquarters Reform and Improvement Act of 2016 and the DHS Acquisition Reform and Accountability Act of 2016, will help DHS solidify the gains made in the discipline, accountability, and transparency of acquisition program management. These bills codify existing policy and relevant offices, provide the necessary authority for key personnel and mechanisms within the Department to effectively manage major acquisition programs, reinforce the importance of key acquisition management practices—such as establishing cost, schedule, and capability parameters—and include requirements to better identify and address poorly performing acquisition programs.

Mr. Chairman, this concludes my prepared statement. I welcome any questions that you or Members of the Committee may have.

Chairman JOHNSON. Thank you, General Roth.

Our next witness is Rebecca Gambler. Ms. Gambler is the Director of the Homeland Security and Justice team at the U.S. Government Accountability Office. Ms. Gambler leads GAO's work on DHS management and transformation, border security, and immigration. Director Gambler.

TESTIMONY OF REBECCA GAMBLER,¹ DIRECTOR, HOMELAND SECURITY AND JUSTICE, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. GAMBLER. Good afternoon, Chairman Johnson, Ranking Member Carper, and Members of the Committee. I appreciate the opportunity to testify at today's hearing to discuss GAO's work on DHS's efforts to strengthen and integrate its management functions.

¹The joint prepared statement of Ms. Gambler and Ms. Mackin appears in the Appendix on page 56.

Since 2003, GAO has issued hundreds of reports addressing the range of DHS's mission and management functions. And, we have made about 2,400 recommendations to strengthen the Department's operations and management, among other things. DHS has implemented about 70 percent of these recommendations and has actions underway to address others.

GAO also regularly reports to Congress on government operations that we have identified as high risk because of their great vulnerability to fraud, waste, abuse, and mismanagement—or the need for transformation. In 2003, we designated implementing and transforming DHS as high risk because DHS had to transform 22 agencies into one Department—and the failure to address associated risks could have serious consequences for U.S. national and economic security. With DHS's maturation and evolution, we have narrowed the scope of DHS's high-risk area to focus on strengthening management functions—and those functions include human capital, acquisition, financial, and information technology management.

GAO has established 5 criteria for removing areas from our "High-Risk List." Specifically, agencies must have: first, a strong commitment to, and top leadership support for, addressing the risks; second, an action plan; third, the capacity—including people and other resources—to address the risks; fourth, a program for monitoring progress; and, fifth, demonstrated progress in implementing corrective actions.

The Department has made progress in meeting our criteria. In our 2015 update, we found that DHS had met 2 of our criteria—demonstrating leadership commitment and having an action plan—and had partially met the other 3 criteria. Since our 2015 update, DHS has made additional progress and has now also met the criterion of having a framework to monitor progress.

To help the Department in addressing our high-risk criteria, GAO and DHS have agreed to 30 actions and outcomes across DHS's management functions—and a number of these actions and outcomes are consistent with functions and responsibilities identified for the Department and its management chiefs in the proposed legislation on DHS management.

With regard to the 30 actions and outcomes, DHS has fully, or mostly, addressed just more than half of them and has partially addressed, or initiated activities to address, the others.

For example, within human capital management, DHS has developed and made progress in implementing a human capital strategic plan and a workforce planning model. However, DHS has considerable work ahead to improve employee morale. DHS has also taken steps to assess its various training programs, but has faced significant challenges in its efforts to consolidate its existing learning management systems.

Further, within financial management, DHS has received a clean audit opinion on its financial statements since fiscal year (FY) 2013 and has made progress addressing weaknesses in its internal controls over financial reporting. However, the remaining material weaknesses reported by auditors continue to hamper DHS's ability to establish effective control over financial reporting and comply with financial management system requirements. My colleague Ms.

Mackin will share some more specific insights related to DHS acquisition management.

As I close, I think it is important to note that DHS has made progress in addressing those issues that contributed to its designation as high risk. While this progress has been positive, DHS needs to continue to demonstrate measurable and sustainable progress in implementing corrective actions and achieving those actions and outcomes that we and the Department have identified.

Efforts by the Department and by Congress, through proposed legislation and continued oversight, for example, are important to helping ensure that the Department has the people, processes, and systems in place to strengthen management functions and address remaining challenges. GAO will also continue to work constructively with the Department. For example, senior GAO and DHS officials have met routinely over the past 7 years to discuss the Department's plans and progress in addressing this high-risk area and we will continue those constructive efforts.

This concludes my prepared statement. I am happy to answer any questions Members have.

Chairman JOHNSON. Thank you, Director Gambler.

Our final witness is Michele Mackin. Ms. Mackin is the Director on the Acquisition and Sourcing Management team at the U.S. Government Accountability Office. In her capacity, Ms. Mackin leads GAO's work on DHS acquisitions and navy ship building. Director Mackin.

TESTIMONY OF MICHELE MACKIN,¹ DIRECTOR, ACQUISITION AND SOURCING MANAGEMENT, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. MACKIN. Thank you, Mr. Chairman. Good afternoon, Ranking Member Carper and Members of the Committee. Thank you for having me here today to discuss DHS acquisition management and oversight. My statement is based on our work over more than a decade of reviewing DHS's major acquisition programs—those expected to cost \$300 million or more.

The stakes are high at DHS when acquisitions are not properly managed. In addition to the potential for wasting taxpayer dollars, there is a risk that end users, such as border agents and the Transportation Security Administration (TSA) screeners, will not get the technologies or systems they need within required timeframes.

As we have reported for many years, DHS acquisition policy reflects a "best practices" approach. Programs are not to proceed to the next milestone unless they have key acquisition documents in place. For example, if they do not have approved mission needs or requirements, they are not to begin buying capabilities. I note that the proposed acquisition reform bill reflects these sound practices.

However, we found that DHS programs have not always followed these policies. As a result, programs have not delivered expected capabilities within cost and schedule targets. The Secure Border Initiative's (SBI's) SBInet and the Integrated Deepwater System Program (Deepwater) come to mind as some significant examples.

¹The joint prepared statement of Ms. Mackin and Ms. Gambler appears in the Appendix on page 56.

A continuing theme in our work has been the struggle to get all of the DHS components on board with following the acquisition policies. In 2005, we reported that DHS's acquisition organization was fragmented among the components, and we said that if top leaders did not address this challenge, DHS would continue to deliver stop-gap, ad hoc solutions to its end users.

When we reviewed the acquisition function a few years later, in 2008, the picture was bleak. About a third of the major programs had proceeded with funding even though they did not have validated requirements. Just as troubling, two-thirds of the programs lacked approved cost estimates. We concluded that taxpayers were investing billions of dollars in major acquisition programs without appropriate oversight.

We also found, in 2008, that the Joint Requirements Council had not met since 2006. This body was reinstated in 2014, and I note that the headquarters reform bill that has been proposed does outline this body's roles and responsibilities. Having a Joint Requirements Council in place that validates requirements and attempts to eliminate redundancies across the Department is one of our high-risk acquisition outcomes.

We did our next in-depth review in 2012, and, unfortunately, things were not much better. We continued to find that most programs lacked approved cost and schedule estimates as well as agreed-upon performance objectives even though these were required by policy.

Based on the limited information available at that time, we found that cost estimates for 16 major programs had increased by 166 percent. This was largely because cost estimates were not properly developed in the first place.

Recently, however, we have seen real progress at the Department. For example, management is more focused now on ensuring that its major programs are affordable. Further, we found, in 2015, that costs had increased by \$9.7 billion as measured against initial baselines.

The good news is, this was the first time we could do such an assessment—because program documentation had improved. We attribute this, in large part, to the sustained attention of senior leadership in holding components and programs accountable.

That said, the Department is not there yet. There are still some acquisition basics that are not ingrained in the culture. In addition to the cost, schedule, and requirements issues I have discussed, we found that program data have not been accurately reported, internally or externally, to Congress. And, workforce capacity and skills, such as program managers and cost estimators, continue to be a challenge.

Moving forward, DHS will need to sustain the progress we have seen recently and ensure that its sound acquisition policies are followed at all levels of the Department.

Mr. Chairman and Ranking Member Carper, this concludes my prepared remarks. Thank you.

Chairman JOHNSON. Thank you, Director Mackin.

I would like to first start with the Inspector General and the representatives from GAO. First of all, Director Mackin, how long

have you been working in this capacity and really doing audits on DHS?

Ms. MACKIN. I was involved with the first report we did on the acquisition functions in 2005.

Chairman JOHNSON. OK. Director Gambler.

Ms. GAMBLER. I have been covering this work, as a Director, for about 2 years, but, prior to becoming a Director, I worked on DHS management issues for several years.

Chairman JOHNSON. OK. And, General Roth, I know time flies. You have been in this position not quite 2 years?

Mr. ROTH. 2 years and 2 weeks.

Chairman JOHNSON. So, this is not a fair question, but, having gone through in my private sector business a lot of audits, both financial as well as quality audits—that type of thing, I mean, there is no doubt about it, good auditors are always going to find something. You can always find something to continuously improve on. I just want to get some sort of sense over that time of looking at DHS—let us say they started at zero—again, it was a significant challenge trying to combine 22 agencies—and the management challenge to finally getting to 100 would get them off of the “High-Risk List.” How far are they up on that scale? How much progress has been made? Again, I am not going to hold you to it, but I just kind of want to get some sort of sense. Director Gambler, you look like you are ready to hop in.

Ms. GAMBLER. Absolutely. Based on our high-risk criteria, we would say that they are three-fifths of the way there. So, whatever that calculates into as a percentage—

Chairman JOHNSON. That would be 60 percent. [Laughter.]

Ms. GAMBLER. We would say they are about three-fifths of the way there.

Chairman JOHNSON. Director Mackin, would you give them a bit more than 60 percent or—

Ms. MACKIN. Yes, I certainly agree with what Ms. Gambler said. On the acquisition front, I will note, having looked at this evolve over 10-plus years, it is only very recently that we have started to see real progress. Obviously, the acquisition area is a subset of our overall high-risk area. So, we are seeing more accountability now, and we hope that the Department can keep that up at all levels—as I mentioned.

Chairman JOHNSON. General Roth, do you want to kind of chime in? That was very subjective.

Mr. ROTH. Correct, and, based on my limited experience thus far, there has been sustained leadership in this area, which I think is one of the key factors in moving forward on this. So, when I look at some of the older audits that we had done—and some of those were nightmare scenarios—the SBInet, for example, that had been mentioned earlier—we are out of those kinds of woods and in a different place.

Chairman JOHNSON. OK. And these 2 gentlemen had a lot to do with that, so we certainly appreciate that.

Have all 3 of you read the legislation? Do you have any problems with it? Again, based on what your recommendations are, we have tried to—I am sure we attempted to include those in that legisla-

tion. Are you satisfied with it? Are there things that you are concerned about still? I will start with you, Director Mackin.

Ms. MACKIN. I would say we have been through it, in detail, especially the acquisition bill, and it reflects quite a few of the findings and recommendations we have made over the years—and, obviously, codifies what we are on record as saying is a very sound “best practices” acquisition approach.

Chairman JOHNSON. Any glaring omissions?

Ms. MACKIN. The only thing I would mention there is in the Future Years Homeland Security Program (FYHSP) section, we have recommended the Department reflect funding gaps for individual programs over the FYHSP. That was one relatively minor issue that we might recommend you consider.

Chairman JOHNSON. Director Gambler.

Ms. GAMBLER. I would agree with my colleague. In the broader DHS management bill, a number of the functions and responsibilities that are identified within the management area are very consistent with GAO’s findings and include the actions and outcomes that we, and the Department, have agreed need to be addressed in order, to ultimately, meet GAO’s 5 criteria for getting off of the “High-Risk List.” So, we see a lot of consistency between the language that is in the proposed bill and our high-risk actions and outcomes.

Chairman JOHNSON. Any omissions that you would want to mention?

Ms. GAMBLER. Not that we would note.

Chairman JOHNSON. OK. General Roth.

Mr. ROTH. I would concur with GAO’s findings on this. I think this is exactly what the Department would need. It gives that imprimatur of legislation to what are current practices. But, again, what we always worry about is, with change of Administrations and changes in leadership, things can happen, things can fall off, and things can no longer be a priority. If it is in law, that is going to be less likely to happen.

Chairman JOHNSON. Which is, of course, why we are trying to codify it. Secretary Deyo, I think you were the one that talked about how there was a Joint Requirements Council previously, but it was not sustained. Do you know why it was not? Can you point to what happened?

Mr. DEYO. I do not. Do you know, Mr. Fulghum? I just know it did not—

Mr. FULGHUM. I think part of it was due to competing priorities. About the time it was formed, we were heavily focused on Hurricane Katrina and other things, and we just lost focus.

Chairman JOHNSON. Oh, OK. Again, another reason for codifying this, so that does not happen.

Secretary Deyo, I just have to talk to you a little bit about coming from the private sector. We had this discussion in our roundtable. Can you describe to me what is so difficult in government? We had this hearing yesterday about the IT system within USCIS, and there are systems in the private sector that do really what we need to do in so many of these agencies and departments—just getting common accounting. I imagine, in your previous life, Johnson & Johnson probably acquired different businesses. And, I was ac-

quired, and, trust me, our accounting system switched over very quickly. What prevents it? Why does that not happen in government?

Mr. DEYO. It is a great question. I am still learning. You do not have as much flexibility, so let us take the common financial systems, all right? Exactly what you described. At Johnson & Johnson, if there was an acquisition, no matter how large, the first thing that happened was to feed it into the common financial system, because how else can you plan and how else can you accurately report on a quarterly basis?

Chairman JOHNSON. And, that would normally take how long?

Mr. DEYO. First of all, you had the benefit of common definitions because everybody's—we do not have common definitions, necessarily, in these financial systems—but it would be done in 6 months, at most. It is just a matter of transitioning. And, since you had common definitions, even if you were doing it by hand, you could do it. Here, it is just more complicated and it just takes longer.

In terms of what you are describing, in terms of the common financial system, we want to make sure we do it right. The GAO representatives talked about the risk of our internal controls and we are doing this in a staged way to ensure that we do it at the start of a financial year, so that we can manage it without the disruption. So, that is why this one is taking so long.

Chairman JOHNSON. So, just give me an example, and then I will turn it over to Ranking Member Carper. What do you mean you do not have common definitions? I mean, numbers are numbers. You know what I am saying? What is different in terms of definitions?

Mr. DEYO. I will turn to my exemplary CFO.

Mr. FULGHUM. So, one of the key foundational things we need to do in this Department is have a common data structure, what we call a “common account structure.” So, when these agencies were formed, they had unique accounting codes. And, so one of the things we have done is said, “OK, you can keep some of your unique accounting codes, but there are certain things in this Department that we need to simplify in terms of structure.” So, it is complicated.

I would add to what the Under Secretary said, in terms of disparate systems—not modernized systems—the capacity to migrate to a new modernized solution, and the audit risk that is inherent when you migrate. And, the Department has only gotten 3 opinions in a row and, of course, takes that very seriously.

So, we have taken a tiered approach to doing it. We are on a path to getting there. It is just going to take us some time—that, combined with limited resources. I mean, there is only so much money you can put toward this in any given year, given the competing priorities that we need to fund, in terms of operational capability.

Chairman JOHNSON. OK. Well, thank you. Senator Carper.

Senator CARPER. Thank you, Mr. Chairman.

Ms. Gambler, I feel like I would like to start this first question with you. Many times in my life, I have begun a sentence by saying, “If I were a gambler.” [Laughter.]

Have you ever used that?

Ms. GAMBLER. I do not, but I have had other comments and jokes about the last name.

Senator CARPER. Have you always been a Gambler?

Ms. GAMBLER. I have always been a Gambler.

Senator CARPER. Oh, good. Good. I want to start by asking why is it important to codify—and the rest of you may recall this, but, when we were trying to get him confirmed—and get the Secretary, the Deputy Secretary, and others confirmed—people, and my colleagues, would ask, “Why is it so important to get him confirmed?” And, we would say, “Well, it makes it clear that these folks have earned the imprimatur of the U.S. Senate.” We have vested our faith in them. And, let me just ask Mr. Deyo, is that true? Have you often seen that?

Mr. DEYO. Yes. It does make a big difference—credibility and to have people listen, just as codification of these steps will make a huge difference to the component compliance, and all of our compliance, and our ability to make these a standard process. Once it becomes routinized, people will use it because they will see it works. But, we are not there yet.

Senator CARPER. Alan Simpson used to be a Senator here. I do not know if he was on this Committee or not, but he was remembered for being very funny. But, he also said some memorable things that were not funny but were, I think, right on—dead on. He used to say: “Integrity, if you have it, nothing else matters. Integrity, if you do not have it, nothing else matters.” Think about that.

I think the same is true of leadership. And, I would like to ask the Inspector General, Ms. Gambler, and Ms. Mackin just to reflect on this Department and the leadership of this Department—and the words that I just shared on leadership and the importance of leadership. And, just give us your readout, please. Mr. Roth.

Mr. ROTH. Thank you. And, I have said this publicly in testimony as well as elsewhere. Secretary Johnson and his leadership team believe in oversight and believe in an independent Inspector General, which is not to say they always like what it is I say, but they believe in the office and believe that oversight makes a huge difference.

Senator CARPER. Ms. Gambler.

Ms. GAMBLER. I would say, particularly, as it relates to the high-risk area, we have seen extremely strong leadership, commitment, and support in addressing the high-risk areas and to working constructively with GAO on that. We have also seen a lot of commitment on the part of the Department and its top leadership to address the actions and outcomes and to address GAO’s recommendations. So, we have, I think, had a good, constructive working relationship and dialogue with them on these management issues.

Senator CARPER. All right. Thank you. Ms. Mackin.

Ms. MACKIN. I certainly agree with that, and I think the integrity aspect comes into play, specifically, in the acquisition issues. We have not seen them overstate their progress and try to convince us that things are much better than they really are.

Senator CARPER. Is that right? That is interesting.

Ms. MACKIN. It is a very legitimate dialogue.

Senator CARPER. Maybe we should try that. [Laughter.]

In our roles.

Chairman JOHNSON. Speak for yourself.

Senator CARPER. Mr. Chairman says to speak for myself.

I think you said, Ms. Mackin, in your statement earlier, you said that you sensed progress, initially—maybe slower than you would have liked, but, in terms of “Unity of Effort” and making progress on these fronts with acquisition. But, I think you said—either you or Ms. Gambler said that, over time, the pace has sped up—has picked up. Who said that? Was that you or was that Ms. Gambler?

Ms. MACKIN. Our observation, on the acquisition issues, is that it picked up quite a bit, I would say, in the last 2 years.

Senator CARPER. And why do you suppose that is?

Ms. MACKIN. Probably due to leadership. Probably due to just the acquisition organization beginning to mature. I mean, the current acquisition policy was implemented in 2008, so it is still relatively recent. Trying to get the reach down through the components to every program office has been a challenge.

Senator CARPER. OK. Someone also spoke about 3 root causes. Mr. Roth, just go back and revisit that. Tell us again what you said.

Mr. ROTH. Sure. The first thing is that components do not always follow departmental guidance.

Senator CARPER. These are the 3 root causes for what?

Mr. ROTH. For our lookback on some of the acquisition problems that we have seen in the course of our audits in the last 4 or 5 years. First, components do not always follow acquisition guidance. Second, they do not do appropriate oversight of their own acquisition process. And, third, they need better data and acquisition management tools to be able to do their job.

Senator CARPER. Sometimes, we pass legislation around here that addresses symptoms of problems, but not root causes. And, I would like to think that, in the legislation that we are considering—these 2 bills—we look at the root causes and the symptoms. But, when you think about root causes and the 3 that you just went through, is there anything in our legislation that is actually helpful in those regards?

Mr. ROTH. It absolutely all is helpful in those regards. Having oversight of the Department, I think, is extraordinarily important. To be able to enforce discipline down into the component level—that is really where we see all of the problems. When we look at acquisition after acquisition, we can really show that if they had followed the Department’s guidance and had been appropriately supervising the acquisition process, this would not have been a problem.

Senator CARPER. All right. Ms. Gambler, you mentioned in your testimony, I think you said that, of the 2,400 recommendations that you have personally given to this Department, some 70 percent of them have been acted on. And, my first thought is that sounds pretty good. Would those be 2,400 recommendations over like a 12-year period?

Ms. GAMBLER. Yes, that was about 2,400 recommendations since 2003—since the start-up of the Department. That is right. And, about 70 percent have been implemented—and I would just note

that the Department has actions underway to address others there. They are just not yet at the place where we would consider them fully implemented.

Senator CARPER. I see. And, I am tempted to say, "Well, that is great progress," but we do not know if maybe they have taken 70 percent of like the easiest, least meaningful recommendations and done something with those, and the really tough ones are still out there. How would you characterize the apportionment of this progress?

Ms. GAMBLER. Sure. Thinking about it, maybe, Senator, in the context of the DHS management areas and some of the recommendations that we have made there, and the related actions and outcomes, I think it is fair to say that DHS has really taken action to put in place some of the building blocks—some of the foundational kind of recommendations and actions and outcomes that need to be put into place to help address the high-risk area. I think where we need to continue to see progress, in terms of what they are continuing to work on, are some of those things that help to show that sustainable measurable progress over time.

Senator CARPER. Good. And, the last question is: In the time before Jeh Johnson was confirmed as Secretary and became Secretary, and we had previous leadership in the Department—the Deputy was, for a while—I think for 4 years—Jane Holl Lute. Did you ever work with her? Did she ever come and meet with you folks?

Ms. GAMBLER. She did. I would say for the last 7 or 8 years, we have enjoyed a very constructive dialogue with DHS over these high-risk issues, to include folks at all different levels within the Department, including the most senior levels.

Senator CARPER. And, under the leadership of Secretary Jeh Johnson, who would you say, in the Department, you have the closest—at the senior level—working relationship with? Would it be the Deputy? Would it be the Under Secretary?

Ms. GAMBLER. GAO's leadership has had discussions with the Deputy Secretary and, I believe, with the Secretary, as well, on high-risk issues. I think we work most closely on kind of a regular basis with the Under Secretary for Management and his management chiefs.

Senator CARPER. All right. Good. Thank you so much.

Chairman JOHNSON. Thank you, Senator Carper.

Before I turn it over to Senator Lankford and then to Senator Booker, I am going to apologize. This is the first time I have had to do this—leave a hearing before it is concluded. Obviously, the reason we called this hearing is to allow Senators to come in and really gain the understanding that I think Senator Carper and I have gained, in terms of this process—working with the House Committee on Homeland Security, their staff, our Committee, our Committee staff, GAO, the OIG's office, and the good folks at the Department of Homeland Security. This is a pretty good work product, and certainly, from my standpoint, what I have been hearing in testimony here really confirms that point. We have good leadership. We have dedicated management. And, we have some very capable auditors watching this process.

So, I certainly feel very confident that these are 2 pieces of legislation that are well worth supporting. We are going to do everything we can on the part of this Committee to try and get these passed through the Committee, passed through the Senate, combined with the House bills, and signed into law, so that we really can codify this. But, I think I can trust some capable members here for figuring out how this thing is going to all wrap up.

But, again, I really want to thank you for all of your efforts. I want to thank the Senators for attending. Kick the tires, ask the questions—but, in the end, I am hoping we can really get a good result here. So, with that, thank you. Senator Lankford.

OPENING STATEMENT OF SENATOR LANKFORD

Senator LANKFORD. Thank you.

Let me get a chance to get just a sense of this as well. My sense of it is—and I am trying to figure this out based on the timing of the request to try to codify this. If you had the same leadership in place that you have now, let us say for the next 5 years—which, obviously, there are transitions in leadership, Presidents, and all of that kind of stuff. If you had the same leadership there for the next 5 years, would you ask for this codification at that point? Or, would you just assume the leaders that are in place know this is working and they would leave it alone, basically? Is this a sense that, just in case somebody coming next does not agree, we need to get this in place and make sure we hold it?

Mr. DEYO. Thank you, Senator. I will take the first shot at that. We would certainly be in a better position if we knew we had 5 years of continuity of leadership, because we are all so committed to this process at the senior level in the Department. But, even if we were not facing a transition, there is a large benefit to the codification of these processes because it reinforces and makes clear to everyone that it is a requirement that we follow.

Second, it makes very clear the accountability of the individuals, including the Under Secretary for Management—

Senator LANKFORD. So, help me to understand what you gain by that, because right now—we talked about before, and I heard that testimony before, that, at times, we are not getting good supervision—it is not being enforced on this. So, what does that bring to bear once it is codified? Is that a discipline issue? Is that a structural issue? What do you gain by codifying this that you do not have now?

Mr. DEYO. What we gain is reinforcing the legitimacy of what we are doing. We do not need it—we would keep doing what we are doing without the codification.

Senator LANKFORD. So, the discipline processes are the same regardless?

Mr. DEYO. There are some aspects of the legislation we might differ on, modestly, but, no, in terms of capturing exactly what we are trying to do and the process we are trying to follow, it would be totally consistent. Am I answering your question?

Senator LANKFORD. I think so.

Mr. FULGHUM. Sir, if I could just add, a key thing it does is codify the relationship between the component acquisition executive and the Chief Acquisition Officer (CAO) in the Department. And,

I think that is a key, foundational piece of this legislation that we need.

Senator LANKFORD. OK. I am still trying to dig to try to figure this out as well. Is it a concern that, regardless of who the next President is—and I will not get into parties. Regardless of who the next President is, they are going to come back and try to shift this. So, I am trying to get a feel for this. How many different systems have been in place over, let us say, the last 10 or 15 years? Is this a product of, “We changed systems multiple times and, just when we get going, we have to change it. We do not have a good working system, now we feel like we have a good working system, let us pour concrete on it. Let us make sure we are actually running, because every time we turned around before, there was some new recommendation, and we had to change systems and cannot ever get measurable results?” Because, obviously, being on the GAO “High-Risk List” for quite a while is an issue, and I am trying to figure out—we are still on the GAO “High-Risk List” on some of these things. We have not shown yet they work, but you have a confidence they will work, and if they keep going—this seems to be what I am hearing—this is finally the structure that will work if we will just leave it alone. How far off am I on that?

Mr. DEYO. We are confident that this system will work. I am confident because of my private industry experience. I am confident because of the clarity and the requirements that are made clear in it, the 4 steps you have to go through, that you have to have proper documentation, that there is oversight, and that if there is a problem, we step in and evaluate before you move forward.

Senator LANKFORD. But, we do not know, we do not have a measurable result yet so that we know it is going to work. We think it is going to work—and it has had good results, initially. But, we are still in the same boat on some of these things. Am I right or wrong on that?

Mr. DEYO. I would say, on some of the acquisitions, we have had some experience, now, that it is working.

Mr. FULGHUM. Sir, I would say it is more about sustainment, which is one of the key elements of getting off of the “High-Risk List.”

Senator LANKFORD. Sure.

Mr. FULGHUM. I think we have demonstrated to GAO and the IG that this process, and the procedures we have in place, work. Now, we have to show that we can sustain it—and this legislation helps to codify that and to drive that sustainment.

Senator LANKFORD. OK. Mr. Roth, were you about to say something on that?

Mr. ROTH. Simply that, while there is not a lot of evidence that this, in fact, works, it is the best practices across the entire acquisitions industry within the Federal Government. I would say that first.

Second, we know what does not work because audit after audit has shown that, when they have failed to do the kinds of things, like the Life Cycle Acquisition Framework, for example, or the Joint Requirements Council or an Acquisitions Review Board—every time that does not happen, the acquisition gets into trouble. So, if we are doing autopsies on acquisitions—where it went

wrong—that is what we can see. So, we can see, certainly, that the absence of that is a cause of a problem, so we are hoping that having that sustained in concrete, as a matter of law, will assist in avoiding those kinds of problems.

Senator LANKFORD. Sure, which goes back to my original question, and that is, somewhat, my confusion. You are finally getting to a process that everyone is nodding their head at and saying, “This is a good process.” Why would the next group step in and change it? Has there been a history of something changing just when we get something good going? Or—why does it suddenly need a statute, now, when it actually is a working and functioning process?

Mr. ROTH. I would say, if I could just jump in, it is about competing priorities. This was clearly a priority of the Secretary when he came in. He told me it was a priority. He has made it a priority.

Senator LANKFORD. Right.

Mr. ROTH. We cannot guarantee that there will not be other competing priorities for the next Administration.

Senator LANKFORD. OK.

Mr. DEYO. I completely concur with that. It is exactly that. It is a demanding process and it takes discipline. As we do it more frequently and with a sustained approach, it will become much easier because people will be used to it. But, it is still a relatively new process—components are still adjusting and we are still adjusting. And, with competing priorities, the concern would be the focus on other things, and this slipping away, again.

Senator LANKFORD. OK. So let me just throw in one thing. Just processing what we do in this Committee all of the time, we tried to codify Executive Order (EO) 12866 on how rules are promulgated. It has been the Executive Order for 20-plus years, so every President—Republican or Democrat—has renewed it and said this is a good system for how we do it. So, we have tried to codify that, and the Administration has fought vehemently against us, saying we do not need to codify it, we have an Executive Order, and there is no reason to put this into concrete. And, my response has been that this is what Republican and Democrat Presidents have done. But, they are saying we lose the flexibility suddenly, and not to put this in law.

And, it is interesting to me to now deal with this to say, “We found a process that works and we need you to move this out of Executive Action and put this into law.”

And so, while you all are not responsible for articulating the White House’s policy on Executive Order 12866, for us, as we deal with this, it does seem odd to say that at times we are getting, “We have to have this in law to be able to hold it,” and at other times hearing, “Do not put that in law. We want the flexibility.”

So, I think the driving point for me is, would you have wanted this when you came into this task—to know that this was already set, so it is non-negotiable, so you could work on other things? Or, where would you have been on this if you were entering into the dialogue?

Mr. DEYO. I would have been thrilled that this was in place when I came to the Department. I should note that it is a rigorous process, but it does provide some flexibility.

Senator LANKFORD. As it should.

Mr. DEYO. As it should. So, it gives management absolute accountability, but some discretion about how it handles each piece of the determination.

Senator LANKFORD. OK.

Mr. FULGHUM. Sir, if I could say another thing. Oversight, at times, is uncomfortable for components. So, while there is flexibility in there, oversight is uncomfortable. And so, this codification helps with that authority, and it eliminates any question about it. Are we able to do it, today? Yes. Would this legislation help us? Yes, it would.

Senator LANKFORD. OK. All right. Thank you.

Thank you for the extra minute. Now you are firmly back in the chair with the gavel next to you. Are you feeling rather nostalgic?

Senator CARPER [Presiding.] A minute and 12 seconds.

Senator LANKFORD. Yes, sir. Thank you. Thank you for the efforts.

Senator CARPER. I just want to say, in front of God and the whole world, I thought those were excellent questions, and I thought the answers from Russ and Chip, especially on the last question, were very insightful and helpful. It was for me. I hope it was for you.

I have just the last question, and then I have to run. But, this would be for Mr. Deyo and for Mr. Fulghum. Can you tell us how the Secretary's "Unity of Effort" Initiative is building cohesion across the Department's many components and offices? Just very briefly.

Mr. DEYO. I think it has taken hold, and it is building cohesion. You can see it in multiple approaches. You can see it at a Senior Leadership Council (SLC) meeting when the component heads are around the table and talking about an issue and how they approach it. You can clearly see it in the budget process, with a mission focus on budget, rather than a component-by-component build—and that collaboration taking place.

You can see it in the increased desire for human resources to provide training that cuts across components, so there is joint duty opportunities. I definitely see it in the administrative councils, be it the CIO councils or the CFO councils. Senators, we are so much better on cybersecurity because of our CIO council and that collaboration across all of the components with the authority that the chief CIO has to drive forward, improving our IT systems and improving our internal cybersecurity. That would not have been happening without the "Unity of Effort" and that awareness.

Senator CARPER. Please, go ahead.

Senator LANKFORD. Sorry. Let me ask a follow-up question on that as well.

Senator CARPER. Just very briefly, because then I have to run. In fact, I have folks waiting to meet with me, and they are wanting me to come right now.

Senator LANKFORD. You want to just keep passing the gavel?

Senator CARPER. Here is what I will do, and just close it out whenever you are ready, OK?

Senator LANKFORD. Yes, will do. I just have a quick question.

Senator CARPER. Just ask the last one here, and turn out the lights.

Senator LANKFORD. Deal.

Senator CARPER. Thank you. Thank you, everyone. Great to see you.

Senator LANKFORD [Presiding.] Let me ask this quick question that came up as a result of what Senator Carper was saying on this. If I recall correctly, there was a helicopter program a couple of years ago with the Coast Guard and—I cannot remember the other entity—but there was a collaboration issue on that, as well as on trying to get all of the folks to be able to talk together on it. Would what we are talking about solve that?

Mr. ROTH. You are referring to an audit that we did on the H-60 helicopter program.

Senator LANKFORD. That is it.

Mr. ROTH. It was the Coast Guard and the U.S. Customs and Border Protection (CBP) Air and Marine. Coast Guard had a facility that could do the maintenance on the CBP helicopters. They were the same helicopters. The Air and Marine program had not yet been brought under some of the departmental acquisition reform. It was not part of the Acquisition Review Board, for example, or the Joint Requirements Council. So, the Coast Guard had one set of requirements and CBP had one set of requirements. There is that sort of tribal competition, I would say, between 2 components that share similar missions.

Senator LANKFORD. Thankfully, we have not had that on the Joint Strike Fighter at all.

Mr. ROTH. No, I am sure that is not the case at all. [Laughter.]

I am happy to say, as a result of that audit and as a result of the work that has happened in DHS, the whole Air and Marine program has now been placed under the Acquisition Review Board and an entire sort of life-cycle audit process. So, this was a win.

Senator LANKFORD. What I am asking is—you are talking about codifying. Would it have solved that, actually? Because that was 3 or 4 years ago, if I remember correctly.

Mr. ROTH. Correct, and it would have solved this.

Senator LANKFORD. So, it would have solved that.

Mr. ROTH. Correct.

Senator LANKFORD. If this was in place at that time.

Mr. ROTH. Correct.

Senator LANKFORD. OK. Since they have, unbelievably, turned this whole conversation over to a freshman Senator, let me just say thank you to all of you for the work that you are doing and the dedication that you put to this. This is not simple stuff—and I get that a lot of people are not engaged in this—but it matters because it involves billions of Federal tax dollars, and it takes dollars away—when we waste it—from things that really need to be done in extremely important areas.

So the hearing record will remain open for 15 days, until March 31 at 5 p.m. for the submission of statements and questions for the record. Thank you to all of you. This hearing is adjourned.

[Whereupon, at 3:08 p.m., the Committee was adjourned.]

A P P E N D I X

Opening Statement of Chairman Ron Johnson “DHS Management and Acquisition Reform”

Wednesday, March 16, 2016

As submitted for the record:

Good afternoon and welcome.

We assign to the Department of Homeland Security (DHS) some of the federal government’s most important responsibilities — securing our borders, enforcing our immigration laws, and protecting us from terrorist attacks. Yet we have given the Secretary of Homeland Security some of the greatest challenges of any cabinet official, directing nearly 240,000 employees in 22 components across a broad range of missions. We also require the secretary to answer to a large number of congressional committees with differing and changing priorities.

As chairman of this committee, I have asked tough questions of DHS. I remain concerned that our border is insecure and that it invites adversaries into our country to do us harm. I am concerned about the security of our visa programs and DHS’s inability to enforce our immigration laws. When DHS fails to do its job, American people are put at risk.

The gravity of DHS’s mission requires us to look at its management structure — to understand what is working and what needs to change. Today, we are here to look at two major DHS challenges: first, DHS headquarters’ ability to lead and manage DHS and, second, DHS’s approach to acquiring multi-million and billion dollar programs.

Both the U.S. Government Accountability Office (GAO) and the DHS Office of Inspector General have identified significant challenges at DHS. In 2002, President Bush signed the Homeland Security Act, bringing together 22 separate components into a single, unified department. Two months later, GAO included *Implementing and Transforming DHS* on its High Risk List because of the management- and mission-related challenges associated with a reorganization of such a tremendous scale. Thirteen years later, DHS management remains on the High Risk List, although GAO acknowledges that improvement has been made.

Secretary Johnson has sought to institute reforms to unify DHS and to improve coordination between its components. I look forward to learning more about those reforms and what work remains.

Our committee is considering legislation to reform DHS management and acquisitions, but we need to be sure that these reforms are the right ones to move DHS — and our nation’s security — in the right direction. I am pleased that we have a panel of experts to assist us in understanding these topics.

I thank all the witnesses for their willingness to participate in today’s hearing, and I look forward to your testimony.

**Statement of Ranking Member Tom Carper
“DHS Management and Acquisition Reform”**

Wednesday, March 16, 2016

As prepared for delivery:

Our oversight on this committee is usually focused on the men and women at the Department of Homeland Security working on the frontlines at our airports, our land borders, or our coasts. But backing up the Department's frontline personnel is a dedicated cadre of professionals in the DHS Management Directorate. The Management Directorate controls the Department's finances; it oversees the acquisition of assets and procurement of services; it manages the Department's IT backbone; and, it makes sure every employee gets the paychecks and benefits they've earned. As you can see, and as my colleagues have heard me say before, 'management matters.'

Our friends from the Government Accountability Office (GAO) and the Inspector General have kept a close eye on the Department's management and acquisition practices. As their testimony indicates, there have been a number of challenges in these areas since the Department's creation about thirteen years ago. And the management of the Department, of course, continues to be on the GAO High Risk list as Secretary Johnson continues his predecessors' efforts to merge nearly two-dozen agencies that were once spread across the federal government.

Despite the massive undertaking of stitching together so many agencies with different missions and cultures, we've seen a number of management successes at the Department over the years. In fact, I was very pleased to hear that the Department has just taken another step towards getting off the High Risk list by improving the monitoring of its key management initiatives. This is definitely good news, and Secretary Johnson and his team deserve to be commended.

But as the Inspector General has noted before, addressing the Department's long-term management challenges requires 'a commitment to building – and sustaining – a culture that recognizes the need to act in a more unified, inclusive, and transparent way.' I couldn't agree more. That's why I strongly support Secretary Johnson's 'Unity of Effort' initiative, which seeks to create more cohesion and efficiency across the Department by standing up joint operations.

Last week, Secretary Johnson told this Committee that he would like to see his management initiatives codified in law so that the improvements he and his team are making can be sustained and made even stronger by the next Administration. That makes a lot of sense to me. And it's why I've joined the Chairman in cosponsoring two pieces of legislation that would seek to make permanent many of the management reforms that the Department has already instituted. In some cases, our legislation provides new authority or requirements. For example, the DHS management bill provides headquarters officials' additional authority they can use to better oversee the activities of the components. It would also require DHS to report to GAO every six months on the progress being made to get off the High Risk List.

The second bill focuses on improving the acquisition processes at the Department. Among other things, this bill would, for the first time, designate the Under Secretary for Management as the

single accountable leader for all DHS acquisition programs. It would also vest the Under Secretary with the statutory authority to halt, modify, or cancel acquisition programs that are struggling or are not viable. While I believe these bills provide a solid foundation for the Department to continue to mature and grow even stronger, I know they are not perfect. And when something is not perfect, we should make it better. I look forward to working with all my colleagues on further ways to improve these bills.

In closing, I think it's important to remember that the Department, at the age of thirteen, is still a young organization. Given this fact, it needs proper guidance, firm rules, and strong oversight. That's where these bills and this hearing come in. By working together, we can give the Department the tools and authorities it needs to continue to mature and truly become 'One DHS.'



WRITTEN TESTIMONY OF

**The Honorable Russell C. Deyo
Under Secretary for Management
U.S. Department of Homeland Security**

**The Honorable Chip Fulghum
Deputy Under Secretary for Management and Chief Financial Officer
U.S. Department of Homeland Security**

**Before the
Committee on Homeland Security and Governmental Affairs**

**Wednesday, March 16, 2016
SD-342 Dirksen Senate Office Building**

Chairman Johnson, Ranking Member Carper, and other distinguished members of the Committee, thank you for the opportunity to discuss the Department's management and acquisition reforms and the legislation being considered by the Committee. The focus of this testimony is on the progress of broader management and acquisition reforms across the Department, as well as ongoing support for authorization of key reforms to sustain progress made.

The Department, when formed, was an organization comprised of components with different approaches, methods and policies regarding acquisition and management activities. Lacking was a departmental acquisition oversight structure, strong requirements development process, and centralized resource allocation to name a few examples. The major consequence of these myriad of efforts was a lack of a unified, departmental approach for the administration of the Department's management and acquisition efforts; efforts critical for the security of the nation. In order to create a more cohesive Department, Secretary Johnson launched the *Unity of Effort* initiative, which established a more collaborative process for decision-making, including those that shape acquisition, resource allocation and other management functions.

The momentum gained from the Secretary's landmark *Unity of Effort* initiative has resulted in a stronger management framework much earlier in the investment life cycle, as well as better integrating the Department's people, organizational structures, and operational capability. Better management starts with strong governance at the highest levels. Today, major decisions are

regularly made by the Secretary's Leaders Council (SLC) and the Deputy Secretary's Management Action Group (DMAG).

In the past year, the SLC and DMAG have made critical decisions around strategy, resource allocation, requirements, and operational planning. These decisions have produced: a more mission-focused budget; progress on the campaign plan for the Southern Border; maturation of the three pilot Joint Task Forces to unify operational planning; and the maturation of the Joint Requirements Council (JRC) to improve the quality and validity of the Department's requirements generation and oversight process. By virtue of a stronger focus earlier in the investment life cycle, DHS is better positioned to execute strategies and budgets that ultimately close capability gaps.

Under *Unity of Effort*, the Department has developed a more robust, upfront strategy and policy capability, to ensure leadership priorities drive investments. To develop and coordinate long term strategy and analysis, the Department supports legislation that would elevate the senior DHS policy official position from that of an Assistant Secretary to an Under Secretary. This elevation would place DHS on a par with similar positions at other cabinet-level agencies.

In the budget area, the Department has completely transformed its approach. Today, the budget process focuses on cross-Department mission areas rather than through component stove pipes. With the support of Congress, DHS is moving from more than 70 legacy appropriations to a common appropriations structure (CAS) to align common funding categories to DHS missions. In fact, the Department submitted the FY 2017 budget using the new CAS.

In the acquisition management area, DHS has focused on institutionalizing stronger oversight and governance structures and reforming the acquisitions process to build out solid requirements much earlier in the investment life cycle, where requirements are first conceived and developed. For example, a more mature JRC evaluates issues that cut across multiple components and makes recommendations to the DMAG that focus on maximizing the efficiency of investments and enhancing mission capabilities. The JRC projects full operating capability by the end of FY 2016 and having Congress codify the JRC would cement a process that would endure for years to come.

DHS also supports the Committee's intent to ensure the position of Chief Acquisition Officer (CAO) remains at the level of the Under Secretary for Management. As CAO, the Under Secretary for Management plays a direct role in the Department's management, administration, and oversight of approximately \$18 billion spending annually through the acquisition process. The creation of a departmental acquisition executive structure and staff to spearhead the management of the department's acquisition efforts was an important first step to address the Department's challenges. The Office of Program Accountability and Risk Management (PARM) serves as the central oversight body from which DHS directs improvement of management, administration, and oversight of the Department's acquisition programs. The draft legislation clarifies various roles such as the PARM Executive Director, as well as the reporting relationship from the Component Acquisition Executives (CAEs) to the CAO. These proposed legislative provisions capture the progress DHS has made and would further strengthen oversight throughout the entire Department for the future.

Through PARM, significant progress has been made to improve oversight of DHS's acquisition programs. These include a comprehensive update to MD-102, which serves as the principal acquisition policy directive; the assessment and remediation of skill gaps in the acquisition program management workforce; the afore-mentioned CAE structure, for which DHS now requires a qualified and experienced acquisition professional to oversee the organization's acquisition policies and efforts; the completion of all required documentation for major programs; and the expanded oversight authority of the Acquisition Review Board, which now focuses on major issues beyond program performance and effectiveness.

Going forward, DHS will continue to improve acquisition management by increasing oversight of non-major programs; further refining the staffing review process to ensure the Department has a qualified workforce; continue developing the Acquisition Program Health Assessment tool; solidify an IT Agile development process; and, continue aggressive program monitoring, coupled with corrective actions, and cancelling or pausing poor-performing programs.

In the procurement area, the Department has implemented several initiatives to strengthen relationships with industry partners. As indicated in earlier testimony, the Acquisition Innovations in Motion initiative has facilitated forums between senior Department officials and industry consortiums and has resulted in improvements to the quality and timeliness of DHS contracting processes and information sharing, as well as the emerging skills required for acquisition professionals. These interactions have built trust and have driven more quality updates to DHS acquisition policies.

Across management functions, the Department continues to make significant progress in implementing recommendations by the Office of the Inspector General (OIG) and the Government Accountability Office (GAO), and has fully met three of the five criteria for GAO High Risk List removal. These advances have dramatically improved the effectiveness of management lines of business (i.e., finance, information technology, human capital, internal security, readiness support, procurement). In August 2015, the Under Secretary for Management and the Management Directorate's Chief Executive Officers (e.g., CFO, CIO, Chief Human Capital Officer) established key priorities and stretch goals to address pressing challenges. The proposed legislation incorporates various DHS practices as well as many recommendations from the OIG and GAO, which will ensure that the progress made thus far will have staying power for Administrations to come.

The Department's collective task is to institutionalize improvements to support its primary objective: the effective execution of DHS missions. The successful pilot of the Joint Task Force (JTF) structure has confirmed its value in integrating people and solutions at the southern border. Under this new structure, Components operate together, as more cohesive operating units, to achieve the objectives of the DHS Southern Border and Approaches Campaign: ensure effective enforcement and interdiction across land, sea and air and degrade transnational criminal organizations without impeding the flow of lawful trade, travel and commerce across borders. Task Force Directors are responsible for coordinating the border security resources of the Department for the southeast, southwest and for critical investigations. The leadership of the Joint Task Force Directors played a large role in the successful Departmental response to the

increase in unaccompanied children and families in 2015. The Department was more prepared to address this surge than in 2014. While the Task Forces became operational on August 1, 2015, authorization of the JTF structure by Congress will ensure they remain an integral part of the Department's operating structure and that the JTFs have the requisite authority to carry out their duties to meet future challenges.

Finally, establishing strong business and mission management processes and a robust outreach campaign to external partners are necessary but not sufficient to maximize the effectiveness and longevity of the *Unity of Effort* initiative. Sustained support of the initiative will be greatly enhanced if the DHS career leadership and workforce have opportunities to serve in substantive joint positions in strong headquarters offices and the JTFs. A DHS Joint Duty program, authorized by Congress, will increase the professional development and promotion opportunities of the DHS workforce and further institutionalize the aims of *Unity of Effort*.

Concerns Regarding Management Reform and Acquisition Draft Legislation

With regard to the draft management reform and acquisition legislation, the Department is pleased that Congress, and more specifically this Committee, continues to work with the Department to improve management functions and, as indicated above, is generally supportive of the draft legislation.

In some respects, however, DHS favors going further in institutionalizing efforts to integrate the Department. Although legislation is not specifically required to establish the Office of Community Partnerships (OCP), for example, legislation would permanently authorize the

establishment of a DHS office to coordinate the DHS countering violent extremism activities and represent DHS in interagency engagement on this issue.

The Department is seeking congressional authorization for the consolidation of headquarters Chemical, Biological, Radiological, Nuclear and Explosives (CBRNE) programs into one office to improve external and internal coordination of CBRNE issues and oversight of CBRNE requirements and major CBRNE-related acquisitions. Similarly, DHS seeks congressional authorization to reorganize the National Protection and Programs Directorate (NPPD) to separate the operational functional responsibilities from the mission support functions to more effectively develop operational plans and budgets and provide better oversight of acquisitions, which DHS believes will enable better mission execution.

With regard to procurement and acquisition specifically, the majority of the draft legislation provides increased transparency and accountability, both of which can reasonably be expected to result in better utilization of the resources entrusted to the Department. With that stated some of the provisions undoubtedly drafted in furtherance of increased transparency, accountability, and efficiency can reasonably be expected to have the opposite impact.

For example, the draft legislation weakens the existing authorities of the Chief Procurement Officer (CPO) and confuses accountability over procurement decisions. The draft legislation provides the CPO with the authority to provide input concerning the hiring and performance of each Head of Contracting Activity (HCA). However, to ensure accountability of the CPO, the CPO needs the authority to appoint (or not) each HCA, provide input into the evaluation of each

HCA, and approve (or not) the organizational placement of each HCA. Given the current language of the bill, if one or more procurements do not perform adequately, it will prove difficult to ascertain if accountability should rest with the CPO or the Component leadership regarding the selection and placement of the HCA.

Additionally, the Department is concerned with the inclusion of oversight of the programs in sustainment (i.e. post Final Operating Capability (FOC) delivery – operational activities) in the role of the newly established Executive Director, as well as instituting a requirement for inclusion of these operational activities in the Comprehensive Acquisition Status Report (CASR). The inclusion is not needed since programs in sustainment are required to annually update operations and maintenance cost estimates and affirm the lifespan for each of these former major acquisition programs.

The GAO recommended in its audit “DHS Should Better Define Oversight Roles and Improve Program Reporting to Congress,” dated March 2015, that the Department produce operations and maintenance cost estimates for programs in sustainment and establish responsibility for tracking sustainment programs’ adherence to those estimates. In response, the then-Acting Under Secretary for Management, Mr. Chip Fulghum, directed Component Heads to annually update operations and maintenance cost estimates and affirm the lifespan for each of these former major acquisition programs. The Chief Financial Officer, as part of the Department’s Planning, Programming, Budgeting, and Execution process, was directed to assess the alignment of the estimates with spending patterns for current services. These funding levels are addressed in the Department’s annual Future Years Homeland Security Program. The change in process required

by the bill would require significant additional resources aligned to the “Executive Director,” and reduce the accountability of the appropriate DHS officials in the oversight of sustainment activities. The best interests of the Department will be served by clarity (and singularity) of responsibility and accountability; these responsibilities with the Executive Director and the CASR creates an environment of overlapping and muddled responsibility and accountability.

The Department generally agrees with the acquisition bill’s reporting requirements established for acquisition programs that breach their approved Acquisition Program Baseline (APB) cost, schedule, and performance thresholds, even though DHS prefers a case by case approval instead of one standard for all. The vast majority of the Department’s breaches will be cleared within the allotted timeframe. However, the Department is concerned that a very small number of programs may have instances where correction of a breach is not possible within the 210 days provided by the draft legislation. For example, a contract protest may occur that lasts greater than the allotted 210 days. This leaves the Department with only one option - to halt or cancel the program. The Department understands and appreciates the Committee’s concern, but requests that some option be available in these rare circumstances where a critical program is not able to resolve a program breach within the 210 days allotted by the legislation. In these instances, the Department would recommend providing additional reporting updates, but allowing the Under Secretary for Management to extend the timeframe without halting or cancelling the program.

Finally, the Department is concerned with the specificity with which “cloud computing” is addressed in the draft legislation. Information technology evolves too rapidly to include a specific type of technology in such legislation. DHS respectfully requests that the legislation

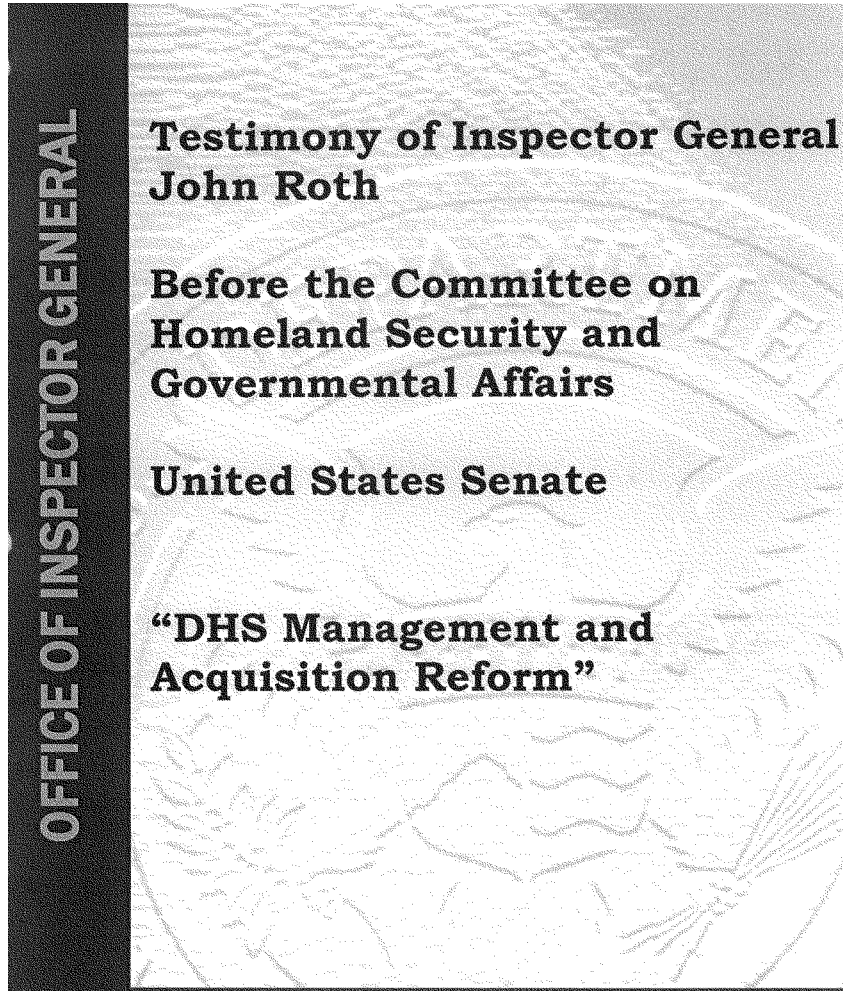
focus on leveraging technology rather than specifying “cloud computing,” which in the fullness of time may well go the way of the typewriter.

Conclusion

In conclusion, while there is always more work to do, the Department has made significant strides to improve management, including acquisition planning and execution. DHS has strengthened the Department’s upfront strategy, planning and joint requirements capabilities, thereby addressing long standing weaknesses. According to the OIG and GAO, DHS has demonstrated significant progress in addressing auditors’ recommendations for strengthening management functions, including strong progress especially over the past two years, improving acquisition policies, processes, and procedures. This includes strengthening the roles and clarifying the authorities of the Department’s acquisition organizations and stakeholders. DHS has improved requirements development, resource allocation, and industry engagement. These efforts have produced more effective governance and significant improvements to current and future acquisitions.

The Department, with the minor modifications previously discussed, fully supports the management reform and acquisition legislation being deliberated by this Committee. It captures the improvements the Department has made and provides greater clarity, transparency, and accountability. Further, it establishes and defines appropriate roles and authorities for ensuring proper acquisition governance and oversight.

Thank you again for the opportunity to testify regarding the management reforms and acquisition improvements the Department has made and to discuss the legislative proposals being considered by this Committee.



Homeland
Security

March 16, 2016
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110



DHS OIG HIGHLIGHTS

DHS Management and Acquisition Reform

March 16, 2016

Why We Did This

The audits discussed in this testimony are part of our portfolio of acquisition audits. We have designated acquisitions management as a major management challenge at DHS. Our audit coverage of this area helps DHS improve its major acquisition programs and better control costs, meet deployment plans, and deliver capability as promised.

What We Recommend

We made numerous recommendations to DHS and its components in the reports discussed in this testimony.

For Further Information:
Contact our Office of Legislative Affairs at (202) 254-4100, or email us at DHS-OIG-OfficeLegislativeAffairs@oig.dhs.gov

What We Found

Acquisition management, which is critical to fulfilling all DHS missions, is inherently complex and high risk. Although DHS has made much progress, it has not yet achieved the cohesion to act as one entity working toward a common goal. The Department continues to lack a strong central authority and uniform policies and procedures. Most of DHS' major acquisition programs continue to cost more than expected, take longer to deploy than planned, or deliver less capability than promised. Although its acquisition policy includes best practices, DHS routinely approves moving forward with major acquisition programs without appropriate internal oversight.

As DHS continues to build its acquisition management capabilities, it will need stronger departmental oversight and authority, as well as increased commitment by the components to effect real and lasting change. This commitment includes adhering to departmental acquisition guidance, adequately defining requirements, developing performance measures before making new investments, and dedicating sufficient resources to contract oversight. All of this will better support DHS' missions and save taxpayer dollars.

DHS Response

With few exceptions, DHS and its components concurred with recommendations in these reports. DHS has taken many steps to strengthen department-wide acquisition management and has increased component-level acquisition capability.



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Department of Homeland Security

Good afternoon Chairman Johnson, Ranking Member Carper, and Members of the Committee. Thank you for inviting me to discuss critical management and acquisition functions at DHS. My testimony today will focus on the management and acquisition challenges the Department has faced, progress made in addressing these challenges, and potential reforms to address outstanding challenges.

Acquisition management, which is critical to fulfilling all DHS missions, is inherently complex and high risk. It is further challenged by the magnitude and diversity of the Department's procurements. Since its inception in 2003, the Department has spent tens of billions of dollars annually on a broad range of assets and services — from ships, aircraft, surveillance towers, and nuclear detection equipment to financial, human resource, and information technology (IT) systems. DHS' yearly spending on contractual services and supplies, along with acquisition of assets, exceeds \$25 billion.¹ Although the Department has improved its acquisition processes and taken steps to strengthen oversight of major acquisition programs, challenges to cost effectiveness and efficiency remain.

History of Acquisition Management at DHS

The Department was established very quickly by combining many legacy and new agencies, so DHS' earliest acquisition processes were imperfect and slow to mature. Initially, DHS operated in disparate silos focused on purchasing goods and services with minimal management of requirements. In their transition to DHS, seven agencies, including the U.S. Coast Guard, the Federal Emergency Management Agency (FEMA), and the Transportation Security Administration, (TSA) retained their own procurement functions. The expertise and capability of the seven procurement offices mirrored their pre-DHS expertise and capability, with staff sizes ranging from 21 to 346.

In 2004, DHS established an eighth acquisition office, the Office of Procurement Operations, under the direct supervision of the Office of the Chief Procurement Officer, to serve the remaining DHS components and manage department-wide procurements. Staffing shortages in many procurement offices prevented proper procurement planning and severely limited the Department's ability to monitor contractor performance and effectively administer contracts.

¹ According to DHS' *FY 2015 Agency Financial Report*, the Department's FY 2015 obligations for "Contractual Services and Supplies" were about \$22.9 billion and its obligations for "Acquisition of Assets" were about \$4.8 billion.



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Department of Homeland Security

Although the Chief Procurement Officer was given the responsibility of overseeing all acquisition activity across DHS, component heads had some of the same primary duties, resulting in confusion about who was ultimately accountable for acquisition decisions. Untimely and inconsistent management directives and a lack of guidance added to the confusion.

The Department's initial investment review process — intended to provide insight at key points in an investment's life cycle to assess cost, schedule, and performance — lacked key reviews and management controls. For example, DHS did not require a review to ensure that before investing in a prototype an acquisition's design performed as expected. Procurements also encountered problems caused by ill-defined technical and performance requirements in contracts. For example, development of the Geographic Information System (GIS) supporting the Coast Guard's Port Security Assessment Program commenced without identified GIS functional requirements.²

Recent Progress

DHS has taken many steps to strengthen department-wide acquisition management, such as establishing an Acquisition Life Cycle Framework³ — a four-phase process to assure consistent and efficient acquisition management, support, review, and approval — and creating the Office of Program Accountability and Risk Management (PARM) in 2011. The framework is designed to ensure that program managers have the tools, resources, and flexibility to execute acquisitions and deliver products that meet user requirements while complying with applicable statutes, regulations, and policies.

PARM oversees major acquisition programs and the acquisition workforce, develops program management policies, and collects performance data. Within PARM, the Acquisition Review Board determines whether components' acquisitions meet specific requirements at key phases throughout the acquisition process. DHS established a Joint Requirements Council⁴ to review

² GAO-04-1062, *Better Planning Needed to Help Ensure an Effective Port Security Assessment Program*, September 2004

³ Appendix A outlines the Department's acquisition life cycle framework.

⁴ The Joint Requirements Council is an executive-level body comprising seven DHS operating components — FEMA, TSA, U.S. Customs and Border Protection (CBP), U.S. Immigration and Customs Enforcement, U.S. Citizenship and Immigration Services (USCIS), the Coast Guard, and the Secret Service, as well as several support components. The Council aims to mitigate redundant capabilities, fill capability gaps, and harmonize capabilities and requirements across DHS.



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Department of Homeland Security

high-dollar acquisitions and make recommendations to the Acquisition Review Board on cross-cutting savings opportunities.

DHS has also increased component-level acquisition capability. For instance, the Department appointed component acquisition executives to oversee and support their respective programs; it also initiated monthly component acquisition executive staff forums to provide guidance and share best practices. DHS has continued to enhance its acquisition workforce by establishing centers of excellence for cost estimating, systems engineering, and other disciplines to promote best practices and provide technical guidance.

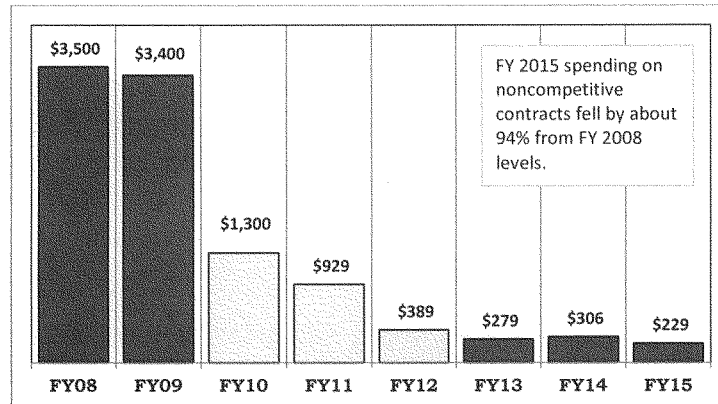
The Secretary's April 2014 Unity of Effort Initiative is aimed at achieving a unified culture to enhance homeland security and derive efficiencies from the integration of operations. As part of this initiative, the Deputy Secretary leads the Deputy's Management Action Group to discuss and decide on emerging issues, including specific initiatives in joint requirements and acquisition reform.

Additionally, the Department has made significant progress in awarding contracts through a full and open competitive process. Competition facilitates a fair and reasonable price, as well as a wider variety of alternatives for completing work. In its first 6 years, from fiscal years (FY) 2003 through 2008, DHS' spending on noncompetitive contracts grew from \$655 million to \$3.5 billion. Then, largely due to the Department's response to recommendations from the Office of Inspector General (OIG) and the Government Accountability Office (GAO), spending on noncompetitive contracts fell nearly 94 percent, from \$3.5 billion in 2008 to \$229 million in FY 2015; see Figure 1.



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Department of Homeland Security

Figure 1. DHS Noncompetitive Contract Obligations for FYs 2008–2015



Source: DHS OIG

Ongoing Challenges

Although DHS has made much progress, it has not yet achieved the cohesion and sense of community to act as one entity working toward a common goal. The Department needs to continue toward a strong central authority and uniform policies and procedures. Most of DHS' major acquisition programs continue to cost more than expected, take longer to deploy than planned, or deliver less capability than promised. Although its acquisition policy includes best practices, DHS sometimes approves moving forward with major acquisition programs without appropriate internal oversight.

- USCIS faces continuing challenges in its efforts to automate immigration benefits. After 11 years, USCIS has made little progress in transforming its paper-based processes into an automated immigration benefits processing environment. Past automation attempts have been hampered by ineffective planning, multiple changes in direction, and inconsistent stakeholder involvement. USCIS deployed the Electronic Immigration System (ELIS) in May 2012, but to date customers can apply online for only 2 of about 90 types of immigration benefits and services. As we reported in March 2016, the current ELIS approach does not ensure stakeholder involvement, performance metrics, system testing, or the user support needed for an effective system. USCIS now estimates it will take 3 more years to address these issues — over 4 years longer than



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Department of Homeland Security

estimated — and an additional \$1 billion to automate all benefit types. This delay will prevent USCIS from achieving its workload processing, national security, and customer service goals. *USCIS Automation of Immigration Benefits Processing Remains Ineffective*, (OIG 16-48, March 2016).

- As we reported in November 2015, FEMA has taken steps to improve its IT management and developed numerous IT planning documents, but has not coordinated, executed, or followed through on these plans. FEMA struggles to implement component-wide IT governance, in part because the Chief Information Officer does not have sufficient control and budget authority to lead the component's decentralized IT environment. As a result, FEMA's IT environment has become overly complex, difficult to secure, and costly to maintain. In response to one of our recommendations, FEMA plans to implement and enforce a standardized, component-wide process that sufficiently defines and prioritizes the acquisition, development, operation, and maintenance requirements for all systems by exercising authorities through the IT Governance Board. *FEMA Faces Challenges in Managing Information Technology*, (OIG-16-10, November 2015).
- The Department is challenged in using the most efficient and effective composition of its motor vehicle fleet to meet mission requirements, in part due to limited DHS authority over components' fleet management decisions. We conducted three audits in this area. Most recently, in October 2015, we reported that the Federal Protective Service (FPS), based on its workforce, has too many vehicles and pays too much for its vehicles. Also, FPS officers in the National Capital Region used their vehicles to commute to and from home without proper justification. As a result, FPS may have missed saving more than \$2.5 million. DHS' insufficient oversight and potential cost savings were partly due to the DHS Fleet Manager not having enforcement authority to influence component vehicle purchases. Because components receive funding for vehicle fleets in their individual operational budgets, they make independent decisions about the number and type of vehicles needed to support their missions. *The FPS Vehicle Fleet is Not Managed Effectively*, (OIG-16-02, October 2015); *DHS Does Not Adequately Manage or Have Enforcement Authority Over Its Components' Vehicle Fleet Operations*, (OIG-14-126, August 2014); *DHS Home-to-Work Transportation*, (OIG 14-21, December 2013).



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

- CBP's Automated Commercial Environment (ACE) shows how changing a program's approach to address identified challenges can lead to success. ACE is designed to automate border processing and become the central trade data collection system for all Federal agencies; it will improve collection, sharing, and processing of information submitted to CBP and government agencies. When CBP stopped development of ACE in 2009, CBP took time to assess and correct problems that led to the cost overruns and delays it experienced under the old contract. In 2011, CBP was authorized to restart development of ACE using the Agile approach. The Agile approach differs in several ways from traditional waterfall software development; it allows CBP to have more oversight of contractors, more control over delivery cycles, and produce a full software product at the end of each increment cycle. We reported in May 2015 that CBP is on track to meet its milestones to implement ACE. However, CBP has not ensured the internal control environment has kept pace with the rapid deployment of the ACE program. *CBP is on Track to Meet ACE Milestones, but It Needs to Enhance Internal Controls*, (OIG-15-91, May 2015).

Components not following guidance

Components do not always follow departmental acquisition guidance, which may lead to cost overruns, missed schedules, and mediocre acquisition performance. All of these have an effect on budget, security, and efficient use of resources.

- In FY 2014, DHS spent \$12.5 billion using Interagency Agreements (IAA).⁵ In February 2016, we reported that components did not always follow departmental guidance on reimbursable work agreements, which are a type of IAA. Specifically, 100 percent of the 43 reimbursable work agreements we tested — totaling about \$88 million — had not been reviewed by a certified acquisition official before the components obligated funds for the projects. Review by a certified acquisition official is intended to ensure a reimbursable work agreement is the appropriate vehicle for the project and that it is not being used to circumvent Federal acquisition regulations. *DHS Needs to Improve Implementation of OCFO Policy Over Reimbursable Work Agreements*, (OIG-16-39, February 2016).
- CBP's failure to follow departmental acquisition guidance for its unmanned aircraft system resulted in expensive assets that are

⁵ IAAs are written agreements between or within Federal agencies that specifies the goods or services to be provided by a servicing agency in support of a requesting agency.



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

underused and may not be adding sufficient value to border security. In December 2014, we reported that CBP had invested about \$360 million in its unmanned aircraft system, but after 8 years, it could not demonstrate how much the program had improved border security. The program lacked performance measures, did not accumulate and report all operating costs, and had not achieved expected results. *U.S. Customs and Border Protection's Unmanned Aircraft System Program Does Not Achieve Intended Results or Recognize All Costs of Operations*, (OIG-15-17, December 2014).

- CBP did not effectively plan and manage employee housing in Ajo, Arizona and made decisions that resulted in additional costs to the Federal Government, spending about \$680,000 for each house that was built, which was significantly more than the Ajo average home price of \$86,500. We identified about \$4.6 million CBP spent on the project that could have been put to better use. *CBP Did Not Effectively Plan and Manage Employee Housing in Ajo, Arizona (Revised)*, (OIG-14-131, October 2014).
- In September 2014, we reported that FEMA spent about \$247 million over 9 years to implement a Logistics Supply Chain Management System that cannot interface with its partners' logistics management systems or provide real-time visibility over all supplies shipped. In addition, FEMA estimated that the life cycle cost of the system would be about \$556 million — \$231 million more than its original estimate. These problems were largely caused by FEMA's failure to comply with the Department's acquisition guidance. For instance, the program office responsible for the system did not analyze alternatives to determine how best to close the gap in FEMA's logistics capability; did not report life cycle cost increases to the component acquisition executives and the DHS Acquisition Decision Authority; and did not formally report program breaches as required, which hindered oversight. *FEMA's Logistics Supply Chain Management System May Not Be Effective During a Catastrophic Disaster*, (OIG-14-151, September 2014).
- In February 2014, we reviewed CBP's handling of the construction of its Advanced Training Center (ATC). CBP entered into two IAAs with the U.S. Army Corps of Engineers (USACE) to oversee the construction of Phase IV of the ATC acquisition, valued at more than \$55 million. The IAA was not developed and executed in accordance with Federal, departmental, and component requirements. CBP did not develop, review, or approve an Independent Government Cost Estimate or Acquisition Plan prior to



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

entering into the IAA with USACE. CBP was also unable to provide documentation supporting its decision to approve modifications to the IAA.

CBP also used reimbursable work authorizations, rather than the ATC IAA, to transfer funds for construction projects, contrary to statutory, regulatory, departmental, and component requirements. As a result, CBP circumvented key controls governing the use of IAAs, and ATC construction funding was obligated and transferred without the review and approval of component procurement officials. Additionally, CBP used reimbursable work authorizations for construction projects and other unauthorized purposes that extended beyond the ATC acquisition. *U.S. Customs and Border Protection's Advanced Training Center Acquisition*, (OIG-14-47, February 2014).

- In contrast, the Secret Service's acquisition management office exemplifies what can be accomplished when components follow the Department's acquisition guidance. In February 2015, we reported that the Secret Service's acquisition management program office had adequate oversight and management of its acquisition process, complied with DHS acquisition guidance, and had implemented some best practices. The Secret Service fully implemented our recommendations to further strengthen acquisition management by finalizing guidance for its acquisitions with life cycle costs of less than \$300 million (the majority of its investments) and selecting a component acquisition executive. *The United States Secret Service Has Adequate Oversight and Management of its Acquisitions (Revised)*, (OIG-15-21, February 2015).

Components not working together

We have observed that the components often have similar responsibilities and challenges, but many times operate independently and do not unify their efforts, cooperate, or share information. Components are not always willing to work together to realize economies of scale, hindering the Department's cost effectiveness and efficiency.

- We found little cross-component coordination for assets that would be critical in an emergency. As reported in *DHS' Oversight of Interoperable Communications* (OIG-13-06, November 2012), we tested DHS' radios to determine whether components could talk to each other in the event of a terrorist attack or other emergency. They could not. Only 1 of 479 radio



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

users we tested — or less than one-quarter of 1 percent — could access and use the specified common channel to communicate.

In August 2013, we reported that components were still independently managing their current radio programs with no formal coordination with the Department. They used different systems to record and manage radio equipment and did not record radio equipment consistently in personal property systems. As a result, DHS was making management and investment decisions for the radio communication program using inconsistent, incomplete, and inaccurate real and personal property data. *DHS Needs to Manage Its Radio Communication Program Better*, (OIG-13-113, August 2013).

Two years after our original report on radio interoperability, we were concerned about the lack of progress and decided to conduct a verification review. In May 2015, we discovered that components still cannot communicate effectively on a single radio channel during emergencies, daily operations, and planned events. The Department has developed a draft communications interoperability plan and guidance to standardize radio activities, but could not provide a timetable for finalizing and disseminating this guidance. As a result of our audits, DHS has taken measures to improve communications interoperability, including replacing legacy and obsolete equipment and training DHS users on interoperability and radio capabilities. *Corrective Actions Still Needed to Achieve Interoperable Communications*, (OIG-15-97-VR, May 2015).

- Our 2013 audit of DHS' H-60 helicopter programs showed that one component would not cooperate with another to realize potential cost savings and other efficiencies. Specifically, CBP was unwilling to coordinate with the Coast Guard to upgrade its H-60 helicopters, even though both components were converting the same helicopters. We estimated potential savings of about \$126 million if the two components had successfully coordinated the conversion of CBP's H-60 helicopters at the Coast Guard's Aviation Logistics Center. A subsequent H-60 Business Case Analysis by DHS' Office of Chief Readiness Support Officer, the Aviation Governing Board, the Coast Guard, and CBP confirmed the cost savings of having the Coast Guard convert the helicopters, but it was too late. *DHS' H-60 Helicopter Programs (Revised)*, (OIG-13-89, May 2013).



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

I am pleased to report that now all aircraft acquisitions and other significant investments must be submitted through the Department's Joint Requirements Council, which was established to make better informed investment decisions, particularly to support a unified Department acquisition strategy. One area the council emphasizes is ensuring better integration of aviation assets. We hope that this process will help avoid future acquisition mismanagement.

Components need to improve oversight

To protect the Department's investments, components must properly manage assets throughout their life cycle. Our reviews of equipment maintenance contracts revealed that components need to improve oversight to ensure contractors provide required services and correct maintenance deficiencies.

- Specifically, in May 2015, we reported that the safety of airline passengers could be compromised by TSA's inadequate oversight of four contracts — valued at about \$1.2 billion — that cover preventive and corrective maintenance for airport screening equipment. Because TSA does not adequately oversee equipment maintenance, it cannot be assured that routine preventive maintenance is performed on thousands of screening units or that this equipment is repaired as needed, is ready for operational use, and is operating at its full capacity. In response to our recommendations, TSA agreed to develop, implement, and enforce policies and procedures to ensure its screening equipment is maintained as required and is fully operational while in service. *The Transportation Security Administration Does Not Properly Manage Its Airport Screening Equipment Maintenance Program*, (OIG-15-86, May, 2015).
- Similarly, our March 2015 report on CBP's non-intrusive inspection (NII) equipment maintenance contracts — valued at approximately \$90.4 million — disclosed that CBP did not ensure contractors properly maintained screening equipment at ports of entry. In FY 2014, CBP awarded six contracts and one IAA to perform preventive and corrective maintenance of NII equipment. CBP uses NII equipment to screen cargo and conveyances for weapons and other contraband at land, sea, and air ports of entry without physically opening or unloading them. Although CBP monitored NII operations, it did not ensure that contractors performed preventive and corrective maintenance on screening equipment according to contractual requirements and manufacturers' specifications. As a result, CBP's NII equipment may not retain its full functionality or reach its maximum useful life. CBP agreed with our recommendation to implement a plan to monitor service contractors' performance, including validation steps for contractor-submitted



OFFICE OF INSPECTOR GENERAL

Department of Homeland Security

maintenance data. *CBP's Oversight of Its Non-Intrusive Inspection Equipment Maintenance Contracts Needs Improvement*, (OIG-15-53, March 2015).

- We also continue to see weak oversight on major service contracts. For example, in January 2016, we reported that TSA needs to improve its oversight of the HR Access contract, which was awarded for recruiting and hiring, payroll processing, and other human capital services. Specifically, TSA did not fully hold the contractor monetarily liable for personally identifiable information violations or for noncompliance with requirements relating to veterans' preference. In addition, TSA does not consistently conduct day-to-day independent monitoring of contractor performance, performance metrics are not comprehensive, and scores are not consistently affected by poor performance. TSA's payment of \$4.5 million in award fees — awarded when the contractor meets or exceeds exceptional service levels — may not be justified, and TSA has no assurance it received the best value for its money. *TSA's Human Capital Services Contract Terms and Oversight Need Strengthening*, (OIG-16-32, January 2016).
- The Department encourages components to develop their own policies and guidance for nonmajor programs — acquisitions with life cycle costs of less than \$300 million — as long as they are consistent with the spirit and intent of department-wide guidance. In February 2015, we reported that the Science and Technology Directorate (S&T) lacked such guidance, contributing to the termination of a contract for convenience after investing more than \$23 million for a prototype that was close to delivery. In addition, S&T's failure to implement policies and procedures may hinder its ability to make well-informed decisions about all of its contracts, valued at \$338 million in FY 2013. *Science and Technology Directorate Needs to Improve Its Contract Management Procedures*, (OIG-15-38, February 2015).

DHS needs better data and acquisition management tools

Strong management of Department programs requires accurate and reliable data; clear and well communicated guidance; and a collaborative, unified environment. We identified cross-cutting programs in which better management, oversight, and guidance could have improved transparency, effectiveness, and efficiency.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

- In January 2016, we reported that CBP's Special Operations Group (SOG) program's incomplete records of SOG and other CBP components that support SOG limited the determination of the program's total cost. SOG program efficiency and effectiveness cannot be accurately determined without total program costs or formal performance measures. CBP's Special Operations Group Program Cost and Effectiveness are Unknown, (OIG-16-34, January 2016).
- The Department does not always implement processes to collect, verify, and track data necessary to make informed decisions or ensure the most cost efficient use of resources. For example, in August 2015 we reported that DHS cannot effectively manage its warehouse needs because the components do not accurately track inventories of their warehouses. We found buildings that should not have been on the Department's warehouse inventory, as well as buildings that should have been classified as warehouses but were not. Department management also did not know enough about what DHS components store in their warehouses. Without reliable information, DHS management cannot make informed decisions to consolidate or close warehouses, demonstrate compliance with space reduction requirements, or reduce unnecessary costs. Accurate Reporting and Oversight Needed to Help Manage DHS' Warehouse Portfolio, (OIG-15-138, August 2015).
- DHS also lacks acquisition management tools to consistently determine whether major acquisitions are on track to achieve their cost, schedule, and capability goals. For example, in April 2015, GAO reported that about half of DHS' major programs lacked an approved baseline, and 77 percent lacked approved life cycle cost estimates. DHS needs these baselines, which establish cost, schedule, and capability parameters, to accurately assess program performance. Yet, much of the necessary program information is not consistently available or up to date, and Department officials have acknowledged it may be years before this issue is fully addressed.

Pending Legislation

I believe that in the last few years DHS has instituted significant reforms to the acquisition process and has exerted significant leadership to gain control over an unruly and wasteful process. However, I worry that these significant reforms, if not continuously enforced over time, could be undone. We believe the passage of two bills under consideration by the Committee, the *DHS*



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Headquarters Reform and Improvement Act of 2016 and the *DHS Acquisition Reform and Accountability Act of 2016*, will help DHS solidify the gains made in the discipline, accountability, and transparency of its acquisition program management. These bills codify existing policy and relevant offices; provide the necessary authority for key personnel and mechanisms within the Department to effectively manage major acquisition programs; reinforce the importance of key acquisition management practices, such as establishing cost, schedule, and capability parameters; and include requirements to better identify and address poorly performing acquisition programs.

Moving Forward

Given the magnitude and risks of the Department's acquisitions, we will continue to evaluate this critical area. The urgency and complexity of DHS' mission will continue to demand rapid pursuit of major investment programs. As DHS continues to build its acquisition management capabilities, it will need stronger departmental oversight and authority, as well as increased commitment by the components to effect real and lasting change. This commitment includes adhering to departmental acquisition guidance, adequately defining requirements, developing performance measures before making new investments, and dedicating sufficient resources to contract oversight. All of this will better support DHS' missions and save taxpayer dollars.

Mr. Chairman, this concludes my prepared statement. I welcome any questions you or other Members of the Committee may have.



OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Appendix A

DHS Acquisition Life Cycle Framework

Acquisition Phase	Acquisition Decision Event	Purpose
Need	1	Documents the user's need and plans for the Analyze/Select Phase
Analyze/Select	2A	Formally establishes the program to analyze appropriate methods for meeting approved requirements
Obtain	2B	Plans for method of development and delivery; establishes strategy for acquisition/procurement and testing of solution
	2C	Provides Low Rate Initial Production (if required)
Produce/Deploy/Support	3	Gets capability to the user and maintains it
Sustainment	Post-3	Provides maintenance at intended levels of performance and meeting of contingency usage requirements

Source: DHS OIG, based on DHS Chief Acquisition Officer memorandums, May 9, 2013, and June 13, 2014; and DHS Instruction Manual 102-01-001 Acquisition Management Instruction/Guidebook, Appendix J, October 1, 2011.



United States Government Accountability Office

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DEPARTMENT OF HOMELAND SECURITY

Progress Made, but Work Remains in Strengthening Acquisition and Other Management Functions

Statement of Rebecca Gambler, Director,
Homeland Security and Justice

and

Michele Mackin, Director,
Acquisition and Sourcing Management

GAO Highlights

Highlights of GAO-16-507T, a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

Why GAO Did This Study

In 2003, GAO designated implementing and transforming DHS as high risk because the failure to address risks associated with transforming 22 agencies into one department could have serious consequences for U.S. national and economic security. While challenges remain, DHS has made considerable progress. As a result, in 2013 GAO narrowed the scope of the high-risk area to focus on strengthening and integrating DHS management functions (human capital, acquisition, financial, and information technology). This statement discusses DHS's progress and actions remaining in addressing these functions with a focus on acquisition management. In fiscal year 2015 alone, DHS reported that it planned to spend approximately \$7.2 billion on its major acquisition programs to help execute its many critical missions. This statement is based on GAO's 2015 high-risk update, GAO products from 2005 through 2016, and selected updates from ongoing work. To conduct past and ongoing work we reviewed key documents such as DHS strategies and interviewed agency officials.

What GAO Recommends

This testimony contains no new recommendations. GAO has made about 2,400 recommendations to DHS since 2003 to strengthen management efforts, among other things. DHS has implemented more than 70 percent of those related to acquisition management, and has actions under way to address others.

View GAO-16-507T. For more information, contact Rebecca Gambler at (202) 512-8777 or gambler@gao.gov, or Michele Macklin at (202) 512-4841 or macklm@gao.gov.

March 2016

DEPARTMENT OF HOMELAND SECURITY

Progress Made, but Work Remains in Strengthening Acquisition and Other Management Functions

What GAO Found

The Department of Homeland Security's (DHS) efforts to strengthen and integrate its management functions have resulted in it meeting three and partially meeting two of GAO's criteria for removal from the high-risk list (see table).

Assessment of DHS Progress in Addressing the Strengthening DHS Management Functions High-Risk Area, as of March 2016

Criterion for removal from high-risk list	Met ^a	Partially met ^b	Not met ^c
Leadership commitment	X		
Action plan	X		
Capacity (having sufficient resources)		X	
Monitoring	X		
Demonstrated progress		X	
Total	3	2	0

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO-16-507T

^a"Met": There are no significant actions that need to be taken to further address this criterion.

^b"Partially met": Some but not all actions necessary to generally meet the criterion have been taken.

^c"Not met": Few, if any, actions toward meeting the criterion have been taken.

For example, DHS has established a plan for addressing the high-risk area and a framework for monitoring its progress in implementing the plan. However, DHS needs to show additional results in other areas, including demonstrating the ability to achieve sustained progress across 30 outcomes that GAO identified and DHS agreed were needed to address the high-risk area. As of March 2016, DHS had fully addressed 10 of these outcomes but work remained in 20.

GAO has reported on DHS's acquisition management for over 10 years. The department has struggled to effectively manage its major programs, including ensuring that all major acquisitions had approved baselines and that they were affordable. GAO has noted significant progress in recent reviews (see table). This progress is largely attributable to sustained senior leadership attention.

GAO Findings and Recent Efforts by DHS to Improve Acquisition Management

GAO Review	GAO Finding	DHS Progress
November 2008	DHS's Joint Requirements Council (JRC), which had been responsible for managing investment portfolios and validating requirements, had not met since 2006.	The JRC was reinstated in 2014; it is the subject of an ongoing GAO review.
April 2014	DHS's Acquisition Review Board rarely directed programs to make affordability tradeoffs, even in light of a 30 percent funding gap for the department's major acquisitions.	DHS leadership is discussing affordability at all program reviews to help ensure adequate funding exists.
March 2015	DHS needed to improve the quality of acquisition data reported by components.	DHS has efforts underway to address this issue.
April 2015	Sixteen of the 22 programs GAO reviewed had agreed-upon acquisition program baseline cost, schedule, and performance objectives.	DHS has continued to obtain department-level approval for program baselines as needed.

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO-16-507T

To ensure that recent efforts are sustained, the department must continue to implement its sound acquisition policy consistently and effectively across all components. GAO has made numerous recommendations in this regard, which DHS has concurred with and is taking actions to implement.

United States Government Accountability Office

Chairman Johnson, Ranking Member Carper, and Members of the Committee:

Thank you for the opportunity to discuss the Department of Homeland Security's (DHS) ongoing efforts to strengthen and integrate its management functions. In the 13 years since the department's creation, DHS has implemented key homeland security operations, achieved important goals and milestones, and grown to more than 240,000 employees and approximately \$66 billion in budget authority. We have issued hundreds of reports addressing the range of DHS's missions and management functions, and our work has identified gaps and weaknesses in the department's operational and implementation efforts, as well as opportunities to strengthen their efficiency and effectiveness. Since 2003, we have made approximately 2,400 recommendations to DHS to strengthen program management, performance measurement efforts, and management processes, among other things. DHS has implemented more than 70 percent of these recommendations and has actions under way to address others.

We also report regularly to Congress on government operations that we identified as high risk because of their increased vulnerability to fraud, waste, abuse, and mismanagement, or the need for transformation to address economy, efficiency, or effectiveness challenges. In 2003, we designated implementing and transforming DHS as high risk because DHS had to transform 22 agencies—several with major management challenges—into one department, and failure to address associated risks could have serious consequences for U.S. national and economic security.¹ Given the significant effort required to build and integrate a department as large and complex as DHS, our initial high-risk designation addressed the department's initial transformation and subsequent

¹GAO, *High-Risk Series: An Update*, GAO-03-119 (Washington, D.C.: January 2003).

implementation efforts, to include associated management and programmatic challenges.²

Since 2003, the focus of the *Implementing and Transforming DHS* high-risk area has evolved in tandem with DHS's maturation and evolution. In September 2011, we reported in our assessment of DHS's progress and challenges 10 years after the terrorist attacks of September 11, 2001 (9/11) that the department had implemented key homeland security operations and achieved important goals in many areas to create and strengthen a foundation to reach its potential.³ However, we also reported that continuing weaknesses in DHS's management functions had been a key theme affecting the department's implementation efforts. While challenges remain for DHS across its range of missions, the department has made considerable progress in transforming its original component agencies into a single cabinet-level department and positioning itself to achieve its full potential. As a result, in our 2013 high-risk update, we narrowed the scope of the high-risk area to focus on strengthening DHS management functions (acquisition, information technology [IT], financial, and human capital), and changed the name from *Implementing and Transforming DHS* to *Strengthening DHS Management Functions* to reflect this focus. We also reported in our 2013 update that the department needs to demonstrate continued progress in implementing and strengthening key management initiatives and addressing corrective actions and outcomes in order to mitigate the risks that management weaknesses pose to mission accomplishment and the efficient and effective use of the department's resources.⁴

²DHS also has responsibility for other areas we have designated as high risk. Specifically, in 2005, we designated establishing effective mechanisms for sharing and managing terrorism-related information to protect the homeland as high risk, involving a number of federal departments, to include DHS. In 2006, we identified the National Flood Insurance Program as high risk. Further, in 2003, we expanded the scope of the high-risk area involving federal information security, which was initially designated as high risk in 1997, to include the protection of the nation's computer-reliant critical infrastructure. See GAO, *High-Risk Series: An Update*, GAO-09-271 (Washington, D.C.: January 2009); *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007); and *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

³GAO, *Department of Homeland Security: Progress Made and Work Remaining in Implementing Homeland Security Missions 10 Years after 9/11*, GAO-11-881 (Washington, D.C.: Sept. 7, 2011).

⁴GAO, *High Risk Series: An Update*, GAO-13-283 (Washington, D.C.: February 2013).

Acquisition management has been a key area of concern. Each year, DHS invests billions of dollars in its major acquisition programs to help execute its many critical missions. In fiscal year 2015 alone, DHS reported that it planned to spend approximately \$7.2 billion on these acquisition programs, and the department expects it will ultimately invest more than \$180 billion in them.⁵ We have reported on DHS acquisition management issues since shortly after the department was established; our first report dates from 2005.⁶ Our work since then has identified significant shortcomings in the department's ability to manage its portfolio of major acquisitions.⁷ More recently, we have found that the department's senior leadership has taken sound actions that have led to improvements, although more needs to be done to ensure that DHS is well-positioned to effectively manage its major acquisition programs.

In November 2000, we published our criteria for removing areas from the high-risk list.⁸ Specifically, agencies must have (1) a demonstrated strong commitment and top leadership support to address the risks; (2) a corrective action plan that identifies the root causes, identifies effective solutions, and provides for substantially completing corrective measures in the near term, including but not limited to steps necessary to implement solutions we recommended; (3) the capacity (that is, the people and other resources) to resolve the risks; (4) a program instituted to monitor and independently validate the effectiveness and sustainability of corrective measures; and (5) the ability to demonstrate progress in implementing corrective measures.

⁵In the fiscal year 2015 Future Years Homeland Security Program (FYHSP) report to Congress, DHS reported it planned to spend approximately \$7.2 billion on 66 acquisition programs. In the fiscal year 2014 FYHSP report, DHS reported it planned to spend approximately \$10.7 billion on 121 programs. DHS reduced the number of programs in the fiscal year 2015 FYHSP report for various reasons. For example, DHS removed programs that were designated non-major acquisitions, had completed all acquisition activities, or been discontinued or combined with other programs.

⁶GAO, *Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, GAO-05-179 (Washington, D.C.: Mar. 29, 2005).

⁷DHS defines major acquisition programs as those with Life-Cycle Cost Estimates of \$300 million or more. For examples of past GAO work, see a list of related GAO products at the end of this statement.

⁸GAO, *Determining Performance and Accountability Challenges and High Risks*, GAO-01-159SP (Washington, D.C.: Nov. 2000).

This statement discusses:

- DHS's progress and actions remaining in strengthening and integrating its management functions, and
- further details on DHS's efforts to strengthen acquisition management and key efforts that remain to be completed.

This statement is based on GAO's 2015 high-risk update report, our body of work on DHS acquisition management, which spans over 10 years and much of which was performed in response to requests by this committee, as well as other reports and testimonies we issued from March 2005 through February 2016.⁹ For the past products, among other things, we analyzed DHS strategies and other documents related to the department's efforts to address the *Strengthening DHS Management Functions* high-risk area, reviewed our past reports issued since DHS began its operations in March 2003, and interviewed DHS officials. More detailed information on the scope and methodology of our prior work can be found within each specific report. This statement is also based on analyses from our ongoing assessment of DHS's efforts to strengthen and integrate its management functions since February 2015. We expect to report our final results from this work in our 2017 high-risk update. For our analyses, among other things, we analyzed DHS documentation, such as departmental guidance and plans, and met with DHS officials, including the Under Secretary for Management and other senior officials, to discuss DHS's efforts to address the *Strengthening DHS Management Functions* high-risk area. On January 29, 2016, DHS provided us with an updated version of its *Integrated Strategy for High Risk Management*. We plan to analyze this update as part of our ongoing assessment of DHS's progress in addressing the *Strengthening DHS Management Functions* high-risk area.

We conducted the work on which this statement is based from March 2004 through March 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit

⁹GAO, *High Risk Series: An Update*, GAO-15-290 (Washington, D.C.: Feb. 2015). See also the related GAO products list at the end of this statement.

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

DHS Has Made Progress in Strengthening Its Management Functions, but Considerable Work Remains

DHS Progress in Meeting Criteria for Removal from the High-Risk List

DHS's efforts to strengthen and integrate its management functions have resulted in progress addressing our criteria for removal from the high-risk list. In particular, in our February 2015 high-risk update report, we found that DHS had met two criteria and partially met the remaining three criteria. DHS subsequently met an additional criterion—establishing a framework for monitoring progress—and therefore as of March 2016, has met three criteria and partially met the remaining two criteria, as shown in table 1.

Table 1: Assessment of Department of Homeland Security (DHS) Progress in Addressing the Strengthening DHS Management Functions High-Risk Area, as of March 2016

Criterion for removal from high-risk list	Met ^a	Partially met ^b	Not met ^c
Leadership commitment	X		
Action plan	X		
Capacity		X	
Monitoring	X		
Demonstrated progress		X	
Total	3	2	0

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO-16-507T

^aMet: There are no significant actions that need to be taken to further address this criterion.

^bPartially met: Some but not all actions necessary to generally meet the criterion have been taken.

^cNot met: Few, if any, actions toward meeting the criterion have been taken.

Leadership commitment (met). We found in our 2015 report and have observed over the last year that the Secretary and Deputy Secretary of Homeland Security, the Under Secretary for Management at DHS, and

other senior officials have continued to demonstrate exemplary commitment and top leadership support for addressing the department's management challenges. Additionally, they have taken actions to institutionalize this commitment to help ensure the long-term success of the department's efforts. For example, in April 2014, the Secretary of Homeland Security issued a memorandum entitled *Strengthening Departmental Unity of Effort*, committing to, among other things, improving DHS's planning, programming, budgeting, and execution processes through strengthened departmental structures and increased capability.¹⁰ Senior DHS officials, including the Deputy Secretary and Under Secretary for Management, have also routinely met with us over the past 7 years to discuss the department's plans and progress in addressing this high-risk area, most recently in February 2016. Throughout this time, we provided specific feedback on the department's efforts. We concluded in our 2015 report and continue to believe that it will be important for DHS to maintain its current level of top leadership support and commitment to ensure continued progress in successfully executing its corrective actions through completion.

Action plan (met). We found that DHS has established a plan for addressing this high-risk area. Specifically, in a September 2010 letter to DHS, we identified and DHS agreed to achieve 31 actions and outcomes that are critical to addressing the challenges within the department's management areas and in integrating those functions across the department. In March 2014, we updated the actions and outcomes in collaboration with DHS to reduce overlap and ensure their continued relevance and appropriateness. These updates resulted in a reduction from 31 to 30 total actions and outcomes. Toward achieving the actions and outcomes, DHS issued its initial *Integrated Strategy for High Risk Management* in January 2011 and has since provided updates to its strategy in nine later versions, most recently in January 2016. The integrated strategy includes key management initiatives and related corrective actions plans for addressing DHS's management challenges and the actions and outcomes we identified. For example, the January 2016 strategy update includes an initiative focused on financial systems modernization and an initiative focused on IT human capital management. These initiatives support various actions and outcomes, such as modernizing the U.S. Coast Guard's financial management

¹⁰DHS, Secretary of Homeland Security, *Strengthening Departmental Unity of Effort*, Memorandum for DHS Leadership (Washington, D.C.: Apr. 22, 2014).

system and implementing an IT human capital strategic plan, respectively. We concluded in our 2015 report and continue to believe that DHS's strategy and approach to continuously refining actionable steps to implementing the outcomes, if implemented effectively and sustained, should provide a path for DHS to be removed from our high-risk list.

Capacity (partially met). In October 2014, DHS identified that it had resources needed to implement 7 of the 11 initiatives the department had under way to achieve the actions and outcomes, but did not identify sufficient resources for the 4 remaining initiatives. In addition, our prior work has identified specific capacity gaps that could undermine achievement of management outcomes. For example, in April 2014, we reported that DHS needed to increase its cost-estimating capacity and that the department had not approved baselines for 21 of 46 major acquisition programs.¹¹ These baselines—which establish cost, schedule, and capability parameters—are necessary to accurately assess program performance. Thus, in our 2015 report, we concluded that DHS needs to continue to identify resources for the remaining initiatives; work to mitigate shortfalls and prioritize initiatives, as needed; and communicate to senior leadership critical resource gaps. In its January 2016 strategy update, DHS stated that the department had addressed capacity shortcomings it previously identified and self-assesses the capacity criterion as fully met. We are analyzing DHS's capacity to resolve risks as part of our ongoing assessment of the department's progress in addressing the *Strengthening DHS Management Functions* high-risk area and will report on our findings in our 2017 high-risk update.

Monitoring (met). In our 2015 report we found that DHS established a framework for monitoring its progress in implementing the integrated strategy it identified for addressing the 30 actions and outcomes. In the June 2012 update to the *Integrated Strategy for High Risk Management*, DHS included, for the first time, performance measures to track its progress in implementing all of its key management initiatives. DHS continued to include performance measures in its October 2014 update. However, in our 2015 report we also found that DHS could strengthen its financial management monitoring efforts and thus concluded that the department had partially met the criterion for establishing a framework to

¹¹GAO, *Homeland Security Acquisitions: DHS Could Better Manage Its Portfolio to Address Funding Gaps and Improve Communications with Congress*, GAO-14-332 (Washington, D.C.: Apr. 17, 2014).

monitor progress. In particular, according to DHS officials, as of November 2014, they were establishing a monitoring program that would include assessing whether financial management systems modernization projects for key components that DHS plans to complete in 2019 are following industry best practices and meet users' needs. However, DHS had not yet entered into a contract for independent verification and validation services in connection with its efforts to establish this program. Effective implementation of these modernization projects is important because, until they are complete, the department's current systems will not effectively support financial management operations. DHS subsequently entered into a contract for independent verification and validation services that should help ensure the financial management systems modernization projects meet key requirements. As a result, we currently assess DHS to have met the framework to monitor progress criterion. As we concluded in our 2015 report and continue to believe, moving forward, DHS will need to closely track and independently validate the effectiveness and sustainability of its corrective actions and make midcourse adjustments, as needed.

Demonstrated progress (partially met). We found in our 2015 report that DHS had made important progress in strengthening its management functions, but needed to demonstrate sustainable, measurable progress in addressing key challenges that remain within and across these functions. In particular, we found that DHS had implemented a number of actions demonstrating the department's progress in strengthening its management functions. For example, DHS had strengthened its enterprise architecture program (or blueprint) to guide and constrain IT acquisitions and obtained a clean opinion on its financial statements for 2 consecutive years, fiscal years 2013 and 2014. DHS has continued to demonstrate important progress over the last year by, for example, obtaining a clean opinion on its financial statements for a third consecutive year. However, we also found in our 2015 report that DHS continued to face significant management challenges that hindered the department's ability to accomplish its missions. For example, DHS did not have the acquisition management tools in place to consistently demonstrate whether its major acquisition programs were on track to achieve their cost, schedule, and capability goals. In addition, DHS did not have modernized financial management systems, which affected its ability to have ready access to reliable information for informed decision making. Over the last year DHS has continued to take actions to address these challenges but they persist, as discussed in more detail below. As we concluded in our 2015 report, addressing these and other management challenges will be a significant undertaking that will likely

require several years, but will be critical for the department to mitigate the risks that management weaknesses pose to mission accomplishment.

**DHS Progress in
Achieving Key High-Risk
Actions and Outcomes**

Key to addressing the department's management challenges is DHS demonstrating the ability to achieve sustained progress across the 30 actions and outcomes we identified and DHS agreed were needed to address the high-risk area. Achieving sustained progress across the actions and outcomes, in turn, requires leadership commitment, effective corrective action planning, adequate capacity (that is, the people and other resources), and monitoring the effectiveness and sustainability of supporting initiatives. The 30 actions and outcomes address each management function (acquisition, IT, financial, and human capital) as well as management integration. For example, one of the outcomes focusing on acquisition management is validating required acquisition documents in accordance with a department-approved, knowledge-based acquisition process, and the outcomes focusing on financial management include sustaining clean audit opinions for at least 2 consecutive years on department-wide financial statements and internal controls.

We found in our 2015 report that DHS had made important progress across all of its management functions and significant progress in the area of management integration. In particular, DHS had made important progress in several areas to fully address 9 actions and outcomes, 5 of which it had sustained as fully implemented for at least 2 years. For instance, DHS fully met 1 outcome for the first time by obtaining a clean opinion on its financial statements for 2 consecutive years and sustained full implementation of another outcome by continuing to use performance measures to assess progress made in achieving department-wide management integration. Since our 2015 update, DHS fully addressed another outcome as a result of actions it has taken to improve the maturity of its system acquisition management practices, leaving additional work to fully address the remaining 20 outcomes. As of March 2016, DHS has also mostly addressed an additional 7 actions and outcomes—3 since our 2015 report—meaning that a small amount of work remains to fully address them.

We also found in our 2015 report and continue to observe, that considerable work remains, however, in several areas for DHS to fully achieve the remaining actions and outcomes and thereby strengthen its management functions. Specifically, as of March 2016, DHS has partially addressed 9 and initiated 4 of the actions and outcomes. As previously mentioned, addressing some of these actions and outcomes, such as modernizing the department's financial management systems, are

significant undertakings that will likely require multiyear efforts. Table 2 summarizes DHS's progress in addressing the 30 actions and outcomes as of March 2016, and is followed by selected examples.

Table 2: GAO Assessment of Department of Homeland Security (DHS) Progress in Addressing Key Actions and Outcomes, as of March 2016

Key outcome	Fully addressed ^a	Mostly addressed ^b	Partially addressed ^c	Initiated ^d	Total
Acquisition management	1	2	1	1	5
Information technology management	3	2	1		6
Financial management ^e	2		3	3	8
Human capital management	1	3	3		7
Management integration	3		1		4
Total	10	7	9	4	30

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO-16-507T

^aFully addressed: Outcome is fully addressed.

^bMostly addressed: Progress is significant and a small amount of work remains.

^cPartially addressed: Progress is measurable, but significant work remains.

^dInitiated: Activities have been initiated to address the outcome, but it is too early to report progress.

^eAlthough March 2014 updates to most functional areas were minor, there were more significant revisions to the financial management actions and outcomes, with some outcomes revised or dropped and others added. These revisions prevent the financial management actions and outcomes from being comparable on a one-for-one basis with those of prior years. Accordingly, our ratings of DHS's progress in addressing financial management actions and outcomes are not an indication of a downgrade to the department's progress.

Acquisition management. DHS has fully addressed 1 of the 5 acquisition management outcomes, mostly addressed 2 outcomes, partially addressed 1 outcome, and initiated actions to address the remaining outcome. For example, DHS has taken a number of actions to fully address establishing effective component-level acquisition capability. These actions include initiating (1) monthly Component Acquisition Executive staff forums to provide guidance and share best practices and (2) assessments of component policies and processes for managing acquisitions. DHS has also continued to make progress addressing the outcome on validating required acquisition documents in a timely manner. Specifically, the Under Secretary for Management provided direction to the components on submitting the outstanding documentation. We will continue to assess DHS's progress on this outcome. In addition, DHS has conducted staffing analysis reports that quantify gaps in acquisition personnel by position. Moving forward, DHS must develop and implement a plan for filling key vacant positions identified through its staffing analysis reports. Further, DHS should continue to improve its acquisition program

management by effectively using the Joint Requirements Council, which it reinstated in June 2014, to identify and eliminate any unintended redundancies in program requirements, and by demonstrating that major acquisition programs are on track to achieve their cost, schedule, and capability goals.

IT management. DHS has fully addressed 3 of the 6 IT management outcomes, mostly addressed another 2, and partially addressed the remaining 1. For example, DHS has finalized a directive to establish its tiered governance and portfolio management structure for overseeing and managing its IT investments, and annually reviews each of its portfolios and the associated investments to determine the most efficient allocation of resources within each of the portfolios. The department has also made progress in implementing its IT Strategic Human Capital Plan for fiscal years 2010 through 2012. However, in January 2015 DHS shifted its IT paradigm from acquiring assets to acquiring services, and acting as a service broker (i.e., an intermediary between the purchaser of a service and the seller of that service). According to DHS officials in May 2015, this paradigm change will require a major transition in the skill sets of DHS's IT workforce, as well as the hiring, training, and managing of staff with those new skill sets; as such, this effort will need to be closely managed in order to succeed. Additionally, we found that DHS continues to take steps to enhance its information security program. However, while the department made progress in remediating findings from the previous year, in November 2015, the department's financial statement auditor designated deficiencies in IT systems controls as a material weakness for financial reporting purposes for the 12th consecutive year.¹² This designation was due to flaws in security controls such as those for access controls, configuration management, segregation of duties, and contingency planning. Thus, DHS needs to remediate this longstanding material weakness. Information security remains a major management challenge for the department.

Financial management. DHS has fully addressed 2 financial management outcomes, partially addressed 3, and initiated 3. Most

¹²A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, but is important enough to merit attention by those charged with governance.

notably, DHS received a clean audit opinion on its financial statements for 3 consecutive years, fiscal years 2013, 2014, and 2015, fully addressing 2 outcomes. In addition, in November 2015, DHS's financial statement auditors reported that one of four material weaknesses in its internal controls over financial reporting had been reduced to a significant deficiency in connection with its remediation efforts. However, the remaining material weaknesses reported by DHS auditors continue to hamper DHS's ability to establish effective internal control over financial reporting and comply with financial management system requirements. DHS continues to make progress on three multi-year projects to modernize selected components' financial management systems. According to its January 2016 strategy update, DHS has made the most progress on its U.S. Coast Guard modernization project; whereas additional planning and discovery efforts need to be completed on its projects to modernize Federal Emergency Management Agency and U.S. Immigration and Customs Enforcement financial management systems before DHS will be in a position to implement modernized solutions for these components and their customers. Without sound controls and systems, DHS faces long-term challenges in sustaining a clean audit opinion on its financial statements and in obtaining and sustaining a clean opinion on its internal control over financial reporting, and ensuring its financial management systems generate reliable, useful, and timely information for day-to-day decision making as a routine business operation.

Human capital management. DHS has fully addressed 1 human capital management outcome, mostly addressed 3, and partially addressed the remaining 3. For example, the Secretary of Homeland Security signed a human capital strategic plan in 2011 that DHS has since made sustained progress in implementing, fully addressing this outcome. DHS also has actions under way to identify current and future human capital needs, an outcome it mostly addressed since our 2015 report due to progress implementing its Workforce Planning Model. However, DHS has considerable work ahead to improve employee morale. For example, the Office of Personnel Management's 2015 Federal Employee Viewpoint Survey data showed that DHS ranked last among 37 large federal agencies in all four dimensions of the survey's index for human capital accountability and assessment. Further, the survey data showed that DHS's scores continued to decrease in three index dimensions (job satisfaction, leadership and knowledge management, and results-oriented performance culture) and remained constant in the fourth dimension (talent management). DHS has developed plans for addressing its employee satisfaction problems, but as we previously recommended,

DHS needs to continue to improve its root-cause analysis efforts related to these plans.¹³

DHS has also developed and implemented mechanisms to assess training programs but could take additional actions. For example, in September 2014, we found that DHS had implemented component-specific and department-wide training programs and that the five DHS components in our review all had documented processes to evaluate their training programs.¹⁴ However, to fully achieve this outcome, DHS also needs to, among other things, issue department-wide policies on training and development and strengthen its learning management capabilities. In February 2016, we reported that DHS had initiated the Human Resources Information Technology (HRIT) investment in 2003 to address issues presented by its human resource environment, which with respect to learning management, included limitations resulting from nine disparate learning management systems that did not exchange information.¹⁵ DHS established the Performance and Learning Management System (PALMS) program to provide a system that will consolidate DHS's nine existing learning management systems into one system and enable comprehensive training reporting and analysis across the department, among other things. However, in our February 2016 report we found that selected PALMS capabilities had been deployed to headquarters and two components, but full implementation at four components was not planned, leaving uncertainty about whether the PALMS system would be used enterprise-wide to accomplish these goals. We further found that DHS did not fully implement effective acquisition management practices and therefore was limited in monitoring and overseeing the implementation of PALMS and ensuring that the department obtains a system that improves its learning management weaknesses, reduces duplication, and delivers within cost and schedule commitments. We made 14 recommendations to DHS to, among other things, address HRIT's poor progress and ineffective management. DHS concurred with all 14 recommendations and provided estimated completion dates for implementing each of them.

¹³GAO, *Department of Homeland Security: Taking Further Action to Better Determine Causes of Morale Problems Would Assist in Targeting Action Plans*, GAO-12-940 (Washington, D.C.: Sept. 28, 2012).

¹⁴GAO, *DHS Training: Improved Documentation, Resource Tracking, and Performance Measurement Could Strengthen Efforts*, GAO-14-688 (Washington, D.C.: Sept. 10, 2014).

¹⁵GAO, *Homeland Security: Oversight of Neglected Human Resources Information Technology Investment Is Needed*, GAO-16-253 (Washington, D.C.: Feb. 11, 2016).

Management integration. DHS has sustained its progress in fully addressing 3 of 4 outcomes we identified and they agreed are key to the department's management integration efforts. For example, in January 2011, DHS issued an initial action plan to guide its management integration efforts—the *Integrated Strategy for High Risk Management*. Since then, DHS has generally made improvements to the strategy with each update based on feedback we provided. DHS has also shown important progress in addressing the last and most significant management integration outcome—to implement actions and outcomes in each management area to develop consistent or consolidated processes and systems within and across its management functional areas—but, as we concluded in our 2015 update, considerable work remains. For example, the Secretary's April 2014 *Strengthening Departmental Unity of Effort* memorandum highlighted a number of initiatives designed to allow the department to operate in a more integrated fashion. Further, in its January 2016 update, DHS reported that in August 2015 the Under Secretary for Management identified four integrated priority areas to bring focus to strengthening integration among the department's management functions. According to DHS's January 2016 update, these priorities—which include, for example, strengthening resource allocation and reporting ability and developing and deploying secure technology solutions—each have stretch goals and milestones that are monitored by integrated teams led by senior DHS officials. However, given that these management integration initiatives are in the early stages of implementation, it is too early to assess their impact.

We concluded in our 2015 report and continue to believe that in the coming years, DHS needs to continue implementing its *Integrated Strategy for High Risk Management* and show measurable, sustainable progress in implementing its key management initiatives and corrective actions and achieving outcomes. In doing so, it will be important for DHS to

- maintain its current level of top leadership support and sustained commitment to ensure continued progress in executing its corrective actions through completion;
- continue to implement its plan for addressing this high-risk area and periodically report its progress to us and Congress;
- identify and work to mitigate any resource gaps and prioritize initiatives as needed to ensure it can implement and sustain its corrective actions;

- closely track and independently validate the effectiveness and sustainability of its corrective actions and make midcourse adjustments as needed; and
- make continued progress in achieving the 20 actions and outcomes it has not fully addressed and demonstrate that systems, personnel, and policies are in place to ensure that results can be sustained over time.

We will continue to monitor DHS's efforts in this high-risk area to determine if the actions and outcomes are achieved and sustained over the long term.

DHS Continues to Strengthen Acquisition Management, Though Key Efforts Need to Be Completed

Each year, DHS invests billions of dollars in its major acquisition programs to help execute its many critical missions. In fiscal year 2015 alone, DHS reported that it planned to spend approximately \$7.2 billion on these acquisition programs, and the department expects it will ultimately invest more than \$180 billion in them. DHS and its underlying components are acquiring systems to help secure the border, increase marine safety, screen travelers, enhance cyber security, improve disaster response, and execute a wide variety of other operations. Each of DHS's major acquisition programs generally costs \$300 million or more and spans multiple years.

To help manage these programs, DHS has established an acquisition management policy that we found in September 2012 to be generally sound, in that it reflects key program management practices.¹⁶ However, we also have found that DHS has lacked discipline in managing its programs according to this policy, and that many acquisition programs have faced a variety of challenges.¹⁷ These challenges can contribute to poor acquisition outcomes, such as cost increases or the risk of end users—such as border patrol agents or first responders in a disaster—receiving technologies that do not work as expected.

Reflecting the shortcomings we have identified since 2005, we have made 64 recommendations to DHS on acquisition management issues;

¹⁶GAO, *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs*, GAO-12-833 (Washington, D.C.: Sept. 18, 2012).

¹⁷GAO-12-833.

42 of which have been implemented. Our findings also formed the basis of the five acquisition management outcomes identified in the high risk list, which DHS continues to address. As detailed below, DHS has fully addressed one outcome, mostly addressed two outcomes, partially addressed one outcome, and initiated efforts to address the final outcome.

- Outcome 1: Validate required acquisition documents in a timely manner (mostly addressed);
- Outcome 2: Establish effective component level acquisition capability (fully addressed);
- Outcome 3: Establish and effectively operate the Joint Requirements Council (partially addressed);
- Outcome 4: Assess and address whether appropriate numbers of trained acquisition personnel are in place at the department component levels (mostly addressed); and
- Outcome 5: Demonstrate that major acquisition programs are on track to achieve their cost, schedule, and capability goals (initiated).

**2005 to 2008: A
Decentralized Acquisition
Management Structure
Hampered Early Oversight
Efforts**

In March 2005, we reported that a lack of clear accountability was hampering DHS's efforts to integrate the acquisition functions of its numerous organizations into an effective whole. We found that DHS remained a collection of disparate organizations, many of which were performing functions with insufficient oversight, giving rise to an environment rife with challenges. For example, the Chief Procurement Officer had been delegated the responsibility to manage, administer, and oversee all acquisition activity across DHS, but in practice enforcement of these activities was spread throughout the department with unclear accountability. We concluded that unless DHS's top leaders addressed these challenges, the department was at risk of continuing to exist with a fragmented acquisition organization that provided stopgap, ad hoc solutions.

In November 2008, we found that billions invested in major acquisition programs continued to lack appropriate oversight. While the acquisition review process DHS had in place at the time of our review called for executive decision making at key points in an acquisition program's life cycle, the process had not provided the oversight needed to identify and address cost, schedule, and performance problems in its major

investments. Poor implementation of the process was evidenced by the number of programs that did not adhere to the department's acquisition review policy—of DHS's 48 major programs requiring milestone and annual reviews, 45 were not assessed in accordance with this policy. Furthermore, at least 14 of these programs had reported cost growth, schedule slips, or performance shortfalls. We found that poor implementation was largely the result of DHS's failure to ensure that the department's major acquisition decision-making bodies effectively carried out their oversight responsibilities and had the resources to do so. For example, although a Joint Requirements Council had been responsible for managing acquisition investment portfolios and validating requirements, the council had not met since 2006.

We also found in November 2008 that acquisition program budget decisions had been made in the absence of required oversight reviews and, as a result, DHS could not ensure that annual funding decisions for its major investments made the best use of resources and addressed mission needs. We found almost a third of DHS's major investments received funding without having validated mission needs and requirements—which confirm a need is justified—and two-thirds did not have required life-cycle cost estimates. Without validated requirements, life-cycle cost estimates, and regular portfolio reviews, DHS cannot ensure that its investment decisions are appropriate and will ultimately address capability gaps. In July 2008, 15 of the 57 DHS major investments we reviewed were designated by the Office of Management and Budget as poorly planned and by DHS as poorly performing. Among other things, we recommended that DHS reinstate the Joint Requirements Council or establish another departmental joint requirements oversight board to review and approve acquisition requirements and assess potential duplication of effort.

2008 to 2012: DHS Established, but Did Not Consistently Implement, a Sound Acquisition Policy

In November 2008, DHS issued the initial version of Acquisition Management Directive 102-01—the policy in effect today—in an effort to establish an acquisition management system that effectively provides required capability to operators in support of the department's missions.¹⁸ DHS Acquisition Management Directive 102-01 and DHS Instruction Manual 102-01-001, which includes 12 appendixes, establish the department's policies and processes for managing these major acquisition programs. In September 2012 we found that these documents reflect many key program management practices that could help mitigate program risks. Table 3 presents our 2012 assessment of the policy.

Table 3: GAO Assessment of DHS's Acquisition Policy Compared to Key Program-management Practices

GAO key practice area	Summary of key practices	GAO assessment of DHS acquisition policy
Identify and validate needs	Current capabilities should be identified to determine if there is a gap between the current and needed capabilities. A need statement should be informed by a comprehensive assessment that considers the organization's overall mission.	●
Assess alternatives to select most appropriate solution	Analyses of Alternatives should be conducted early in the acquisition process to compare key elements of competing solutions, including performance, costs, and risks. Moreover, these analyses should assess many alternatives across multiple concepts.	●
Clearly establish well-defined requirements	Requirements should be well defined and include input from operators and stakeholders. Programs should be grounded in well-understood concepts of how systems would be used and likely requirements costs.	●
Develop realistic cost estimates and schedules	A cost estimate should be well documented, comprehensive, accurate, and credible. A schedule should identify resources needed to do the work and account for how long all activities will take. Additionally, a schedule should identify relationships between sequenced activities.	●
Secure stable funding that matches resources to requirements	Programs should make trade-offs as necessary when working in a constrained budget environment.	●
Demonstrate technology, design, and manufacturing maturity	Capabilities should be demonstrated and tested prior to system development, making a production decision, and formal operator acceptance.	●

¹⁸The interim version of Acquisition Management Directive 102-01 replaced Management Directive 1400, which had governed major acquisition programs since 2006. DHS originally established an investment review process in 2003 to provide departmental oversight of major investments throughout their life cycles, and to help ensure that funds allocated for investments through the budget process are well spent. DHS issued updated versions of Acquisition Management Directive 102-01 in January 2010 and July 2015.

GAO key practice area	Summary of key practices	GAO assessment of DHS acquisition policy
Utilize milestones and exit criteria	Milestones and exit criteria—specific accomplishments that demonstrate progress—should be used to determine that a program has developed required and appropriate knowledge prior to a program moving forward to the next acquisition phase.	●
Establish an adequate workforce	Acquisition personnel should have appropriate qualifications and experience. Program managers should stay on until the end of an acquisition life-cycle phase to assure accountability. Government and contractor staff should also remain consistent.	Ⓢ

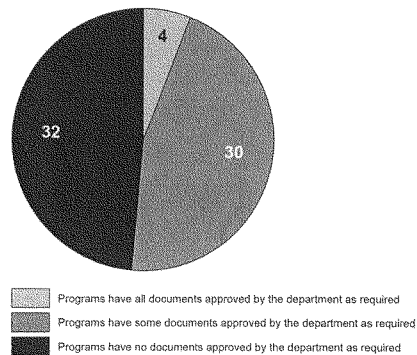
Legend: ● DHS policy reflects key practices; ● DHS policy substantially reflects key practices;

Ⓢ DHS policy partially reflects key practices.

Source: GAO analysis of DHS acquisition policy. | GAO-16-507T

However, in September 2012 we also found that DHS had not consistently met the policy's requirements. At the time of our 2012 review, the department had only verified that 4 of 66 programs documented all of the critical knowledge the policy requires to proceed with acquisition activities. See figure 1.

Figure 1: Programs That Had Key Acquisition Documents Approved in Accordance with DHS Acquisition Policy, as of September 2012



Source: GAO analysis of survey data, DHS acquisition decision memoranda, and DHS acquisition policy. | GAO-16-507T

In 2012, most major programs lacked reliable cost estimates, realistic schedules, and agreed-upon baseline objectives, limiting DHS leadership's ability to effectively manage those programs and provide information to Congress. As a result, we were only able to gain insight into the magnitude of the cost growth for 16 of 77 programs we reviewed, but we found that their aggregate cost estimates had increased by 166 percent.

Additionally, we found that nearly all of the DHS program managers we surveyed in 2012 reported their programs had experienced significant challenges. Sixty-eight of the 71 respondents reported they experienced funding instability, faced workforce shortfalls, or their planned capabilities changed after initiation, and most survey respondents reported a combination of these challenges.

2012 to 2015: DHS Continued to Strengthen Acquisition Management, Which Highlighted Remaining Issues

DHS has concurred with and presented plans for addressing all of the acquisition management recommendations that we have addressed to the Secretary since September 2012, the implementation of which will enhance acquisition management. For example, in April 2014, we found that the department's Acquisition Review Board rarely directed programs to make tradeoffs for affordability. We recommended that this board assess program-specific tradeoffs at all of its meetings, particularly in light of the fact that the department had identified a 30-percent gap between the 5-year funding needed for its major acquisitions and the actual resources expected to be available. DHS has since implemented this recommendation.

Furthermore, in reviews completed in March, April, and October of 2015, we found that DHS had taken steps to improve oversight of its major acquisition programs and that it had begun to implement its 2008 acquisition policy more consistently. Many of DHS's recent actions correspond to the high risk outcomes, as shown in the table 4.

Table 4: Recent Efforts by DHS to Improve Acquisition Management

GAO review date	GAO finding	Related high risk outcome
March 2015	DHS defined the role of the Component Acquisition Executive, the senior acquisition official within each component.	Outcome 2
March 2015	DHS was taking steps to improve the process for tracking major acquisition programs for oversight purposes.	Outcome 5
March 2015	DHS concurred with the GAO recommendation to produce operations and maintenance cost estimates for programs in sustainment.	Outcome 1

GAO review date	GAO finding	Related high risk outcome
March 2015	DHS concurred with the GAO recommendation to improve the quality of acquisition program data reported by the components.	Outcome 5
April 2015	Sixteen of the 22 programs GAO reviewed had agreed-upon acquisition program baseline cost, schedule, and performance objectives.	Outcome 1
April 2015	Seven of the 22 programs GAO assessed had experienced cost growth, but their life-cycle cost estimates had only increased by about 18 percent, far less than the growth rate GAO identified in 2012.	Outcome 5
October 2015	We noted that DHS should continue to improve its acquisition program management by effectively using the Joint Requirements Council, which was reinstated in 2014, to identify and eliminate any unintended redundancies in program requirements.	Outcome 3

Source: GAO | GAO-15-507T

DHS faced a unique challenge when it was formed—merging 22 separate entities into a single department—which included integrating the acquisition functions of its numerous organizations into an effective whole. The department is to be commended for the efforts its leadership has taken to address the acquisition management shortcomings we have identified over the past 10 years. However, in our April 2015 review, we continued to find enduring challenges to acquisition programs, such as:

- Staffing shortfalls—DHS reported that 21 of the 22 programs we reviewed faced program office workforce shortfalls pertaining to such positions as program managers, systems engineers, and logisticians.
- Program funding gaps—we found that 11 of the 22 programs we reviewed faced funding gaps (projected funding vs. estimated costs) of 10 percent or greater, including five programs that faced gaps of 30 percent or greater.
- Inconsistencies in how components were implementing the department's acquisition management policy—for example, we found that the funding plans for Coast Guard programs continued to be incomplete, in that they did not account for all of the operations and maintenance funding the Coast Guard planned to allocate to its major acquisition programs. These gaps in information reduce the value of the funding plans presented to Congress and obscure the affordability of Coast Guard acquisition programs.

Further, as we noted in our most recent high risk update, the department has additional work to do to fully address the remaining acquisition management outcomes. To address these issues, we have, among other things, recommended that DHS assess program-specific affordability

tradeoffs at all acquisition review meetings and ensure that funding plans submitted to Congress are comprehensive and clearly account for all operations and maintenance funding that DHS plans to allocate to its programs. DHS concurred with these recommendations and is taking actions to implement them. For example, DHS established that department leadership would, during all acquisition program reviews, specifically address affordability issues and make explicit tradeoffs as necessary, and DHS officials told us that DHS leadership is discussing affordability at all program reviews to help ensure adequate funding exists. Additionally, DHS has continued to obtain department-level approval for program baselines as needed, and has initiated efforts to improve the quality of acquisition data reported by components.

To ensure that recent efforts are sustained, the department must continue to implement its sound acquisition policy consistently and effectively across all components. We continue to track DHS's progress through ongoing reviews of the Joint Requirements Council, non-major program acquisitions, and our annual assessment of major acquisition programs, in addition to our high risk updates.

Chairman Johnson, Ranking Member Carper, and members of the committee, this completes our prepared statement. We would be happy to respond to any questions you may have at this time.

GAO Contact and Staff Acknowledgments

For further information about this testimony, please contact Rebecca Gambler at (202) 512-8777 or gambler@gao.gov or Michele Mackin at (202)-512-4841 or mackinm@gao.gov. In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this statement include Larry Crosland, Jennifer Kamara, James Kernen, Emily Kuhn, Elizabeth Luke, Valerie Freeman, David Lysy, Taylor Matheson, Shannin O'Neill, Lindsay Taylor, Nathan Tranquilli, Katherine Trimble, and Shaunyce Wallace. Key contributors for the previous work that this testimony is based on are listed in each product.

Related GAO Products

Homeland Security: Weak Oversight of Human Resources Information Technology Investment Needs Considerable Improvement. GAO-16-407T. Washington, D.C.: February 25, 2016.

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**Post-Hearing Questions for the Record
Submitted to the Honorable Russell Deyo and the Honorable Charles Fulghum
From Senator John McCain**

“DHS Management and Acquisition Reform”

March 16, 2016

Question#:	1
Topic:	DHS acquisitions
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

Question: As you know, this committee is currently working on a DHS acquisitions reform bill. I believe acquisitions reform is needed at DHS and support efforts by this committee to better protect the American taxpayer by addressing this important issue. I am concerned, however, that this bill merely codifies current DHS acquisition policies that have been in place since 2008 and does not go far enough to prevent costly schedule delays of major acquisition programs.

Under current DHS acquisition policies, DHS continues to experience billions in cost overruns and delays. For example, an April 22, 2015 GAO report (GAO-15-17SP) found that only “two of the 22 Department of Homeland Security (DHS) programs it reviewed were on track to meet the initial schedule and cost parameters established after DHS’s current acquisition policy went into effect in November 2008. Fourteen programs had experienced schedule slips, or schedule slips and cost growth, including five programs GAO reviewed because they were at-risk of poor outcomes and nine others. These programs’ cost estimates increased by \$9.7 billion, or 18 percent. GAO was unable to assess six programs because DHS leadership had not yet approved baselines establishing their schedules and cost estimates even though these baselines are required by DHS policy.”

How much does DHS estimate it will ultimately spend on their current major acquisition programs?

Response: Approximately \$18 billion is spent annually through the acquisition process. This includes funding for programs in both acquisition and sustainment.

DHS estimates that between FY 2012 and FY 2017, it will spend an average of \$2.1 billion annually of Procurement, Construction, and Improvement (PC&I) funding for all DHS Level 1 and 2 major acquisition programs. PC&I funding covers the Department’s efforts for planning, engineering and purchase of assets prior to sustainment.

Question#:	1
Topic:	DHS acquisitions
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

In addition, Secretary Johnson's Unity of Effort initiative, launched in April 2014, is creating more centralized acquisition processes. For example, the Department has transformed its approach to acquisition by establishing a DHS-wide Joint Requirements Council (JRC) to evaluate, from the viewpoint of DHS as a whole, a component's needs on the front end of an acquisition. The JRC builds out solid requirements much earlier in the investment life cycle, where requirements are first conceived and developed. A more mature JRC will evaluate issues that cut across multiple components and makes recommendations that focus on maximizing the efficiency of investments and enhancing mission capabilities. The JRC projects full operating capability by the end of FY 2016. Having Congress codify the JRC would cement this process.

Also under Unity of Effort, DHS launched the "Acquisition Innovations in Motion" (AI/M) initiative, which creates learning opportunities for DHS by listening to those who participate in the acquisition process, both internally and externally. Under AI/M, the Department consults with the contractor community about ways to improve the quality and timeliness of the Department's contracting process, and the emerging skills required for DHS acquisition professionals. AI/M is improving private sector engagement and putting faster contracting processes in place. The synergies created by these combined efforts will further develop acquisition efficiencies.

Question: Given the billions in cost overruns and schedule slips identified by GAO, please explain how codifying current DHS acquisition policies that have been in place since 2008 will remedy how DHS procures goods, services, and major acquisition programs efficiently and minimize cost overruns?

Response: Many of the acquisition challenges that have confronted DHS occurred either prior to or as the Department built and matured a robust acquisition policy, process, and monitoring capability and expertise. Having Congress codify existing acquisition processes would cement a process to endure for years to come. The draft legislation provides increased transparency and accountability, both of which can reasonably be expected to result in better utilization of the resources entrusted to the Department. DHS supports the Committee's intent to ensure the position of Chief Acquisition Officer (CAO) remains at the level of the Under Secretary for Management. As CAO, the Under Secretary for Management plays a direct role in the Department's management, administration, and oversight of approximately \$18 billion annually spent through the acquisition process. The creation of a Departmental acquisition executive structure and staff to spearhead the management of the Department's acquisition efforts was an important first step to address its challenges. The Office of Program Accountability and Risk Management (PARM) serves as the central oversight body from which DHS directs

Question#:	1
Topic:	DHS acquisitions
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

improvement of management, administration, and oversight of the Department's acquisition programs. The draft legislation clarifies various roles such as the PARM Executive Director, the Chief Information Officer (CIO) and Chief Financial Officer (CFO), as well as the reporting relationship from the Component Acquisition Executives (CAEs) to the CAO. These proposed legislative provisions capture the progress DHS has made and further strengthens oversight throughout the entire Department for the future.

Through PARM, in close collaboration and coordination with other MGMT Offices, significant progress has been made to improve oversight of DHS's acquisition programs. These include a comprehensive update to MD-102, which serves as the principal acquisition policy directive; the assessment and remediation of skill gaps in the acquisition program management workforce; the afore-mentioned CAE structure, for which DHS requires a qualified and experienced acquisition professional to oversee the organization's acquisition policies and efforts; the completion of all required documentation for major programs; and the expanded oversight authority of the Acquisition Review Board, which now focuses on major issues beyond program performance and effectiveness.

Question: Do you agree that DHS, instead of procuring major systems that potentially have substantial development and integration risks associated with them, should focus primarily on using commercial off-the-shelf (COTS) items which shortens development time and minimizes costly and duplicative research by the government? If yes, what have policies are in place to promote COTS in the acquisitions process?

Response: DHS expects Components and programs to obtain products and services that satisfy agency requirements using the most economical means possible. DHS buys assets, supplies and services that range from simple commodity procurements to complex development acquisitions. DHS Acquisition policy, consistent with longstanding federal procurement statutes and principles, creates a general preference for the use of commercial items to acquire capabilities (after considering reuse of existing capabilities). This includes the use of Commercial Off-the-Shelf (COTS) items, which offer benefits such as for reduced development time, faster insertion of new technology, and lower life-cycle costs. This is generally the preferred method to acquire capabilities (along with reuse of existing capabilities), if the COTS solutions closely meet the mission and business requirements

Maximum use of commercially mature technology provides the greatest opportunity to meet program cost, schedule, and performance requirements and is consistent with a tailored acquisition strategy. However, regardless of the extent to which a system is made up of commercial items, the program manager still engineers, develops, integrates, tests,

Question#:	1
Topic:	DHS acquisitions
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

evaluates, delivers, sustains, and manages the overall system by tailoring the activities and artifacts in the Systems Engineering Life Cycle (SELC). The program manager needs to pay particular attention to the intended product use environment, particularly operational and business processes and practices, and understand the extent to which this environment differs from (or is similar to) the commercial use environment. Early identification of requirements, market research, demonstration of available COTS products in the intended environment and gap analysis are essential, and can be performed early in the Acquisition process.

COTS products are typically designed to be used “as is” to meet general business needs, not a specific organization’s needs or requirements, which may work well for many back office functions (e.g., Asset Management) or commodity technology components (e.g., Databases). However, in many cases, especially for more complex systems requirements, an off-the-shelf product may not satisfactorily meet the agency’s mission needs. If a program purchases a “modified COTS product,” which, by definition, is not a COTS product, or modifies a COTS product on its own to meet unique mission facing needs, the program must take into account that it may lose or limit the ability to use the vendor’s subsequent product upgrades or to find a suitable replacement for the product from other commercial sources.

Generally, materially modifying COTS products is high risk and is discouraged. Alternatively, if a mission program tries to modify mission-specific business processes to match a given COTS feature set, the users and/or mission effectiveness often suffer. For this reason, COTS solutions are recommended only when they closely align with business requirements.

To maximize the effective use of commercial items, including COTS, the Department carefully considers modular approaches to systems development, reducing business processes to the smallest practicable modular unit, that allow full consideration of COTS and other commercial item solutions to the maximum extent practicable with minimal loss of mission effectiveness. If COTS or other commercial solutions are not suitable, the agency leverages modern Open Source frameworks and components to custom build capabilities in a user-centric fashion (as per the OMB USDS Playbook) which is the recommended approach to mitigate risk, reduce cost, and improve mission outcomes.

When acquiring COTS products or other commercial items, the program manager still implements systems engineering processes in the SELC. Also, COTS is required to conform to standards and policy mandates, for example, for accessibility and security. In this context, integration encompasses the amalgamation of multiple COTS components into one deployable system or the assimilation of a single COTS product (such as an

Question#:	1
Topic:	DHS acquisitions
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

enterprise resource planning system). In either case, the program manager is required to ensure that the system co-evolves with essential changes, reengineered business processes and apply commercial item best practices in the following areas: a) Adapting to commercial business practices while meeting mission essential requirements; b) COTS evaluation and gap analysis between the COTS capabilities and DHS requirements; c) Lifecycle planning (including sustainment, obsolescence and disposal); d) Relationship with vendors; e) The use of open standards as opposed to the use of proprietary implementations; f) Test and evaluation of COTS items which may be limited to external interfaces and integration, and operational test, due to lack of availability of COTS product internal design information; and g) Protection of intellectual property rights.

Question#:	2
Topic:	baseline
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

Question: The GAO report also found that six of the major acquisition programs lacked a baseline even though DHS acquisitions policy requires it. In addition, in September 2012, GAO found “that 43 of 63 of major acquisition programs lacked a department-approved baseline.”

What are the reasons to allow a major acquisition program to move forward without a baseline, violating DHS policy, and putting the American taxpayer at risk?

Response: The Department has made significant progress since the period of time covered in GAO’s report. The report did not mention the increased level of Headquarters oversight in the past two years. Since October 2014, we have held 30 Acquisition Review Boards (ARB) and all required Acquisition documentation was in place to support the Acquisition Decision Events. Substantive decisions were made at the ARBs that significantly influenced the performance of several programs.

As the Government Accountability Office (GAO) recently testified, the Department of Homeland Security has made significant progress in overseeing the Department’s acquisition portfolio. The GAO attributed that progress to the Departmental leadership’s commitment to improve all aspects of acquisition through the Secretary’s Unity of Effort Initiative. One of these major improvements has been the completion of acquisition documentation by the Department’s programs. In 2015, the then Acting Deputy Under Secretary for Management, Chip Fulghum, directed the Office of Program Accountability and Risk Management (PARM), the Component Acquisition Executives (CAE), and Department’s program managers to have complete sets of acquisition documentation for the current phase of the program. The programs complied with this direction, and as of December 31, 2015, all active major acquisition programs had the complete set of acquisition documentation.

Question: Has DHS approved baselines for the six programs identified? If not, please explain.

Response: Yes, DHS has approved baselines for all the programs, except the Acquisition Program Baseline (APB) Program for USCG Medium Range Surveillance aircraft which is currently being developed to support an upcoming Acquisition Decision Event.

Question#:	3
Topic:	major acquisitions portfolio
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

Question: GAO has stated that “DHS’s major acquisitions portfolio is not affordable” and recommended that DHS establish priorities to address funding gaps.

Do you agree with this recommendation?

Response: Yes, we concur with the recommendation that DHS establish priorities to address funding gaps, and we do prioritize funding across programs during our annual Program and Budget Review process.

Question: Should the DHS acquisition bill address this concern raised by GAO?

Response: We don’t believe language is necessary. As noted in the following response, the Department has taken several steps to bolster program affordability oversight.

Question: Has DHS implemented this recommendation? If yes, please explain how.

If not, please explain why.

Response: The Department has bolstered program affordability oversight between Acquisition Decision Event (ADE) 2—decision to enter the obtain phase, and ADE-3—decision to enter the produce/deploy/support phase. The DHS Chief Financial Officer’s February 5, 2016, and June 13, 2014, policy memorandums (and forthcoming DHS Planning, Programming, Budgeting, and Execution Instruction 101-01-001) require Component Senior Financial Officers (SFO) to certify via memorandum—prior to major investment milestone decisions—that sufficient resources are available throughout the five-year Future Year Homeland Security Program. Instruction 101-01-001, currently pending final review and publication, will also require the SFOs’ memorandum to identify the monetary value of any proposed tradeoffs to keep the program affordable. Further, if program resources are adjusted after the issuance of the SFO memorandum, the Instruction requires Components to maintain affordability through tradeoffs, etc., and document changes during the Department’s annual Program and Budget Review.

Question#:	4
Topic:	cost-type contracts
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

Question: Does DHS support the use of cost-type contracts when developing, producing, and deploying Major Acquisition Programs? If yes, please explain.

Response: DHS supports the use of cost-type contracts when appropriate, including when developing, producing, and deploying Major Acquisition Programs. Use of cost-type contracts in DHS has been in a downward trend over the last five years. DHS FY 2015 obligations on cost-type contracts represents only 11.4% of its total obligations compared to 33% government-wide. Today, the preponderance of DHS's cost-type contracts are for R&D services, as you would expect given the unknowns and cost risk associated with science and technology research.

When used appropriately, a cost-type contract allows the government to avoid the costly contingencies that contractors would pass on to taxpayers if forced to offer their services on a fixed-price basis. Any blanket restrictions tied to a specific phase or type of acquisition program could have unintended consequences. These consequences include the potential for selecting inappropriate contract types, thereby exposing taxpayers to unnecessary risk premiums that contractors simply add to their prices.

DHS should not be precluded from being able to use cost-type contracts when it is in the government's interest to appropriately use such contracting tools or when it would save money.

Question#:	5
Topic:	cost overruns
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

Question: What policies has DHS developed and implemented to protect the American taxpayer from cost overruns when using cost-type contracts for Major Acquisition Programs?

Response: MD-102, its implementing instructions and the ARB process govern decision making within DHS for acquisition program management. When the planners and requirements owners identify uncertainties, the technical risk, management risk, and therefore associated cost risk would result in contractors pricing maximum contingencies if a fixed price contract is selected by the government. In these instances, cost type contracts may be employed with a range of contract terms and management oversight methodologies to mitigate risks and control costs. For example, Earned Value Management System (EVMS) may be applied to integrate the statement of work, schedule, and cost to create an aggregate picture of performance, which helps ensure that day-to-day decisions on performance for development efforts are consistent with program objectives. EVM can help to identify cost and/or schedule overruns and to provide a forecast of final cost and schedule outcomes. Additionally, DHS contracts incorporate the Federal Acquisition Regulation (FAR) cost principles which permit contractors to be reimbursed only for allowable and reasonable costs under cost type contracts.

Question#:	6
Topic:	cost-type acquisition contracts
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable John McCain
Committee:	HOMELAND SECURITY (SENATE)

Question: How many DHS Major Acquisition Programs (both Tier 1&2) are currently under cost-type acquisition contracts? How many of them have experienced cost overruns?

Response: The Department currently has 15 major acquisition programs that have a cost type contracts. Of those programs, 2 are currently experiencing program cost overruns/cost breaches (TSA Technology Infrastructure Modernization Program and CBP Automated Commercial Environment). Program cost overruns are impacted by many factors, including the uncertainties when cost estimates are initially created that later in performance become clear. Cost contracts, used when the risk is high due to such uncertainties, provide the government greater transparency into contractor costs which are then audited to ensure the government is paying a fair price.

**Post-Hearing Questions for the Record
Submitted to the Honorable Russell Deyo
From Senator Kelly Ayotte**

“DHS Management and Acquisition Reform”

March 16, 2016

Question#:	7
Topic:	innovative small businesses
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Kelly Ayotte
Committee:	HOMELAND SECURITY (SENATE)

Question: As you know, the Management Directorate aims to mobilize the most effective strategies to support DHS’ mission to “ensure a homeland that is safe, secure, and resilient against terrorism and other hazards.” To that end, New Hampshire businesses are developing incredible technology and often just want to get it in front of decision-makers at DHS (in addition to other agencies). This process is often overwhelming.

Small businesses are often the engines for creating innovative technologies that can help with the department’s mission. For example, one company – from Hanover, New Hampshire – is developing a sensor by using molecularly imprinted polymers to provide real-time monitoring for bioterror agents. Another company – based in Nashua, New Hampshire – has developed and commercialized a technology to send hyper-local emergency messages to any smart phone across the globe.

How do you think the department can improve acquisition and procurement practices to be more responsive to innovative small businesses?

Do you think that management can be improved to be more responsive?

Response: Since our inception, DHS has made a commitment to support the federal public policy objective of small business inclusion in our acquisition program, including efforts to be responsive to the small business community.

As a result of this commitment, DHS was honored to again receive high marks for FY 2015 from the Small Business Administration (SBA) for the significant accomplishments made in our small business contracting program. Since SBA started the letter grade Scorecard format in FY 2009, DHS has received a grade of “A” or “A+” seven years in a row, the largest federal agency to have such a track record. This recognition is a reflection of the department’s strong commitment to providing opportunities for all types

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Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Kelly Ayotte
Committee:	HOMELAND SECURITY (SENATE)

of small businesses to compete and win contracts in support of our vital mission to keep our nation safe. In FY 2015, about 14,000 companies representing all 50 states, Washington DC, and five territories had DHS prime contracts. Of the 14,000, approximately 9,500 are small businesses; remarkably, of those 9,500, about 2,300 small businesses secured their first DHS prime contract. It is with profound appreciation for the work of our small business partners and the men and women of this Department that we renew our commitment to continue working closely with the SBA to further develop our leading edge small business program at DHS.

The DHS Office of Small and Disadvantaged Business Utilization (OSDBU) serves as the focal point for small business contracting matters, and works closely with all DHS contracting organizations to implement the program.

Major activities include the following:

- Providing and managing content for the portion of the DHS website for small business interested in contracting with DHS located at www.dhs.gov/small-business-assistance including points of contact, FAQs, marketing tips, information on outreach events for personal interactions, and small business prime and subcontracting opportunities.
- Small Business Specialists in each buying activity;
- Annual forecast of contract opportunities;
- Outreach activities [including monthly vendor outreach sessions (VOS) featuring pre-arranged 15 minute appointments]; for example, in FY 2015, DHS hosted or participated in 50 small business outreach events;
- Listing of large business prime contractors with subcontracting opportunities;
- Mentor-protégé program(a program for large business mentors and small business protégés);Annual small business awards ceremony recognizing outstanding DHS small business contractors and DHS employees who supported the small business program in exceptional ways;
- Small Business Review Form for all procurements expected to exceed \$150,000;
- Establishing DHS-wide and Component small business goals by working with SBA
- Annual three day internal small business training session;
- Establishing multiple award contracts with built-in set aside authority (Section 1331 of the Small Business Jobs Act); and
- Identifying the number of small businesses each fiscal year that receive their first DHS prime contract.

Question#:	7
Topic:	innovative small businesses
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Kelly Ayotte
Committee:	HOMELAND SECURITY (SENATE)

Also, the DHS OSDBU serves on two government-wide councils, helps DHS support all of the federal small business contracting programs including the 8(a), HUBZone, Service Disabled Veteran, Women-Owned, and General Small Business Set-aside Programs, and works closely with the Office of DHS Chief Procurement Officer to develop various small business participation strategies and processes.

Interested small businesses are encouraged to visit the DHS website at www.dhs.gov/openforbusiness where detailed points of contact information is available.

Question#:	8
Topic:	outreach to small businesses
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Kelly Ayotte
Committee:	HOMELAND SECURITY (SENATE)

Question: I often hear that the process is overwhelming and burdensome-particularly for those businesses that don't have the resources or personnel to focus on this, yet have great products that can further the department's mission and help protect our homeland.

Does the department have any initiatives that focus on outreach to small businesses?

Where can I instruct companies who contact me about a product they believe will benefit our nation's homeland security objectives and mission to go for guidance and information about doing business with DHS?

Response: DHS has a robust small business contracting outreach program. For example, in FY 2015, DHS hosted or participated in 50 small business outreach events in a wide variety of formats and locations. Illustrations include: a DHS hosted monthly small business outreach event featuring pre-arranged 15 minute appointments with DHS small business personnel and DHS large business prime contractors; Congressional small business events; and events with organizations representing small businesses owned by minorities, women, veterans, and located in economically distressed areas.

In addition to vigorously supporting all of the small business contracting programs outlined in the Federal Acquisition Regulation, DHS has research and development opportunities for small businesses under the Small Business Innovation Research (SBIR) program and a new program for non-traditional firms called the Silicon Valley Office (SVO). The SVO will cultivate a pipeline for non-traditional partners, companies who have typically never done business with the government, to develop solutions for our toughest homeland security challenges.

The best way for companies that believe they have a product that will benefit our homeland security efforts is for them to contact one of our Industry Liaison representatives at the following website: <https://www.dhs.gov/department-homeland-security-industry-liaisons>

This group of DHS employees fosters communication with industry, including answering questions and providing guidance.

**Post-Hearing Questions for the Record
Submitted to the Honorable Russell Deyo
From Senator Ron Johnson**

“DHS Management and Acquisition Reform”

March 16, 2016

Question#:	9
Topic:	GAO's High Risk List
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Ron Johnson
Committee:	HOMELAND SECURITY (SENATE)

Question: Officials from the U.S. Government Accountability Office (GAO) testified that the Department of Homeland Security (DHS or Department) has established a plan to remove Strengthening DHS Management Functions from GAO's High Risk List. The plan includes 30 actions and outcomes critical to strengthening the Department's management functions, and GAO officials stated that DHS has fully addressed 10 of the 30 actions and outcomes.

Which of the remaining 20 actions and outcomes does DHS plan to fully address by the end of fiscal year 2017?

Response: DHS has set an aggressive goal of meeting the requirements of GAO's 30 outcomes by the end of CY 2017. Even after meeting GAO's outcomes, GAO may require DHS to demonstrate sustainment over a course of up to two years before rating outcomes as “fully addressed.”

Currently, of the twenty remaining GAO outcomes, DHS believes that it has “fully addressed” two outcomes; “mostly addressed” and is close to meeting six outcomes; and has “partially addressed” or “initiated” progress on the remaining twelve outcomes. As GAO looks toward publication of its next high risk series report, anticipated in February 2017, DHS will continue to provide information regarding the Department's progress.

Question#:	10
Topic:	Integrated Product Teams (IPTs)
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Ron Johnson
Committee:	HOMELAND SECURITY (SENATE)

Question: A key initiative of the Secretary was to establish Integrated Product Teams (IPTs) to aid research and development in the Science and Technology Directorate, and to increase coordination and collaboration among DHS components.

What processes are in place to assess the efficacy of the IPTs?

Response: To ensure the effectiveness of the IPTs going forward, the Science and Technology Directorate (S&T) built mechanisms for ongoing evaluation into the IPT process. S&T representatives and the individual IPTs will document lessons learned throughout the process. In addition, an independent after-action review (AAR) will follow each annual cycle, to identify lessons learned and recommend improvements for future years. The AAR will present an objective assessment of the process and validate linkages to the priorities of DHS components, to demonstrate credibility with internal and external stakeholders.

The AAR will provide recommendations for ensuring a sustainable, defensible IPT process by:

- Evaluating the priority ranking methodology and any metrics used to assess component needs, for validity and transparency;
- Evaluating the results of each IPT cycle, to assess whether it produced a reasonable set of high-priority gaps and corresponding R&D efforts (investments); and
- Identifying lessons learned and recommending corrective actions and process improvements that can be implemented in future IPT cycles.

Question: What lessons have been learned from the IPTs to improve coordination and collaboration on research and development issues among the components?

Response: Key lessons learned from the IPTs involve acknowledging and reconciling existing differences among the IPTs and the components. For example, in anticipation of the next cycle of the IPTs, S&T is working across the IPTs to develop a standardized approach and criteria for prioritizing gaps and corresponding R&D.

A similar lesson learned involved differences in terminology. The IPTs described their gaps and corresponding R&D efforts in several different ways (technologies, capabilities, programs, solutions), making it difficult to draw comparisons when attempting to perform priority ranking. For future cycles, S&T will work with the components to

Question#:	10
Topic:	Integrated Product Teams (IPTs)
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Ron Johnson
Committee:	HOMELAND SECURITY (SENATE)

develop a common lexicon for the IPT process that is agreed to, accepted, and applied by all participants.

Question#:	11
Topic:	cost and schedule estimate
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Ron Johnson
Committee:	HOMELAND SECURITY (SENATE)

Question: A reliable cost and schedule estimate is a fundamental aspect of any major acquisition program. Yet, as you know, a recent GAO review of several DHS major acquisition programs (GAO-15-171SP) found that out of 22 programs reviewed, only 16 had cost estimates, and of those, almost half had substantial cost growth.

What steps is DHS taking to assess and improve its cost and schedule estimating capabilities?

Response: The Department has taken a very active role in overseeing our major acquisition programs to build DHS cost estimating capabilities. As part of Secretary Johnson's Unity of Effort Initiative, the Cost Analysis Division (CAD) was realigned to the Office of the Chief Financial Officer (OCFO) in June 2014. As a result, there is a renewed emphasis in not only supporting the Acquisition Process but also to provide a closer link of cost estimates to the annual Program and Budget Review process. As of January 14, 2016, the Department has successfully closed the Acquisition Documentation gap. All major acquisition programs between Acquisition Decision Event (ADE) 2A and 3 have CFO-approved Life Cycle Cost Estimates (LCCEs).

The DHS CAD is continuing to develop Independent Cost Estimates and Assessments on a focused approach, and review and approve LCCEs on all major acquisition programs for every ADE 2A, 2B, 2C, and 3. CAD is leading cross component initiatives that are aimed at enhancing the DHS cost estimating capability. This includes establishing and promoting best practices, building better analytical tools and access to data, and efforts to standardize training and certification of DHS Cost Analysts. In addition, DHS components will continue to certify resource availability in line with their approved LCCEs for acquisition programs in advance of ADEs, and the annual Program and Budget Review process will continue to examine the affordability of major acquisition programs. DHS is committed to ensuring DHS has credible, accurate, reliable, and comprehensive cost estimates that lead to improved acquisition oversight and resourcing decisions.

Program Accountability and Risk Management (PARM) personnel assigned to DHS components work closely with Component Acquisition Executives (CAEs), their staffs, and with program managers to review acquisition planning. Schedule development is one of the items that is subject to review and discussion. During these discussions, PARM expects program managers to provide details related to length and complexity of the schedule for each acquisition milestone, as well as all the factors that might influence successful passage of that particular gate. Reviews are targeted to ensure schedules are realistic and achievable, based on the complexity of the work. Additionally, a quarterly

Question#:	11
Topic:	cost and schedule estimate
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Ron Johnson
Committee:	HOMELAND SECURITY (SENATE)

Acquisition Program Health Assessment (APHA) is conducted to assess the current status of each program on the Master Acquisition Oversight List (MAOL), this includes a review of the schedule health for each program.

Other steps DHS uses to improve schedule estimating occur during oversight of an acquisition program. Executive Steering Committees within the Components conduct frequent program reviews, to include the planned program schedule. During the reviews, the validity of the planned schedule is considered and guidance given to the program manager where adjustments are required. Prior to the program successfully moving through a major acquisition milestone, Acquisition Review Teams, at the DHS Directorate level, examine the program, including its schedule, looking for issues that might prevent successful execution. These issues are resolved prior to the Acquisition Review Board, the review that approves the program for advancement to the next phase of the acquisition cycle.

Finally, once a month, the Deputy Under Secretary for Management convenes a board of his direct functional area senior leads who present updates of programs that are experiencing acquisition issues. This high level focus allows for immediate expert attention on programs and helps to keep programs on schedule.

Question#:	12
Topic:	appropriate internal oversight
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Ron Johnson
Committee:	HOMELAND SECURITY (SENATE)

Question: The DHS Office of Inspector General (OIG) recently reported that the Department's major acquisition programs often take longer, cost more, and deliver less than DHS initially planned. According to the OIG, one reason is that DHS "routinely approves moving forward with major acquisition programs without appropriate internal oversight."

What actions is DHS taking to enhance its oversight of major acquisition programs?

Response: The Chief Acquisition Officer (CAO) currently has the administrative authorities necessary to ensure that acquisition executives and program offices follow Departmental policies. The Department has policies and procedures that limit cost overruns and schedule delays. First and foremost, the Department established Acquisition Management Directive (MD) 102-01, and most recently revised the directive in July 2015. MD 102-01 establishes the Acquisition Lifecycle Framework (ALF) and the Systems Engineering Life cycle by which the Department governs and oversees its acquisition programs. Further, it establishes the Acquisition Review Board, as well as the roles and responsibilities of its chair (the Chief Acquisition Officer O/Under Secretary for Management), its members (Under Secretary for Science and Technology, General Council, Assistant Secretary for Policy, Chair of the Joint Requirements Council (JRC), the Executive Director of the Office of Program Accountability and Risk Management, and Management Line of Business Chiefs), and other acquisition stakeholders (including Component Acquisition Executives (CAE) and Program Managers).

The ARB reviews each program's planning and acquisition documentation in accordance with MD 102-01, at predefined milestones called Acquisition Decision Events (ADE). At each ADE, the CAO, supported by the ARB, determines the program's readiness to progress to the next phase of the acquisition lifecycle.

Each major program must have an Acquisition Decision Authority approved Acquisition Program Baseline (APB), informed by: 1) a Chief Financial Officer approved lifecycle cost estimate, 2) joint Requirements Council (JRC) validated operational requirements, and 3) the program's schedule. The APB establishes the cost, schedule and performance threshold values of the program, which are monitored by the program, Component, and Headquarters through program Full Operating Capability delivery. The APB also contains a Program integrated master schedule which is assessed for adequacy and realism during the ADE review and approval process. If a key schedule date is missed, this can trigger an inquiry into program status and if issues are identified, corrective

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action can be taken earlier minimizing the extent of schedule delays and cost overruns. Additionally, at each ADE, starting at ADE-2A, a memorandum certifying sufficiency of funding by the Component's Senior Financial Officer is required. This certified assertion ensures the program is adequately funded as it moves through the acquisition process. S&T also conducts a Technical Assessment of each major acquisition program prior to ADE-2A to inform the ARB of technical risks, ensure that adequate mitigation plans are put in place, and allow for appropriate monitoring of these technical risks by the ARB as the acquisition program progresses.

Inside the Component-level are CAO-designated CAEs who support the overseeing major acquisition programs. Each CAE is responsible for Component-level acquisition policy and serves as the Acquisition Decision Authority for Component-level/non-major acquisitions. In September 2014, the Department further defined and clarified the roles and responsibilities of the CAEs in the memo, *Unity of Effort Acquisition Review – Component Acquisition Executive Policy*.

In certain cases, the CAO has established Executive Steering Committees (ESC), made up of Component and Headquarters executives, to provide additional support to programs between the ADEs. These ESCs do not hold ADEs, rather provide guidance and support throughout the life of the acquisition program; especially when programs begin to deviate from the defined cost, schedule and performance parameters. ESC actions minimize cost overruns and schedule delays.

In addition to the acquisition policies and procedures, as part of the Secretary's Unity of Effort initiative, the Department established a JRC. The JRC provides oversight of the DHS requirements generation process, harmonizes efforts across the Department and supports prioritized funding recommendations. Requirements definition is an extremely important first step in limiting cost overruns and schedule delays. The establishment of the JRC and improvements in the requirements process is expected to further aid in limiting cost overruns and schedule delays. The Department expects to finalize and approve JRC policy in 2016.

Through acquisition policies, oversight bodies and review procedures DHS aggressively works to limit cost overruns and schedule delays.

Question#:	13
Topic:	life-cycle cost estimates
Hearing:	DHS Management and Acquisition Reform
Primary:	The Honorable Ron Johnson
Committee:	HOMELAND SECURITY (SENATE)

Question: GAO recently reported that 42 programs currently in sustainment have no life-cycle cost estimates because acquisition documentation requirements were waived by the DHS Under Secretary for Management. DHS agreed to “produce operations and maintenance cost estimates for programs in sustainment and establish responsibility for tracking” such programs’ adherence to these estimates.

What is the Department's progress in meeting these goals?

Response: In March of 2015, the Department assessed the list of programs with documentation waivers to determine whether each warranted a cost estimate based on OMB Circular A-11’s definition of a capital asset. The Department determined that 40 capital assets in sustainment should update cost estimates. On April 20, 2015, the Under Secretary for Management issued an Acquisition Decision Memorandum (ADM) to address the overseeing and tracking cost of Acquisition programs in sustainment. Recently the Department verified that 39 out of those 40 programs have updated the DHS Investment Evaluation, Submission, and Tracking System (INVEST) as requested in the ADM action to provide cost information for tracking costs and to estimate the final year of program sustainment. For the remaining outstanding program, the USCG Coastal Patrol Boat, the Coast Guard and DHS have been evaluating strategies to meet the intent of the ADM. Currently within the Future Years Homeland Security Program (FYHSP), the Coast Guard allocates operations and sustainment to DHS missions and not to specific acquisition programs. This is done to maintain consistency in data reporting and to ensure that the level of effort Coast Guard applies towards DHS missions is appropriately captured.

**Post-Hearing Questions for the Record
Submitted to the Honorable John Roth
From Senator John McCain**

“DHS Management and Acquisition Reform”

March 16, 2016

1. Inspector General Roth, in your written testimony, you state that “[m]ost of DHS’ major acquisition programs continue to cost more than expected, take longer to deploy than planned, or deliver less capability than promised. Although its acquisition policy includes best practices, DHS sometimes approves moving forward with major acquisition programs without appropriate internal oversight.
 - Are there additional authorities, flexibilities, or reforms that are not currently in the draft of the DHS acquisitions reform bill that should be included to address your concern that DHS major acquisition programs continue to cost more, take longer to deploy, and deliver less capabilities?

Answer:

I believe the passage of two bills under consideration by the Committee, the *DHS Headquarters Reform and Improvement Act of 2016* and the *DHS Acquisition Reform and Accountability Act of 2016*, will help address my concern that DHS’ major acquisition programs continue to cost more, take longer to deploy, and deliver less capabilities. These bills codify existing policy and relevant offices; provide the necessary authority for key personnel and mechanisms within the Department to effectively manage major acquisition programs; reinforce the importance of key acquisition management practices, such as establishing cost, schedule, and capability parameters; and include requirements to better identify and address poorly performing acquisition programs.

2. Both the House passed and Senate draft bills include Nunn-McCurdy like language when there is a significant cost breach in a DHS major acquisitions program. The House bill however takes the language a step further and would prohibit the obligation of funds for the program if the under Secretary of Management after a certain period of time fails to certify that the program is back on track.
 - Do you agree that this type of language is needed to prevent DHS from mismanaging major acquisition programs costing the American taxpayer billions of dollars?

Answer:

Both the House passed and Senate draft bills codify breach, component remediation requirements including remediation plan and root cause analysis, and breach correction. I believe this language will help DHS better manage major acquisition programs. A critical aspect of the legislation is the codification of the authority of the Under Secretary for Management to approve, halt, modify, or cancel acquisition programs, including the ability to prohibit a major acquisition program in breach from obligating funds under certain circumstances. The House passed bill (HR3572) prohibits the Under Secretary for Management (USM) from obligating funds for a major acquisition program if USM has not submitted remediation certification within 90 days following breach. I believe this provision could further ensure that DHS properly addresses significant cost breaches.

3. In your testimony, you highlight your October 2015 report that showed that the Federal Protective Service (FPS) has too many vehicles and pays too much for them, wasting \$2.5 million in taxpayer dollars. Has DHS addressed this problem? If not, what should be done to require DHS to better manage their vehicle fleet?

Answer:

DHS is taking steps to better manage its vehicle fleet. For example:

- The DHS Office of the Chief Readiness Support Officer (OCRSO) is chartering a working group to strengthen the DHS "Motor Vehicle Fleet Program Manual" with the overall goal of providing the Fleet Manager with appropriate oversight and enforcement authority.
- OCRSO is working with components to strengthen the Home to Work (HtW) Transportation Manual. Revisions include guidance for periodic reauthorization of all approved HtW transportation authorizations and an annual review of component HtW transportation programs.
- OCRSO has completed the integration of DHS fleet data into the Consolidated Asset Portfolio and Sustainability Information System (CAPSIS). CAPSIS is designed to consolidate departmental real and personal property and sustainability management information. The system provides a single portfolio management system that includes performance management modules; it also integrates operational information from fleet card systems and GSA reports.
- OCRSO required each component to review their HtW programs and submit requests for their HtW utilization for approval by the Secretary. Additionally, OCRSO required each component head to certify compliance with HtW transportation regulations and DHS policy.

We have conducted a large body of work on DHS fleet management and made specific recommendations that we believe will remedy the problems encountered. We will be monitoring DHS/FPS response to our recommendation through our audit resolution process, and will report to the Department and the Congress if we think there is insufficient progress made in resolving these issues.



U.S. GOVERNMENT ACCOUNTABILITY OFFICE

441 G St. N.W.
Washington, DC 20548

April 29, 2016

The Honorable Ron Johnson
Chairman
Committee on Homeland Security and Governmental Affairs
United States Senate

Subject: *Responses to Questions for the Record*; Committee on Homeland Security and Governmental Affairs, March 16, 2016, Hearing on "*DHS Management and Acquisition Reform*."

Dear Mr. Chairman:

This letter responds to your April 1, 2016, request that we address questions submitted for the record related to the March 16, 2016, hearing entitled *DHS Management and Acquisition Reform*. Our answers to these questions are enclosed and are based on our previous work and our knowledge of the areas addressed. If you have any questions or would like to discuss our responses, please contact Michele Mackin at mackinm@gao.gov or call (202) 512-4841.

Sincerely,

{signed}

Michele Mackin,
Director
Acquisition and Sourcing Management

Enclosure

Post-Hearing Questions for the Record
Submitted to Rebecca Gambler and Michele Mackin
From Senator John McCain

“DHS Management and Acquisition Reform”

March 16, 2016

1. **DHS acquisitions management has been on the GAO high-risk list since 2005. You have found their acquisitions policy “to be generally sound, in that it reflects key program management practices.” However, even with these sound policies, DHS procurements are facing billions in cost overruns and significant schedule delays. Are there additional authorities, flexibilities, or reforms that are not currently in the draft of the DHS Acquisitions Reform bill that should be included to further address GAO’s high-risk list concerns and prevent billions in taxpayer dollars from being wasted?**

We have reviewed the draft DHS Acquisition Reform bill, and found that it reflects several of the findings and recommendations we have made over the years and that it would codify a number of acquisition management best practices. Additionally, the bill is consistent with the actions that GAO and the Department have agreed DHS needs to take to fully address our acquisition management high-risk list concerns. There is one minor addition from our work the committee may want to consider for the Future Years Homeland Security Program (FYHSP) section of the bill. Specifically, in April 2014, we recommended the Department present the annual cost estimates and any anticipated funding gaps for individual programs in its FYHSP reports to better communicate funding needs to Congress.¹

2. **Both the House passed and Senate draft bills include Nunn-McCurdy like language when there is a significant cost breach in a DHS major acquisitions program. The House bill however takes the language a step further and would prohibit the obligation of funds for the program if the under Secretary of Management after a certain period of time fails to certify that the program is back on track. Do you agree that this type of language is needed to prevent DHS from mismanaging Major Acquisition programs costing the American taxpayer billions of dollars?**

We have reviewed the House passed and Senate draft bills, as well as current DHS and Department of Defense policies. Among other things, the draft bills establish both internal and congressional breach notification requirements; requirements for submitting remediation plans and root cause analyses; and steps that must be taken to correct breaches. The bills also include enforcement mechanisms to ensure that DHS fulfills

¹GAO, *Homeland Security Acquisitions: DHS Could Better Manage Its Portfolio to Address Funding Gaps and Improve Communications with Congress*, [GAO-14-332](#) (Washington, D.C.: April 17, 2014).

certain requirements, similar to DOD's Nunn-McCurdy restrictions.² For example, if DHS's Under Secretary for Management does not submit certain certifications to Congress within a specified timeframe, the House bill prohibits obligation of funds appropriated to the program. In contrast, if a program identifies substantial cost or schedule variances, the Senate draft bill establishes that DHS's Under Secretary for Management shall suspend the program, or make certifications to Congress, including that (1) the acquisition is essential to the accomplishment of DHS's mission; (2) there are no cost effective and timely alternatives; and (3) the program management structure is adequate to control cost, schedule, and performance. Our past work on trends in Nunn-McCurdy breaches from 1997-2009 showed that DOD had rarely failed to certify a major defense acquisition program that had experienced a critical breach.³ While we can't predict how the bills would affect DHS' management actions, we believe that the congressional reporting requirements in the bills would increase transparency into the status of programs with cost, schedule, and performance issues.

3. GAO has stated that "DHS's major acquisitions portfolio is not affordable" and recommended that DHS establish priorities to address funding gaps. Should this committee require DHS to address this recommendation?

In April 2014, we recommended the Secretary of Homeland Security require a body responsible for requirements reviews establish priorities across functional portfolios, such as cybersecurity, domain awareness, and law enforcement, to help the Department prioritize investments in an integrated manner and allocate resources accordingly.⁴ We subsequently closed this recommendation as implemented based on actions taken by the Department. Specifically, in November 2014, the DHS Deputy Secretary chartered a Joint Requirements Council (JRC). The JRC charter establishes the JRC's scope, mission, membership, and policies and procedures. For example, it specifies that its staff shall consolidate capabilities and requirements priorities across missions to inform council recommendations to the Deputy's Management Action Group. The charter also establishes that these recommendations shall support a balanced portfolio of investments by establishing priorities that combine near-term operational improvements with long-term strategic planning. The draft Senate bill focused on DHS headquarters reform would codify certain aspects of the charter, including these responsibilities. It states that, among other things, the JRC shall make prioritized capability

²10 U.S.C. § 2433(e)(1)(B)(3). If DOD does not submit certain reports and certifications after certain unit cost breaches, "funds appropriated for military construction, for research, development, test, and evaluation, and for procurement may not be obligated for a major contract under the program." In addition, since 2009, if a program experiences a critical unit cost breach, there is a presumption of termination unless DOD submits certain written certifications to Congress within a specified timeframe. 10 U.S.C. § 2433a.

³In March 2011, we found that from 1997-2009 there had been 74 Nunn-McCurdy breaches involving 47 major defense acquisition programs. DOD did not recertify two programs—the Armed Reconnaissance Helicopter and the Navy Area Theater Ballistic Missile Defense—after a breach of the critical cost growth threshold and both were terminated. DOD terminated other programs that experienced breaches, but it was unclear whether the breach precipitated the termination. GAO, *Trends in Nunn-McCurdy Cost Breaches for Major Defense Acquisition Programs*, GAO-11-295R (Washington, D.C.: Mar. 9, 2011).

⁴GAO-14-332.

recommendations to the DHS leadership, and that the Secretary shall ensure that the Department's five-year funding plans in the FYHSP are consistent with the JRC's recommendations. We are continuing to monitor DHS's progress through an ongoing review of the JRC that will help us determine whether the JRC is in fact establishing priorities to address funding gaps.