

**MISMANAGEMENT OF THE BORDER SURVEILLANCE
SYSTEM AND LESSONS FOR THE NEW
AMERICA'S SHIELD INITIATIVE
PART I, II, AND III**

HEARING

BEFORE THE

**SUBCOMMITTEE ON MANAGEMENT,
INTEGRATION, AND OVERSIGHT**

OF THE

**COMMITTEE ON HOMELAND SECURITY
HOUSE OF REPRESENTATIVES**

ONE HUNDRED NINTH CONGRESS

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**MISMANAGEMENT OF THE BORDER
SURVEILLANCE SYSTEM AND LESSONS
FOR THE NEW AMERICA'S SHIELD INITIATIVE
PART I**

Thursday, June 16, 2005

HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON MANAGEMENT,
INTEGRATION AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to call, at 10:06 a.m., in Room 2212, Rayburn House Office Building, Hon. Mike Rogers [chairman of the subcommittee] presiding.

Present: Representatives Rogers, Cox, Shays, Linder, Reichert, McCaul, Dent, Thompson, Meek, Jackson-Lee, and Christensen.

Mr. ROGERS. [Presiding.] This meeting of the Homeland Security Subcommittee on Management, Integration, and Oversight will come to order.

I would first like to welcome our guests and thank you for taking the time out of your busy schedules to be with us today.

We are holding this hearing today to discuss the issue of border patrol surveillance technology.

In 1998, the former Immigration and Naturalization Service launched the Integrated Surveillance Intelligence System, known as ISIS. This system was originally designed to detect illegal aliens and drug traffickers crossing our borders.

A major component of the system is the Remote Video Surveillance program. This network integrates multiple color, thermal and infrared cameras, which are mounted on 50-to 80-foot poles along the borders, into a single remote-controlled system.

Later this year, the Department of Homeland Security plans to roll out a new initiative to expand and upgrade this system. Known as the America's Shield Initiative, this program will expand and replace ISIS to help prevent terrorists from slipping over our borders between the ports of entry. It is expected to cost \$2.5 billion.

In December 2004, the Inspector General of the General Services Administration issued an audit. This report found numerous problems with the Border Patrol's contract for the Remote Video Surveillance program.

For example, the initial \$2 million award was made to the International Microwave Corporation, known as IMC, without documented evidence of a competition. Interestingly, however, one year

later IMC received a \$200 million extension for many of the tasks that had fallen outside the scope of the original contract.

GSA also found problems with the equipment. At the Border Patrol location in Blaine, Washington, for example, auditors found cameras and other pieces of equipment that did not work. Some needed frequent repair.

At three other locations, including Detroit, auditors found surveillance sites where no equipment had even been delivered and no work was underway. At other sites in New York, Arizona and Texas, some equipment had been installed, but was not operational.

GSA also noted these deficiencies: 60-foot poles that were paid for but never installed; sensitive equipment that failed to meet electrical codes; an operations center where contractors and government employees did little or no work for over a year; and, not surprisingly, numerous cost-overruns.

In September 2004, GSA abruptly halted extending the contract, leaving approximately 70 border sites without monitoring equipment. It also forced the contractor to ship truckloads of equipment back to the Border Patrol. Today, that equipment is gathering dust in a warehouse.

What we have here, plain and simple, is a case of gross mismanagement of a multimillion dollar contract. This agreement has violated federal contracting rules. And it has wasted taxpayers' dollars. Worst of all, it has seriously weakened our border security.

Today we will hear from the GSA's Deputy Inspector General about the findings of this audit. We will also hear from the President of L-3 Communications, the company that acquired IMC.

We will also hear from a leading private sector expert on the best practices in government contract management.

And in a future and not too distant hearing, we will hear from representatives of the Department of Homeland Security. And we will be interested in obtaining information and documents on this contract from the department.

We will also look forward to a response to a letter that Congressman Meek and I sent to Secretary Chertoff on May 27, which is still pending a response.

Again, I would like to thank our witnesses for being here today, and I look forward to hearing your testimony. I now yield to my colleague, the Ranking Member, Mr. Meek from Florida, for any comments that he may have.

Mr. MEEK. Thank you, Mr. Chairman. And once again, it is good to be here with you, having this subcommittee meeting. And I am glad to be joined by the full committee chairman and the ranking member.

I would also like to say that I am glad that we are discussing the issues that have been raised by the inspector general of the General Services Administration about the Integrated Surveillance Intelligence System, known as ISIS.

The network of cameras and sensors that are along our borders that we are trying to protect the American people, we know that there are a number of failures. Even though it only covers 4 percent of America's border, it is not strong enough to be able to protect us all.

And even though I am glad to hear that DHS has decided to move forward with using technology to protect our borders, it has failed to explain how and why America's Shield Initiative is more effective or efficient than the Integrated Surveillance Intelligence System. I understand that the ISIS system will be supplemented by an ASI system, which has integrated new technologies. And I want to make sure that we look at the mistakes that have led to the failure of ISIS.

This will let us understand how the ASI system will work better. But before I take the opportunity to not only welcome the witnesses we do have, I have to point out the fact that we do not have witnesses from the department.

In my opinion, Mr. Chairman, this is very disappointing. I know that you tried to get them here. And it would have been very helpful to have those members here.

Hopefully, they could have answered some of the questions on our May 27th letter. But I have to point out for the record some of those questions that we put out before them: what evaluation has been done of the program, number one; number two, what steps it took to address the management and program contract issues that obviously are glaring; the specific difference between the Integrated Surveillance System and America's Shield Initiative; and also, how the implementation of America's Shield Initiative is safeguarded to avoid the problems that were pointed out by the General Services auditor.

However, it is my understanding that as of yesterday, DHS has failed to provide the subcommittee with this information. And also, I checked this morning and we still have not received it.

The second issue I would also like to raise is the fact that for us to be able to move forth and be able to make sure that the American people are getting what they deserve as it relates to having protected borders using this new technology, until we hear from the Department of Homeland Security in a meaningful way, we are still—in my opinion—very vulnerable and also wasting the taxpayers' money.

Mr. Chairman, I look forward to hearing from our witnesses that we do have here. And I want to thank those that are here from the public and private sector because our goal here in this subcommittee is to make sure that not only do we protect our borders, but we make sure that we spend the taxpayers' dollars responsibly.

So I look forward to the testimony. I look forward to hopefully learning more about protecting our borders, but also pointing out the inequities that are ongoing today.

Mr. Chairman, thank you once again for having this hearing. And I look forward to hearing good testimony.

Mr. ROGERS. I thank the gentleman.

The Chair now recognizes the Chairman of the full committee, Mr. Cox of California.

Mr. COX. Thank you, Mr. Chairman. This is a very important hearing for the reasons that you both laid out. I want to thank you for having it.

We are not interested merely in exhuming the failures of the past, but more importantly, in inferring organizational lessons of both the contracting and procurement for the Department of Home-

land Security going forward with respect to the America's Shield Initiative.

And there is a purpose to all this. In just six weeks, to remind my colleagues, on July 27, 2005, Ahmed Ressam, whom we refer to as the Millennium Bomber, is going to be sentenced for his attempt to smuggle explosives across the northern United States border into Port Angeles, Washington.

His plan, of course, was to blow up LAX, the Los Angeles International Airport. And that plan was thwarted six years ago by an alert customs agent.

Today, we have the opportunity to examine key findings in the General Services Administration's audit, through the IG, of the Remote Video Surveillance program and its parent program, the Integrated Surveillance Intelligence System. What the audit reflects, as the Chairman has noted, is that these key initiatives of the former INS and the Border Patrol to protect our borders were not effectively managed.

The result was a waste of taxpayer dollars and, more importantly, more seriously, continuing holes in our border security system.

We will explore today questions regarding four things about this failure: first, the initial award of the first RVS contract six years ago; second, the contract mechanisms that were used; third, the type and quality of equipment that was installed; and fourth, the management of the contract, both by the Border Patrol and GSA.

This hearing is timely because the Department of Homeland Security will soon announce its plans regarding the America's Shield Initiative, which, of course, is going to supplement and replace both the ISIS and the RVS programs.

The department estimates that America's Shield will cost \$2.5 billion over the next five years; that is, perhaps a justifiable amount, given that it is going to focus on an aggressive effort to monitor over 6,000 miles of our borders with surveillance technology. But it is, nonetheless, a significant sum of money. And it is absolutely vital that this time we get it right.

America's Shield, as planned, will integrate the use of ground sensors, unmanned aerial vehicles, regional command centers and border agents on the ground. As we prepare to spend \$2.5 billion on this initiative, it is important to examine the lessons of past failures and, more importantly, to infer what best practices can be applied in the future for managing ASI.

Currently, the Department of Homeland Security is the second largest spending agency in the Federal Government after the Department of Defense. Simply to manage the DHS acquisitions requires approximately 700 Department of Homeland Security employees. They are responsible for \$13 billion of contracts.

The Bureau of Customs and Border Protection, which is the leading agency for the America's Shield Initiative, has 80 acquisition staff handling \$2.6 billion in planned obligations for the current fiscal year. When the department was established, it had legacy components. And those legacy components have contributed no fewer than seven separate procurement offices.

The Homeland Security Act of 2002 created 35 new offices within DHS that have no independent procurement support. So, the Chief

Procurement Officer established an eighth office, the Office of Procurement Operations, to support over \$2 billion in transactions by those 35 offices.

Under the current organizational structure at DHS, the Chief Procurement Officer has direct line authority over only the eighth office that he established. He has only indirect line authority over the seven legacy procurement offices.

So Mr. Chairman, I look forward to exploring in this hearing, and afterwards with the Department of Homeland Security, what organizational changes the Congress can help the department to make in order to strengthen the procurement process and improve overall contract management at DHS. There is no more important substantiation of this requirement than with the America's Shield Initiative that is the focus of this hearing.

Thank you, Mr. Chairman.

Mr. ROGERS. Thank you.

The Chair now recognizes the Ranking Member of the full committee, the gentleman from Mississippi, Mr. Thompson.

Mr. THOMPSON. Thank you very much, Mr. Chairman and ranking member.

And I would like to welcome the witnesses to the panel this morning.

Border security is vital to America's security. Ensuring the safety of our borders must be one of this committee's main priorities.

Border Patrol agents, support personnel and equipment and technology each play a role in ensuring the safety of our borders. The successful and comprehensive use of technology can serve as a force multiplier along our vast borders and provide the clock surveillance and monitoring.

ISIS was envisioned as a means to integrate technology in our nation's border protection strategy. However, the December 2004 audit by the inspector general of GSA revealed major and significant problems within the ISIS program.

Over a 10-year period, the American taxpayers have paid \$239 million for ISIS; yet, based on this GSA report, only 4 percent of the border has been covered. In our oversight role, we need to understand not only what has happened, but how it happened and how mistakes can be avoided in the future.

It is not enough to change the name of ISIS to America's Shield. We must change the practices that led to the problem.

For fiscal year 2006, the administration requested \$51 million for the America's Shield Initiative. And this Congress appropriated the amount requested.

We must ensure that the past and future investment of the American taxpayer is properly spent. We cannot fulfill our constitutionally mandated function if the administration refuses to cooperate.

We do not have witnesses who can tell us why the INS decided to allow GSA to manage this contract. We do not have witnesses who can tell us why the GSA failed to exercise oversight of the contract. We do not have the witnesses from DHS who can tell us the steps that have been taken to assure that these mistakes will not be repeated.

I am happy to hear the chairman's comments, in his opening statement, that we will continue to pursue the individuals to get them before this committee to answer some of these questions.

But also, Mr. Chairman, at this point, we do not have witnesses who can paint a complete picture and provide a forward-looking strategy for us. The DHS IG will release a report in 30 days on the failure of ISIS.

At that time, this committee should convene a hearing with representatives from DHS, IG and GSA procurement office and of the Department of Homeland Security to look at the failure of ISIS. We cannot fulfill our oversight mission unless all relevant parties are called before this committee.

And I look forward to that taking place, Mr. Chairman.

I support the men and women in our Border Patrol. They need the kind of help that technology can bring. And we must do our part to assure that they have an efficient and effective system.

We can do better than the mistakes of ISIS. We can make America safer and make America's Shield the program that it is intended to be, only if we build on the errors of the past.

And I look forward to the testimony, Mr. Chairman.

Mr. ROGERS. Thank you. And I do assure you, we are going to have a subsequent hearing for those parties. And DHS has assured us that they will make it a point to be at that hearing.

I want to remind other members that they can provide opening statements for the record.

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON-LEE A REPRESENTATIVE
IN CONGRESS FROM THE STATES OF TEXAS

JUND 16, 2005

Chairman Rogers and Ranking Member Meeks, I appreciate your efforts in holding today's hearing concerning the new border surveillance system. As a Representative of the 18th Congressional District of Texas and Ranking Member on the Judiciary Subcommittee on Immigration, Border Security, and Claims, the success of the new America's Shield Initiative (ASI) is a major issue for me as well as my constituency.

On the Immigration Subcommittee as well as with this body, I have worked extensively to underscore the need for more technology and manpower at the borders in order to obviate the need for volunteer militias such as the Minuteman Project. I am concerned about the potential for violence along the border, given that many of the participants carry firearms.¹

In addition to an analysis of the performance of AS I, I would like to know what actions the Department is taking to monitor the activities of the Minutemen and other private individuals involved in monitoring border movements of undocumented persons. I would also like to know what, if any, efforts are underway to guard against violence along our border by the armed Minutemen or other private individuals involved in monitoring border movements of undocumented persons.

In addition to enhancing technology, we must ensure that we have a trained and an adequate number of employees available to patrol in order to thwart the propagation of armed private individuals along these borders who pose a threat to undermine the Department's role in protecting our borders and, if violence results could create significant new homeland security threats that could overshadow the real issue of porous borders.

I hope that the integration problems that riddled the Integrated Surveillance Intelligence System (ISIS) do not carry over to ASI. This body as well as the Full Committee must exercise sufficient oversight as we move forward with implementation of this new technology. Thank you.

¹*Associated Press*; "Armed Civilians to Patrol Mexican Border" (3/20/05). See also, Ayres, Chris; "Tombstone vigilantes ride shotgun to keep the strangers out;" *The London Times*; pg. 42 (4/1/05).

Mr. ROGERS. And we are delighted to have such a great panel of folks to testify with us today.

I would like to start off by recognizing Mr. Joel Gallay, Deputy Inspector General of the U.S. General Services Administration, for his comments.

STATEMENT OF JOEL GALLAY

Mr. GALLAY. Thank you, Mr. Chairman, Mr. Meek, members of the subcommittee. I am pleased to have the opportunity to appear today to discuss our recent audits of GSA's contracting efforts in support of the Border Patrol's Remote Video Surveillance Program.

Over the past several years, we have performed a number of audits of contracting practices of GSA's Federal Technology Service Client Support Centers across the nation. In a series of reports, beginning in early 2003, we identified widespread problems in FTS contracting.

Our initial reports prompted a request from the GSA Administrator for us to conduct a nationwide review. In our 2004 audit, part of that review, we sampled over 300 task orders awarded by FTS, including 13 relating to the RVS project. The total value of those 13 orders was \$43.4 million.

Our review found that there were a number of significant deficiencies in the RVS procurement, along with a lack of adequate progress in actually implementing the RVS improvements and chronic inattention on the part of both GSA and the Border Patrol to the proper administration of the contract.

Despite the critical nature of the program and despite having paid the contractor nearly \$20 million, as of last summer, at the end of our field work, none of the sites covered in our sample had fully operational RVS systems in place. At some locations, no equipment had been installed; and at others, problems with the equipment rendered the system incomplete and unreliable.

Procurement deficiencies occurred in a number of areas. A major problem was the lack of competition in awarding the RVS contracts.

In brief, in 1999, FTS made individual task orders on the order of \$1 to \$2 million to a contractor for the purchase and installation of RVS cameras and monitoring equipment. The following year, as the chairman pointed out, FTS awarded to that same contractor and a team of vendors, effectively on a sole-source basis, a blanket purchase agreement valued at more than \$250 million for a nationwide RVS project.

This new contract represented an enormous increase in scope and value over the initial award. It should have been formally competed to allow all interested, qualified vendors an opportunity to respond.

Another problem highlighted by our audit work was the use of contracting vehicles that were inappropriate for construction services. A considerable portion of the RVS project required construction work to install foundations, erect poles and towers up to 300 feet in height, and hook up to utilities.

Skilled craftsmen were employed to build and install the components of the system. Engineering firms were needed to design the installation and define the specific requirements for each location.

The contractor's multiple award schedule contract and those of its team members did not include the services necessary to perform such work. The scheduled contract it held was primarily a commodities contract for furnishing radios and microwave transmission equipment, not construction work.

This appears to have been an attempt to improperly shoehorn a broad and complex project into a more narrowly defined and conveniently available existing contract. Government personnel procuring construction services require specialized training. FTS personnel lacked that training and expertise.

In the case of the RVS program, FTS undertook projects it had neither the authority nor skills to properly procure and manage. Our review also found widespread inadequate contract administration and project management on the part of both FTS and the Border Patrol.

FTS' lack of oversight of its task orders resulted in payments being made for shoddy work, for work that was incomplete, for goods never delivered to the government and for unsupported increases in billing rates. We found significant problems with equipment delivery and installation.

For example, we found locations where no equipment had been delivered and no work was underway for as long as 2 years after issuance of the task orders. In other locations, equipment had been delivered but not installed or had been installed but was not operational, with cameras and other equipment not functioning or having continuing reliability problems.

We found parts laying on the desert floor and in storage adjacent to Border Patrol property. We also found that the contractor ordered and billed the government for equipment that sat in warehouses, sometimes for years.

Our review also found that in many instances, the contractor did not provide the thermal imaging camera equipment that its own pricing worksheets had identified as components of the contract line items of the BPA. Instead, the contractor provided less expensive cameras having less capability.

According to the contract files, there was no corresponding reduction in price to the government, nor was approval for the changes obtained from the FTS contracting officer. This created a potential for overpayments totaling \$6.5 million, when medium-range cameras were provided instead of the more expensive long-range ones.

Our review found that FTS did not have adequate internal controls to ensure that the procurements were properly managed. In many instances, FTS approved payments for services without ever visiting the sites or adequately verifying whether the services invoiced were actually rendered.

In some cases, FTS paid for products that were not installed or even delivered. Both FTS contracting personnel and Border Patrol management bear accountability for the failings we identified. Clearly, neither agency adequately fulfilled its responsibilities.

Before closing, I think it is important to let the committee know that GSA and FTS have made a number of improvements since our initial audits. In July 2004, the Administrator, in conjunction with DOD, launched the Get It Right Initiative to help ensure proper contracting practices.

The initiative has led to the implementation of better controls across FTS. And we believe the agency is making genuine progress in addressing the serious contracting deficiencies we found in our reviews.

Finally, I would note that there are perhaps some lessons that can be learned here. The RVS effort was in many respects a major project gone awry.

Underlying the problems we found was the failure to follow basics: to adhere to proper procurement rules and practices; to ensure there was adequate planning, selection of an appropriate contracting vehicle and open competition; to ensure ongoing communication between GSA and the client agency and between headquarters and on-site users; and to ensure there was attentive contract administration and effective of the contractor's performance.

All of these are simply basic elements of good government contracting. Our review of FTS contracting and the experience with the Border Patrol's RVS program demonstrates just how important such basics are to protecting the public interest and to the proper stewardship of taxpayer funds.

Mr. Chairman, that concludes my statement. I would be happy to answer any questions you or the subcommittee may have.

[The statement of Mr. Gallay follows:]

PREPARED STATEMENT OF JOEL S. GALLAY

Mr. Chairman, Mr. Meek and Members of the Subcommittee:

Thank you for this opportunity to discuss our office's recent audit of task orders issued by GSA's Federal Technology Service (FTS) Client Support Centers (CSCs). Our reviews included the procurement of services and equipment for the Border Patrol's Remote Video Surveillance (RVS) program, part of the Department of Homeland Security's overall Integrated Surveillance and Intelligence System.

Audits of GSA Contracting Practices

Over the past several years, we have performed a number of audits of FTS contracting practices at its Client Support Centers across the nation. The FTS Centers assist Federal agencies in identifying technology solutions and acquiring, deploying, managing and using them. FTS revenue from client agencies for these services has significantly increased over the last several years and reached \$5.4 billion in FY 2004.

In a series of audit reports beginning in early 2003, we identified numerous improper task order and contract awards, including improper sole-source awards, work outside the contract scope, lack of support for fair and reasonable pricing, improper task order modifications, frequent inappropriate use of time-and-materials task orders, misuse of small business contracts, and failure to enforce contract provisions. Overall, we found that FTS failed to adequately ensure that contracting laws and regulations were followed.

Review of Homeland Security Task Orders

Our 2004 audit¹ was part of a nationwide review requested by the GSA Administrator in response to our earlier findings. In this review we sampled over 300 task orders awarded by FTS, including 13 that related to the RVS project.² The task orders included: (1) installation of surveillance cameras to be mounted on poles and other structures; (2) construction of towers for microwave transmission equipment; (3) installation of monitoring equipment in Border Patrol facilities located along the U.S.-Canada and U.S.-Mexico borders; and (4) provision of a maintenance and repair facility. The total value of the 13 orders included in the audit sample was \$43.4 million.

Our review concluded that there were a number of significant deficiencies in the RVS procurement, as well as a lack of adequate progress in actually implementing

¹ "Compendium of Audits of the Federal Technology Service Regional Client Support Centers," dated December 14, 2004.

² As our work was a review of GSA's procurement practices, we did not review the overall efficiency, effectiveness, or management of the RVS program.

the RVS security improvements, and chronic inattention on the part of both GSA and the Border Patrol to the administration of the contract and management of the project. Despite the critical nature of these security improvements and nearly \$20 million already paid to the contractor for the eight RVS installations in our sample, as of the end of our field work in Summer 2004, none of the eight sites had fully operational RVS systems. At some of these locations, no equipment had been installed, and at others, problems with the equipment installed to date have rendered the system incomplete and unreliable. Contracting deficiencies occurred in five broad areas: lack of competition for contract award; use of an inappropriate contract vehicle; inadequate contract administration and project management; contractor's providing less expensive equipment; and ineffective management controls.

Lack of Competition in RVS Contract Award

From meetings with CSC officials, we determined that the contract for the RVS project was not conducted with full and open competition as required by federal acquisition regulations. According to FTS records, in the fall of 1998, the Immigration and Naturalization Service (INS), at that time the Border Patrol's parent agency, issued a Request for Proposal for the RVS project. In response, several vendors made oral presentations at INS headquarters in Washington, D.C.

In November 1999, FTS awarded an initial task order to International Microwave Corporation (IMC) for \$2 million, for the purchase and installation of cameras and monitoring equipment at one RVS location. Despite our repeated requests, no documentation was provided evidencing the criteria used to evaluate the vendors' proposals or the analysis that led to the award to IMC.

One year later, in December 2000, FTS awarded a Blanket Purchase Agreement (BPA)³ to IMC and a team of vendors for RVS cameras and monitoring equipment to be installed at dozens of locations across the nation. Although the work under this BPA far exceeded, in dollar amount and extent of work, the initial task order, it was nonetheless awarded to IMC without further competition, contrary to federal acquisition regulations. The BPA increased the contract value to more than \$257 million. This new contract represented an orders of magnitude increase over the initial award, and should have been formally competed to allow interested, qualified vendors the opportunity to provide contract proposals.

In proposing the BPA, the vendor asserted that substantial savings to the Government would result from additional discounts off the FSS Schedule pricelists for the monitoring equipment. However, no such savings occurred. For example, one item we found on schedule, a Hitachi camera, was priced under the BPA at more than double the FSS Schedule price. The BPA called for hundreds of these cameras at a unit cost about \$2700 higher than the FSS schedule price. Moreover, the vast majority of the items to be supplied were not on IMC's or any of the teaming vendors' FSS Schedule pricelists. Other equipment was subsequently purchased from a company partially owned by the prime contractor.

Inappropriate Contract for Construction Services

A considerable portion of the RVS project required construction work, including the use of backhoes, cranes, bulldozers and boring equipment to install foundations, erect poles and towers up to 300 feet in height, and connect to utilities. Skilled craftsmen such as electricians, carpenters, steeplejacks, and heavy equipment operators were employed to build and install the components of the system. Engineering firms were needed to design the installation and define the specific requirements for each location. IMC's FSS schedule contract, and those of its team members, did not include the services necessary to perform such work.

The FSS Schedule contract with IMC was a commodities contract for furnishing radios and microwave transmission equipment, not construction work. It contained none of the requisite references to construction laws and regulations that protect employee wages, workplace safety, the environment, the integrity of the procurement process, or ensure timely delivery and quality of workmanship. Congress has determined, with the passage of numerous such laws, that there are inherent risks to the Government and special requirements associated with construction work. For example, the Davis-Bacon Act requires prevailing wage determinations; these requirements were not incorporated into the task orders, resulting in a potential unfunded liability to the Government. Furthermore, Government personnel procuring construction services require specialized training and experience. FTS personnel

³ A BPA (blanket purchase agreement) is a vehicle which provides a simplified method of filling agencies' anticipated repetitive needs for supplies or services. BPAs are typically established under existing multiple award schedule (MAS) contracts, but can also be freestanding arrangements. This BPA was a teaming arrangement involving six FSS MAS contractors whose products and services would be used to provide the RVS' components.

lack that training and expertise. In the case of the RVS program, FTS undertook projects it had neither the authority nor skills to properly procure and manage.

Inadequate Contract Administration and Project Management

Due to inadequate contract administration and project management on the part of FTS and the Border Patrol, as of the end of our field work in Summer 2004, none of the eight locations we reviewed had fully installed and operational RVS systems, despite almost \$20 million in payments to IMC. FTS's lack of oversight of its task orders resulted in several questionable practices involving customers and contractors, including payment made for shoddy work, work that was incomplete or never delivered to the Government, and unexplained increases in billing rates. Neither the BPA nor the individual task orders included detailed specifications, thus often leaving interpretation of the Border Patrol's needs up to the contractor.

Our site visit to one location in Washington State revealed serious problems with the quality of the installation of equipment. Cameras and other pieces of equipment were not functioning and had numerous reliability problems resulting in significant down-time and the need for frequent repairs. Border Patrol officials performed a technical inspection of the work and identified numerous problems. Remediation efforts were underway by the contractor at the time we made our visit.

At three other locations (Tucson Station, Arizona, Carrizo Springs, Texas, and Detroit, Michigan), although task orders had been issued one to two years earlier, no equipment had been delivered and no work was underway at the time we contacted Border Patrol officials. At three additional locations (Buffalo, New York, Nogales, Arizona, and Laredo, Texas), some equipment had been installed but the components were not operational. In Buffalo, only four of 59 cameras had been installed. At Nogales and Laredo, some work had been done, but system components were still not operational as other equipment, such as microwave towers, had yet to be installed. On our visit to Naco, Arizona, some equipment had been delivered, but there was no evidence of installation. We found parts in storage and laying on the desert floor adjacent to Border Patrol property. According to Border Patrol officials, no contractor personnel had been on-site since the equipment was delivered to Naco about a year prior to our visit.

Border Patrol officials at the Arizona locations raised concerns about workmanship and adherence to national electrical codes and, in particular, protection against lightning strikes. The Border Patrol's local electronic technicians had been left largely in the dark as to the equipment to be furnished or the design of the system to be provided; no one provided them with design drawings or specifications for the equipment.

The table below summarizes the status of RVS improvements at each of the eight sites we reviewed:

State Location	Value	Date Issued	Status	Amount Paid to the Contractor
Carrizo Springs, TX	\$4,742,500	12/09/02	Not Installed	\$2,190,169
Nogales, Arizona	3,048,500	11/15/01	Partially Installed	1,758,980
Laredo, Texas	4,156,175	10/25/02	Partially Installed	4,114,933
Naco, Arizona	3,536,550	06/29/01	Not Installed; some equipment delivered	2,850,649
Tucson Station, Arizona	2,345,000	05/21/02	Not Installed	623,974
Detroit, Michigan	3,343,500	05/13/03	Not Installed	362,880
Buffalo, New York	5,287,500	01/31/03	Partially Installed	1,347,713
Blaine, Washington	6,695,182	11/24/99	Operational Problems	6,624,367
Totals:	\$33,154,907			\$19,873,665

Delays were often attributable to the acquisition of the land where the camera monopoles or transmission towers were to be installed. The task orders required the contractor, at a cost to the Government of about \$280,000, to provide assistance to the Government in acquiring the sites, but did not define what specific work was

required. Border Patrol officials told us that little assistance in acquiring the property had been provided by the contractor. Instead, Border Patrol officers themselves were charged with identifying property owners and negotiating leases or access rights.

It made little sense for FTS to issue task orders for procurement and installation of the RVS system before sites had been acquired. Yet that is what occurred. The contractor ordered equipment and billed the Government for equipment that languished in warehouses.

Delays in installation and operation of the RVS components were also exacerbated by FTS officials extending, without adequate justification, the period of contract performance for the task orders. Of the 13 task orders sampled, there were 18 contract modifications to extend the period of performance, none of which included proper justification for the extension.

Further, due to lack of contract oversight, some Management, Administration, and Engineering task orders inappropriately specified higher billing rates than required. In one order for \$3.1 million for labor costs and program management support, FTS incorporated higher labor rates from another IMC contract into the task order with a sole source justification, costing the Government an additional \$600,000. A task order for \$1.8 million of additional funding for program management support similarly incorporated the higher labor billing rate, resulting in an estimated additional cost to the Government of \$219,000. These task orders were performed on a time-and-materials basis, yet the invoices submitted to the FTS, and which FTS paid, did not include the required support for hours worked and hourly billing rates.

Providing Less Expensive Equipment Without Contracting Officer Approval

In numerous instances, the contractor did not provide the thermal imaging camera equipment that its pricing worksheets identified as a component of the contract line items provided for in the BPA. Instead, the contractor provided less expensive cameras having less capability. According to the contract files, there was no corresponding reduction price to the Government, and approval for the changes was not obtained from the FTS contracting officer.⁴ This created a potential for overpayments of at least \$6.5 million for thermal imaging cameras when medium-range cameras were provided instead of the more expensive long-range ones.

Bills of material reviewed during our audit, used by the contractor to price the Border Patrol project, provided for FLIR brand thermal imaging cameras with doubler lenses at a cost of \$48,500. The doubler lens, valued at \$10,000, expanded the camera's range of vision. The Border Patrol purchased several hundred of these cameras, but few actually included the doubler lens. As of the end of our field work, the Border Patrol's master inventory data showed 396 FLIR brand thermal imaging cameras, but only 78 were delivered with the doubler lens, resulting in a potential overcharge to the Government of approximately \$3,180,000 (318 x \$10,000).

The contractor provided two types of other cameras that also did not come with doubler lenses, and were uncooled, medium-range cameras, as opposed to the cooled, long-range cameras that were built into the contract price. The master inventory data showed 328 ISAP brand cameras. This camera was priced on the FSS multiple award schedule at \$38,500, resulting in a potential overcharge to the Government of at least \$3.28 million (\$48,500 — \$38,500 = \$10,000; 328 x \$10,000 = \$3,280,000). The Border Patrol inventory also showed 70 BAE brand cameras, another less expensive thermal imaging camera, priced at \$23,080, resulting in a potential overcharge of \$1,779,400 (\$48,500 — \$23,080 = \$25,420; 70 x \$25,420 = \$1,779,400).

Contractor officials⁵ told us that thermal imaging cameras with doubler lenses were not required for every installation, and that the contract gave the Border Patrol the flexibility to decide which type of camera it needed. However, we learned from the contractor that each BPA contract line item that included a thermal camera installation was priced to include the more expensive camera with doubler lens. No adjustment to the BPA price to reflect the less expensive equipment was offered by the contractor or requested by FTS.

Ineffective Management Controls.

Overall, for the RVS task orders we reviewed, we determined that FTS did not have adequate internal controls to ensure that the procurements were made and executed in accordance with applicable regulations. Contracting officers often did not get involved in the development of requirements or decisions on procurement meth-

⁴There is some evidence that the contractor may have informed headquarters Border Patrol personnel of the planned substitution of cameras. However, GSA contracting officials were not so informed.

⁵L-3 Communications acquired IMC in February 2003, and became the contractor of record on the project.

odology until the Border Patrol had already made those crucial decisions. Consequently, orders were signed that often were flawed from the beginning.

FTS contracting officials did not adhere to federal acquisition regulations governing purchases under the multiple award schedule and as a result failed to obtain adequate competition and ensure fair and reasonable pricing for the Government. Time-and-materials task orders were issued to contractors with no review of labor hours to ascertain the level of effort necessary to accomplish the work, and there was no evaluation of the proposed mix of labor skills to determine if the contractor's proposal met the needs of the Government.

In many instances, FTS approved payment for services and installations never inspected. FTS failed to visit the sites or adequately verify whether or not services invoiced were actually rendered, and whether work had actually been completed. In some cases, FTS paid for products that were not installed, or were still sitting in the contractors' or manufacturers' warehouses.

In summary, from our review of the task orders for the RVS installations, it is clear that neither FTS nor the Border Patrol adequately fulfilled its responsibilities in administering the contract and managing the project. Proper adherence to government contracting competition requirements was lacking. Task orders awarded to contractors failed to adequately define the actual work to be performed. Improper contracting vehicles were used to accomplish client agency objectives. Border Patrol officials failed to bring contractor deficiencies to FTS' attention, and FTS itself performed no inspections. Nevertheless, the contractor continued to receive payment for incomplete work. RVS systems remained to be fully installed long after the specified contract performance period, and installed equipment did not operate properly.

Lessons Learned

The RVS program reflected many of the problems that can arise when attempting to execute major projects without the benefit of sound acquisition planning and effective project management and oversight. There are a few fundamentals of good contracting that, if properly adhered to, would have greatly increased the chances for overall project success.

First, the client agency is in the most knowledgeable position to develop the requirements for its own programs. It knows best what the agency's program objectives should be. It also should recognize what its in-house capabilities are and be able to determine if outside assistance is required to better define its contract requirements. GSA's role should be to ensure that the client's requirements are described in sufficient detail to allow potential vendors to prepare proposals and to foster competition in response to the Government's stated needs.

Second, sufficient time must be set aside to allow for proper acquisition planning. GSA and the client agency need to collaborate at the earliest possible time to identify the most appropriate and efficient procurement vehicle and to ensure there is proper competition. The procurement vehicle selected should provide the full scope of services and commodities that have been identified as necessary to accomplish the project. Attempting to "shoehorn" a broad and complex project into a narrowly defined contract vehicle is a recipe for problems further down the road; it may also unfairly preclude awards to vendors who may be better qualified to accomplish the work. Proper competition of a project among several vendors or teams of vendors will generally produce a wider range of potential solutions, and often generates questions from the vendors about the project that may identify problems not addressed in the original plan. It affords the greatest assurance of obtaining the best value for the government.

Third, the evaluation of proposals received from contractors is the responsibility of GSA as the contracting agency. Experts in the client agency's program, however, should participate as members of evaluation panels or technical advisors. Evaluations of proposals should be performed in accordance with the factors established by the Government during the acquisition planning process and conducted with integrity and independence and in accordance with established regulations and practices.

Finally, the contracting officer should establish a formal plan identifying the roles and responsibilities of GSA and the client agency in ensuring that the contract terms and conditions relating to quality, quantity and timeliness are met. The Government representatives charged with these responsibilities must collectively possess the knowledge, training and experience to handle the job. The responsibilities and authorities of the team members should be defined in writing by the contracting officer and/or the project manager. Just as musicians need a conductor to make them into an orchestra, a project needs a single overall director to make sure that all the parts come together in a planned sequence. Communication among team members at all levels and effective oversight by the agencies involved is crucial to

ensuring that the often unforeseen complications and disruptions that can affect any large project can be addressed before they become serious problems.

We firmly believe that had the RVS program followed these basic precepts of proper government contracting, the mission of the client agency and the interests of the taxpayer would have been far better served.

Before closing, I think it is important to let the Committee know that GSA and FTS have made a number of improvements since our initial audits. In July 2004, the Administrator, in conjunction with DoD, launched the "Get it Right" program to help ensure proper contracting practices. The initiative has led to the implementation of better controls across FTS nationwide, as well as individual Client Support Center management improvement plans. It has resulted in greatly increased attention to ensuring adequate competition, determining best value, and utilizing and properly administering the appropriate contract vehicles. These efforts have been fully supported by GSA's management team. We believe the agency is making genuine progress in addressing the serious contracting deficiencies found in our reviews.

In conclusion, the RVS effort was in many respects a major project gone awry. A principal reason was the failure to follow basics: to adhere to proper procurement rules and practices; to ensure there was adequate planning, selection of an appropriate contracting approach, and open competition; to ensure on-going communication between GSA and the client agency, and between headquarters and on-site users; and to ensure there was attentive contract administration and effective oversight of contractor performance. All of these are simply basic elements of good procurement practices. Our review of FTS contracting, and the experience with the Border Patrol's RVS program, demonstrates just how important such basics are to protecting the public interest and to the proper stewardship of taxpayer funds.

Mr. Chairman, that concludes my formal statement. I would be happy to answer any questions you or members of the Subcommittee may have.

Mr. ROGERS. After that statement, I trust we are going to have a lot of questions.

[Laughter.]

But I would like to go to our next panelist now.

And thank you, Mr. Gallay.

The Chair now recognizes Mr. Joseph Saponaro, President of L-3 Communications Government Services, to offer a statement.

I understand that you have with you today Mr. Thomas Miller.

Mr. SAPONARO. Yes, sir.

Mr. ROGERS. Thank you. The floor is yours.

STATEMENT OF JOSEPH SAPONARO

Mr. SAPONARO. Thank you, Mr. Chairman.

Good morning. I am Joe Saponaro, president of L-3 Communications Government Services, Inc., known as GSI, joined by Tom Miller, general counsel of L-3 Communications Services Group, which GSI is a division.

First, thank you for inviting L-3 to participate in this hearing. We welcome the opportunity to share our relevant corporate experience and to support the America's Shield Initiative.

To assist you, we would like to discuss our experiences from the Remote Video Surveillance Contract, which was a forerunner to ASI. The RVS contract was let by INS in 1999 through GSA. It was a small contract, \$5 million initially, awarded to a small business, International Microwave Corporation.

But in response to expanding requirements, the contract funding ultimately exceeded \$150 million, taxing seriously the management capacity of both IMC and the administering government office. Nevertheless, under RVS, 246 sites with daytime and nighttime vision cameras were installed. Where properly maintained, this system is operational today.

L-3 purchased IMC in November 2002, at which time the RVS contract was, from the customer's assessment, being performed in a satisfactory manner. By the middle of 2003, however, the effects of the rapidly growing RVS program had become apparent.

To better support the program, on January 1, 2004, L-3 merged IMC into L-3's Government Services, Inc., a company with greater management depth. IMC's original management was not retained.

In the spring of 2004, the GSA inspector general audited the RVS contract as part of an agency-wide review of contracting practices under GSA's information technology schedule. The audit report, which was published in December 2004, was harshly critical of GSA contracting practices, including the issuance of contracts under the GSA IT Schedule 70 contracts.

I know this committee is also aware of the allegations of IMC wrongdoing under the RVS contract that emerged from the audit. We have provided the committee staff a copy of our detailed responses refuting these allegations, which were also sent to GSA and the IG in January.

Our responses to these allegations show with specific detail and backup data that the claims are wrong. Regrettably, the GSA IG never allowed us to comment on the findings prior to issuing the report. The damage by this report has been done. And L-3 has worked hard to correct the record.

L-3 is still submitting information to the government. We are here today because we take our partnership with the government seriously and have a deep sense of responsibility for the continued performance of the RVS program.

Indicative of our commitment, L-3 continued to support the RVS program without interruption, even though GSA ceased paying its invoices in March 2004, presumably because of the ongoing IG audit. Up until September 24, 2004, GSA assured L-3 and the Border Patrol that the RVS contract would be extended, probably until the end of 2004, so that critical installations could be completed.

On September 24, 2004, GSA notified L-3 that there would be no extension of labor funding and that L-3 was to stand down and cease work effective September 30. Both L-3 and the Border Patrol sought relief from this but were unsuccessful.

To this day, we are working through an exhaustive invoice review with the Border Patrol and GSA to collect the millions of dollars still owed to L-3 in this contract.

So what can we learn from the RVS experience to help ensure the success of ASI? First, selection of the proper contract vehicle will allow for installation, construction and other activities required to deploy sensors on the border.

ASI will involve substantial construction. And it will require a massive system integration effort.

Thus, it will require sophisticated program and contract management working as a team, preferably within a single customer agency. RVS program and contract management were split between two agencies, an impossible situation for any complex program.

Next, it will be necessary to acquire land rights and environmental clearances along the border, a very large and complex task. Indeed, the acquisition of land rights and environmental clearances by the government was a central reason for RVS delays.

Congress and CBP should seek streamlined approaches to acquiring land rights for ASI and should coordinate work activities consistent with the availability of land and access to work sites.

With the 20 CBP sectors managed from a central office, ASI will require a command and control system that facilitates sector integration. Our experience indicates that the best way to achieve this end is to include the user community—the Border Patrol agents in the field—in the requirements and design process.

The Customs and Border Protection Service has a challenging task in securing our country's borders. Technology, properly planned and deployed along the borders, is a force multiplier that will only enhance the performance of the dedicated people of CBP.

L-3 not only wants to participate in this success; we feel a duty to complete the task begun under RVS. L-3 provides high-technology products and service worth billions annually to the government. We recognize both the letter and spirit of our obligations and we demand the highest ethical standards.

L-3 is successful because we live these standards in everything we do.

Thank you for your time and attention. My colleague and I will be pleased to answer any questions.

[The statement of Mr. Saponaro follows:]

PREPARED STATEMENT OF JOSPH SAPONARO

Good morning, Mr. Chairman. I am Joe Saponaro, President of L-3 Communications, Government Services, Inc., known as GSI. I am joined by Tom Miller, General Counsel of L-3 Communications Government Services Group, of which GSI is a division.

First, thank you for inviting L-3 to participate in this hearing. L-3 is keenly aware of the paramount importance of the America Shield Initiative in protecting our borders and securing our safety—elements that are crucial to victory in the Global War on Terror. We are honored to have this opportunity to share our relevant corporate experience and offer ideas to help make ASI a successful program.

A program the magnitude of ASI will only be successful if the Congress is active in providing leadership, resources and guidance for the program. With clear Congressional participation, the executive branch—through the professionals at the US Customs and Border Protection Service—can confidently define the objectives, develop the plans and implement a comprehensive ASI program that will produce unprecedented levels of security for the American people.

It is in that context that we would like to share our experiences and lessons learned from the Remote Video Surveillance contract, which was, in some measure, a predecessor to ASI. The RVS contract was let by the Immigration and Naturalization Service in 1999 through the General Services Administration. It was a small contract—\$5 million initially—awarded to a small business, International Microwave Corporation (IMC), later acquired by L-3 Communications. It is important to keep in mind that the objective of RVS was to deploy video technology along key points of the US borders. When the contract was first let it was never envisioned that it would become a comprehensive shield to protect our country.

In the post-9/11 world, the RVS objective changed. No longer was the paramount concern one of illegal immigration; suddenly and irrevocably, the issue became one of preventing terrorists from reaching American soil. Consequently, the RVS contract became a high priority program, with funding that exceeded \$150 million by its expiration on September 30, 2004—orders of magnitude larger and more complex than envisioned in the original contract. It is fair to say that the contract outgrew the company performing it and the Government offices administering it, neither of which had the processes in place at that time to efficiently work a contract of this magnitude. And yet, had RVS been fully deployed, it would have only covered 4% of the borders. Even with its staggering growth, RVS was never a project of ASI's scope and size.

In November 2002, L-3 purchased IMC. In the RVS contract, IMC had an important mission that was consistent with L-3's strategic goals in supporting the defense of our country. Moreover, at that time, performance of the RVS contract was, from

the customer's assessment, satisfactory. There was no indication of any weaknesses in the IMC management concept or in the program's execution.

By the middle of 2003, however, the effects of the unplanned growth of the RVS program were becoming apparent; IMC did not have adequate program and contract management experience to keep up with the mounting complexity of the project. Recognizing this management challenge, L-3 moved aggressively to reengineer our management concept. We merged IMC into Government Services, Inc. on January 1, 2004 and replaced IMC's original management team.

During spring of 2004, the RVS contract was audited by the GSA Office of the Inspector General as a part of the agency-wide review of contracting practices under GSA's Information Technology Schedule contracts. The audit report, which was harshly critical of GSA contracting practices, was issued in December 2004. The fundamental finding of the audit was that GSA had awarded contracts under GSA IT Schedule 70 contract vehicles for materials and services that could not be appropriately purchased under those contracts. RVS was identified as one such contract for GSA Region 5.

The RVS contract expired on September 30, 2004 even though not all funded sites had been installed. We believe that the results of the audit led directly to GSA's decision not to extend the RVS project, even though L-3 and the Border Patrol had been repeatedly assured by the GSA contracting officer that it would be extended.

While L-3 is mindful of the shortcomings of the greatly expanded RVS contract, we believe the successes of the program must also be recognized. By the expiration of the RVS contract on September 30, 2004, a total of 246 sites with daytime and night vision cameras had been installed. Where properly maintained, the system is operational today. However, as with any high technology system exposed to the environment, RVS cannot be expected to operate continuously without regular maintenance. It will, in time, cease to function. Without a contract, L-3 can only informally advise the Border Patrol on how to handle these failures and L-3 has been forthcoming with such advice whenever asked. It is also important to note that L-3 has honored and will continue to honor all of its warranty obligations under the contract.

I know that this Committee is aware of the allegations of IMC wrongdoing under the RVS contract that emerged from the audit, such as: camera substitutions; no operation and maintenance services performed by IMC; the Government not receiving delivery of certain RVS systems; and problems at the Blaine, Washington site. While there are important lessons to be learned from the contract, the audit allegations were unfounded. We have provided the Committee a copy of our detailed responses refuting these allegations, which were sent to both GSA and the IG in January. Our responses to these allegations show with specific detail and back-up data that the IG claims were wrong. L-3 does not know whether the contract was *legally* awarded under the IT schedule. We understand that GSA disputes this finding.

L-3 does know, without doubt, that IMC did not improperly substitute cameras and over-bill the contract as alleged in the report. Documentation of this has been provided to the Committee. All cameras delivered during the RVS program were (1) authorized under the contract, (2) billed in accordance with the contract and, most importantly, (3) selected by the customer.

We also know that we provided the services billed for at the Operations and Maintenance Center in Albuquerque, New Mexico, contrary to the report's allegation that no work had been performed there for the last year of the contract. Documentation of this has been provided to the Committee. There are exhaustive records of work performed at the O & M Center which fully refute the IG's allegation. Further, the allegation in the IG report was apparently based on an anecdotal comment made by an unidentified individual in the course of an entirely different audit and, to our knowledge, the GSA IG never tested the veracity of that statement.

We know that the Government received full value under the contract for all sites, whether they were complete at the time of contract expiration or not. Documentation of this has been provided to the Committee. The IG inspected certain sites while conducting their audit in spring of 2004. The IG then reached the conclusion that these eight sites were incomplete and that the Government had been charged approximately \$20 million. The IG report overlooked, first, that performance continued at these sites from spring 2004 until contract expiration on September 30, 2004. Consequently, of the eight sites mentioned, installation of four sites was effectively complete by contract expiration. The remaining four sites could not be completed in time because of the Government's difficulties in conducting environmental assessments and acquiring land rights. Finally, even at the incomplete sites, L-3 can only be paid for the costs incurred when the contract expired. Thus, the Government has not paid for work or materials it has not received.

We know that problems at the Blaine, Washington site set forth in the IG report were all corrected at L-3's expense and that the site was fully functional when the contract expired. Documentation of this has been provided to the Committee. L-3 acknowledges that there were problems with the Blaine installation. By contract expiration, the Blaine site had been fully remediated to the Government's satisfaction.

Beyond the clearly erroneous allegations contained in the report, L-3 notes that the GSA IG never allowed L-3 to comment on its findings prior to publishing its report, which is the normal procedure in the audit process. The simple act of discussing these charges with L-3 prior to issuing the report could have prevented the spread of inaccurate and damaging information. The damage done by this report to L-3's reputation has been significant, and L-3 is working hard to correct the record. The Committee has our detailed responses that were submitted to GSA and the IG last January. L-3 is here today because we take our partnership with the Government seriously and have a deep sense of responsibility for the continued performance of the RVS program.

Indicative of our commitment, L-3 continued to support the RVS program without interruption even though GSA ceased paying L-3's invoices in March 2004, presumably because of the ongoing IG audit. Up until September 24, 2004, GSA assured L-3 and the Border Patrol that the RVS contract would be extended, probably until the end of 2004, so that critical installations could be completed. On September 24, GSA notified L-3 that there would be no extension of labor funding and that L-3 was to stand down and cease work effective September 30. Both L-3 and the Border Patrol sought relief from this but were unsuccessful. To this day, we are working through an exhaustive invoice review process with the Border Patrol and GSA to collect the millions of dollars still owed on this contract.

What are the critical considerations for ASI and what can we learn from the RVS experience to help ensure the success of ASI?

First, selection of the proper contract vehicles and program management structure will ensure that the needed skill sets and management experience are devoted to ASI and that the Government can be assured of optimal results. The proper contract vehicle will allow for the installation, construction and other activities required to deploy sensors on our borders.

ASI has at least two complicating elements: it will involve substantial construction and it will be a massive system integration effort. Accordingly, it will require sophisticated program and contract management, working as a team—preferably within a single customer agency. A serious RVS problem was that one agency was handling the program management while another had the contracting authority. This created an untenable situation once the contract became more complicated than simply buying products off of a schedule.

Second, a major project to deploy technology along the US borders depends, in the first instance, on the acquisition of land rights and environmental clearances—neither a quick nor simple process. Under RVS, the acquisition of land rights, which included environmental assessments, was the central reason for delayed installations. Congress and CBP should streamline the process of acquiring land rights and environmental clearances for ASI and coordinate work activities consistent with the availability of the land and access to the work sites. At a minimum, installation projects should be in two phases—phase one for land rights and phase two for installation—with the installation schedule contingent on the completion of phase one.

Third, we must address the issue of command and control. Currently, our borders are protected by 20 different sectors of the Border Patrol. Under RVS, the sectors were the dominant Border Patrol entities, rather than being coordinated by the home office. IMC often found itself trying to coordinate with two customer agencies and a contracting agency. To avoid this, we recommend that CBP install program and contract authority in the central office and have the sector offices coordinate through a single point of contact. This is all the more important given that ASI should include a command and control function and sector integration with a sophisticated and state-of-the-art command and control system.

A primary goal of ASI should be to provide to Border Patrol agents improved information on inappropriate penetrations of the U. S. borders. The CBP sectors and sites should be key elements in establishing site specific requirements for ASI. Accordingly, the CBP program management office needs to provide a forum for these sector and site requirements.

Finally, it is worth noting that RVS and, to an even greater extent, ASI are high technology projects. The temptation is to press for state of the art equipment. The problem is that the state of the art in technology is often not fully proven and can lead to disappointing results. We recommend a Congressionally-mandated technology test and evaluation process to establish that the products to be deployed will meet the life cycle requirements of the program.

The Customs and Border Protection Service has a challenging task in securing our country's borders, and L-3 is confident that CBP will gather and use the resources needed to achieve this task. Technology, properly planned and deployed along the borders, is a force multiplier that will enhance the performance of the dedicated people at CBP. L-3 not only wants to participate in this success, we feel a duty to complete the task begun under RVS.

L-3 provides high technology products and services worth billions annually to the Government. We recognize not only the letter of our obligations but the spirit as well, and we demand uncompromising standards of ethics. L-3 is successful because we honor these values.

Thank you for your time and attention. My colleague and I will be pleased to answer any questions you may have.

Mr. ROGERS. And we thank you, Mr. Saponaro.

The Chair now recognizes Mr. Greg Pellegrino, Global Managing Director, Public Sector for Deloitte Touche Tohmatsu.

STATEMENT OF GREG PELLEGRINO

Mr. PELLEGRINO. Good morning, Mr. Chairman, Congressman Meek and subcommittee members. I am Greg Pellegrino, the global managing director for the public sector industry within Deloitte Touche, one of the world's largest professional services firms.

I am directly responsible for our work with the Department of Homeland Security. And I am currently the chairman of the board of directors for the industry's Homeland Security and Defense Business Council. It is important to underscore the urgency of efforts like the America's Shield Initiative.

In the post-9/11 world, government simply has no choice but to be as nimble as those who seek to cause harm and to be responsive to sudden events that disrupt our communities and the nation's economy. The challenges of this new environment are daunting. And we are dependent on the rapid adoption of new technologies to accomplish a new mission without bringing the economy to a crawl by creating the very same disruptions that we are seeking to avoid.

However, consider that a 2002 study by Gartner, one of the leading analyst firms, found that major corporate investments in technology are not used as intended and that 80 percent of the time, they are abandoned within 6 months. That statistic is simply unacceptable when it comes to our nation's security.

So government's historic approach to project management is being put to a test in this new environment. Its hierarchical approach is running up against the pace, complexity and diversity in today's fast-paced economy.

The unique constraints of government contracting make it difficult for departments to achieve their goals at a level of cost and efficiency comparable to commercial entities. Whenever these constraints conspire to bring a new idea or an innovative program like RVS to its knees, we—both industry and government—often ask ourselves how we got here.

How do programs with bright minds and huge resources lead to results where no one is satisfied?

To illustrate the challenge of large programs, I would like to describe a management parable called often the Abilene Paradox. It is a story about a group of Texans trying to keep cool during a scorching West Texas summer.

One of them suggests heading off to Abilene in an un-air conditioned Buick 53 miles down the road for an ice cream; 4 hours and 106 miles later, on one of the hottest days of the year, they got to talking. And it turns out that no one really wanted to go to Abilene.

But each of them thought the others did. And these large programs begin to look a lot like rides to Abilene, where the lesson is that managers in both the government and industry need to seek out ways to break the cycle, to challenge the assumptions that were behind programs when they began, to monitor feedback and to measure results more effectively.

Too often, these wayward programs lose the focus of their original objective, while leadership in both the government and industry navigate the hurdles of keeping the program itself alive. It is as if the incentives reward success in overcoming the barriers, instead of achieving the mission itself.

So how does government break the cycle and better ensure that we get results from these major cutting-edge technology investments like ASI? I suggest three principles.

One, while the tendency is to regulate and seek to get greater control, we actually need to build a close, collaborative environment where industry and government managers work more closely together to ensure success of these new programs. New restrictions on contracting will not make our borders safer; more innovation will.

Two, develop a corps of modern managers, skilled in the complex tasks of building links beyond the public sector with whoever can serve the interests of the taxpayers.

And three, foster a culture of challenging old assumptions and past decisions. Every major program like this faces a point in its path that they either follow the plan or achieve the mission. The mission needs to be above the plan. And adjustments need to be made when necessary in order to ensure that the mission is achieved.

In my written testimony, I have discussed a few specific ways to pursue these three principles. And I will just share a few of them in closing.

For one thing, it is important to look beyond the Beltway to assemble the expertise that best fits the issues at hand. The federal government is entitled to the best talent and the best equipment that professional services and manufacturers industries can provide, regardless of industry and regardless of geography.

As well, these innovative programs face unique challenges. And they need a strong executive leader in government to take responsibility for ensuring they achieve success.

Keep it on course, keep the team inspired and back them up under fire and when things need to change. And flexibility should be regarded as a crucial element of the program.

Plans need to be adjusted for changing circumstances and public attitudes. And it is important to plan for these contingencies because it is rarely that the expected changes are the ones that cause problems.

And government, finally, should ensure greater accountability from its suppliers by aligning incentives, sharing risks and measuring performance more closely.

Overall, the public and the private sectors need to work from the same game plan, one that yields lower costs and delivers intended results more predictably, that will help us get to where we need to go, where taxpayers want our country to go and to ensure we get there together and that we are glad we went along for the ride.

Thank you. I look forward to your questions.

[The statement of Mr. Pellegrino follows:]

PREPARED STATEMENT OF GREG PELLEGRINO

Chairman Rogers, Congressman Meek, and Members of the Subcommittee, I am Greg Pellegrino, the Global Managing Director of the Public Sector practice supporting the member firms of Deloitte Touche Tohmatsu. I am also a principal within Deloitte Consulting LLP. In that capacity, I am directly responsible for our work across the Department of Homeland Security. And I serve as Chairman of the Board of Directors for the Homeland Security and Defense Business Council in Washington, D.C., a non-profit association of the leading companies focused on the homeland security market.

Deloitte Touche Tohmatsu is one of the world's largest professional services firms, with more than 120,000 employees in nearly 150 countries. In the United States, we have more than 2,500 partners and 29,000 employees working from 90 U.S. cities, providing audit, tax, financial advisory and consulting services.

Serving the United States government is one of Deloitte's most significant strategic initiatives. We are proud to be working alongside leaders from civilian and defense agencies supporting their strategic initiatives through our expertise in human capital, financial management, technology integration, auditability, and program management.

I've had the unique opportunity over the last 20 years to work with leading public and private sector organizations helping them navigate their way through management and technology challenges. These efforts have included the adoption of emerging technologies for programs as diverse as ship maintenance with the U.S. Navy, putting computers into school classrooms throughout Florida, and helping to speed up the matching process for vital organs throughout the U.S. I also helped to create a national model for highway safety information and led our efforts to support Governor John Engler's revolutionary e-Michigan program to reform the way government services are delivered using the Internet. Those experiences led to my direct involvement in helping to define the strategies and tools to support information sharing for the newly formed Transportation Security Administration (TSA) following 9/11 and I have led Deloitte's teams supporting the Department of Homeland Security since its creation.

I think I can be most helpful to the Committee today by focusing on what I have gleaned from my own experiences with large-scale programs, much of which has been in leading truly transformational initiatives, driven by cutting edge technologies. I will discuss what I believe are best practices that will help to ensure the success of America's Shield Initiative (ASI) in protecting our borders.

New World, New Approach

It is important to underscore the urgency of efforts like ASI. We are in an era in which more and more of what government is involved in is clearly transformational in nature. In the post-9/11 world, government simply has no choice but to be as nimble as those who seek to cause harm and to be responsive to sudden events that disrupt our communities and the national economy.

The challenges of the new environment are daunting. Whether it is securing over 100,000 miles of land surrounding our borders, ensuring every container entering our ports is safe, or searching every piece of luggage boarding an aircraft, we are dependent on the rapid adoption of new technologies to accomplish a new mission without bringing the economy to a crawl by creating the very same disruptions that we are seeking to avoid.

However consider that a 2002 study by Gartner, one of the leading analyst firms, found that major corporate investments in technology are not used as intended—and 80 percent of the time, they are abandoned within six months. That statistic is simply unacceptable when it comes to our nation's security. So the key question

is: How does government better ensure that it gets results from investments in major programs that are dependent on new technologies and breakneck speed?

In rising to this challenge, government's historic approach to project management is being put to the test. Its hierarchical approach is running head up against the pace, complexity, and diversity in today's fast-paced economy. Long reporting chains, narrow work restrictions, and compartmentalized operating units are no longer acceptable if we are to make advances in how government operates.

This is by no means a challenge specific to government alone. Neither the public—nor private sectors are immune to change. Many organizations are revamping the old organization chart of closed boxes sealed off into distinct columns. In its place, they are shaping a dynamic web in which participants connect and cooperate on an ongoing, networked basis.

The Department of Homeland Security continues to demonstrate its commitment to keep up with these forces for change. For example, organizations like Customs and Border Protection have created a dedicated program management office for ASI and are strengthening project management expertise through the same certification programs that industry depends on through the Project Management Institute. In fact, the department's own deputy secretary, Michael Jackson, has a proven track record of collaborating with the private sector to tackle tough management challenges. He led the effort to engage some of the brightest minds from industry to help the Department of Transportation respond to 9–11 and legislation that created the new TSA. The leadership and creativity to reach beyond the beltway to engage highly talented, senior executives from some of the world's leading private-sector organizations in helping the government achieve something that had never been conceived is an essential skill for this new environment.

Government's Unique Challenges

The notion that the government can solve its toughest management challenges by simply acting more like a corporation is unsound. Many transformational initiatives that have been introduced smoothly and economically in the private sector often fall prey to what might be called a "government gap:" the unique constraints that make it difficult for government institutions to achieve their goals at a level of cost and efficiency comparable to commercial entities.

All too often, government's unique nature undermines its ability to work with a service provider across a project's scope and life.

It enforces an arm's-length relationship when close collaboration is needed.

It drags out procurement time frames, often making technologies obsolete between the time an RFP is issued and a purchasing decision is made.

And detailed procedural requirements, prolonged budget processes, multiple decision-making layers, and detailed design directives stall it to the pace of a tortoise when today's world is demanding the speed of a rabbit.

Abilene Paradox

Whenever these forces conspire to bring a new idea or an innovative program to its knees, we—both industry and government—often ask ourselves how we got here. After all, I'm confident that 100% of these ambitious programs start out with the best intentions among all of the parties to achieve the desired results.

What are the underlying causes that often lead to program failure? To address that question, I'd like to describe a management example, called "The Abilene Paradox," which is often referenced by Deloitte's Human Capital practice as well as in leading business schools. It illustrates the issues that emerge with organizational decision-making. This story is about a group of Texans sitting in their backyard, trying to keep as cool as possible during a scorching West Texas summer. One of them suggests heading off to Abilene—taking an un-air-conditioned 1958 Buick fifty-three miles down the road for a nice dinner at the cafeteria. Four hours and 106 miles later, on one of the hottest days of the year, they ended up spending most of their time looking for shady places to get a break.

On the way back, people in the car got to talking. It turned out that no one really wanted to go to Abilene in the middle of a heat wave. But each one of them thought the others did.

So they all went along for the ride.

Too often wayward programs lose the focus of their original objectives while leadership in both the government and contractor teams navigate the hurdles of keeping the program alive. It is as if the incentives reward success in overcoming the barriers rather than the mission itself. We need to find better ways to harness the dedication of the government workforce with the speed and innovation of industry that it is depending on for this new mission.

Crucial elements of success: Clarity and Flexibility

So how can we avoid losing our way, and begin to consistently drive change and results? In my experience, when we have been able to drive transformational projects to the goals set out for them and within the cost allocated, we have been doing two things:

Solving the right business problem, and being held accountable for the right results.

And, providing the teams involved with the flexibility to change course when they felt they had identified a better approach, or when they found they were going down the wrong path.

Government can achieve a shared focus by clearly defining deadlines, objectives, and capabilities targeted to results. One of the classic examples was how NASA responded to the challenge of putting a man on the moon by rapidly growing industry's role through the Apollo mission. And another is the rapid response to 9-11 through the creation of organizations like TSA through close collaboration with industry and a focus on meeting deadlines.

Such accomplishments are obviously not unique. They can be identified in various corners of government. The question is, how to create a government-wide environment that will nurture and sustain this type of focused, flexible—and successful—approach?

Three Guiding Principles: Partnership, Skills, A Culture of Change

In addressing that, I would like to put forward several ideas, under the rubric of three guiding principles:

1. Government needs to seek out new approaches to collaborate with the private sector, with greater predictability and cost-effectiveness. When working with the private sector, it is best to introduce a *partnership approach* early on—and build on it. New restrictions on government contracting won't make our borders safer. Greater innovation will.

2. Government must continue to build the *internal skills* necessary to match the capabilities sought from the private sector—including the capacity to manage complex relationships. It is important to invest in developing program, project and procurement management capabilities within the civil service.

3. Government must foster a culture of *challenging old assumptions* and past decisions. The ability to adapt to new circumstances depends on the willingness to recognize when traditional approaches are flawed or obsolete. In our effort to redesign the systems for matching organs with recipients there was a point we abandoned the original solution—more than halfway through—and still met the project's requirements on time and within budget. It was the type of decision that demanded close collaboration and trust between the customer and the contractor. And I would point out that it was only because of the clarity of the goals that such a bold decision was feasible. Every major program worth doing faces such a critical moment when we all must make a choice—to follow the plan, or achieve the mission. We need to be able to put the mission above the plan.

I'd like to discuss some specific ways we can pursue these three principles.

Transparency: Open the System Up—Don't Tie It Down

When problems occur, government's understandable tendency is to focus on how to regulate them away. But regulation won't fix the problems—transparency will. Transparency stimulates innovation; regulations often stifle it. The culture of challenging assumptions of the past depends on flexibility and decentralization—not a rigid adherence to checking off boxes.

Notch Some Early Wins

In government as everywhere, success breeds success. It is necessary to foster clear, visible successes to support continuing implementation, and more importantly, to provide a continuing focus on larger objectives. We believe in pursuing what we call “100 day wins”—targeting short-term results that are achievable, regular, frequent, and build to the ultimate goal—while maintaining a keen focus on how such results ultimately fit into the overall vision. Similarly, expectations must be managed throughout the process, so that the roadblocks one is bound to encounter do not become insurmountable, simply due a loss of confidence among stakeholders.

Look Beyond the Beltway

Experience and expertise is not restricted to any enclave. It is crucial to go “beyond the Beltway” as necessary to assemble the expertise that best fits the issues at hand. Rather than be restricted to an inner circle here in Washington, D.C., as one of the largest buyers of professional services in the world, the federal govern-

ment is entitled to access the best professional talent that the professional services firms can provide.

Recruit a Champion

Big, innovative projects face big, unique challenges. That's why they need a champion—a government sponsor with commitment to keep it on course, motivational abilities to keep the team inspired, and political savvy to back it up when it's under fire.

Be Flexible—and Plan for Contingencies

Political environments are not known for being static. The public's priorities change, and plans need to be adjusted for changing circumstances. Given the importance of maintaining public support, flexibility is a crucial element of any program. Similarly, it's important to plan for appropriate contingencies. It's rarely the expected developments that cause problems.

Link Design and Implementation

For understandable reasons, government tends to insist on an arms-length relationship between public and private-sector entities in program and project management. Unfortunately, that leads to splitting off two elements in a program that should be intrinsically linked—design and implementation.

Linking design and implementation by ensuring continuity—and accountability—of a team through the entire life of the effort is critical. For example, the City of London installed more than 600 cameras at 174 locations to charge travelers who drove into the city—a revolutionary program that was achieved in just over two years. It was led by a strong program management office that took the “client's-side” in eliminating barriers, aligning policies, and managing over 130 stakeholder organizations to achieve results. The success of that groundbreaking program, by the way, also owed much to the previous two points, effective sponsorship and flexibility.

Emphasize the Result—Not The Process

Perhaps as a consequence of its unique mandate and nature, the focus within government too often tends to be on the process rather than the result. Missing the forest for the trees is an occupational hazard in both public and private sectors, but the impact in government agencies can be especially debilitating. As I said a few minutes ago, we've all been involved in journeys where we get to a point where we can either follow the plan, or achieve the mission. The plan is a means—the mission is the end.

Establish Clear Accountability

When responsibility for a project is parceled out in unconnected pieces, it is difficult to pin down who to blame if results fall short. However, you really do need a single throat to choke when things go wrong. Large-scale programs may be complex, but the lines of responsibility must be clear. But it is important to keep in mind the need to go beyond traditional accountability. Rather than rely on process standardization, it is vital to introduce the principles that characterize the 21st century organization, including its dependence on partners to achieve its results.

Build a Public-Private Partnership

In the words of the director for administration and services at the Department of Defense's acquisition training institute: “Acquisition is no longer about managing supplies. It's about managing suppliers.” Government can shape a new kind of supplier partnership to ensure greater accountability, by aligning incentives, sharing risks, and measuring performance.

The Homeland Security and Defense Business Council has offered DHS to help with the challenge of increasing the number of certified project managers by offering to help fund a new certification program through the Project Management Institute. This will create a new generation of public sector managers that are both disciplined and agile enough to work closely with industry to achieve a new level of performance through programs such as ASI.

Conclusion

Government and its partners share the same goal. We want to see projects completed on-time and on-target. We want to see programs that meet their objectives. But sometimes there are roadblocks.

How do we overcome them?

By focusing on building partnership, skills and a culture of change.

The public and private sectors need to be able to work from the same game plan—one that yields lower costs and intended results.

Government needs to make it a priority to develop the corps of modern managers skilled in the complex—and essential—task of building links and reaching out beyond the public sector to whomever can serve the interests of the taxpayer.

And public and private sector managers need to be able to speak out early if we think we're getting off track—or if there's a better track, a newer technology or a better solution. So we get to where we need to go—where taxpayers of this country want us to go—and in order to ensure that we get there together.

Thank you. I look forward to your questions.

Mr. ROGERS. I thank all of you for your statements. And I will lead off with the questions.

First, I just want everybody to know, I am just struck by how much money has been abused in this particular instance. And it is not just what you would typically expect in federal spending abuses.

This is adversely affecting the security of our nation. And that makes it particularly offensive to me.

But I want to start my questions with Mr. Gallay.

You used the word that your review revealed “chronic inattention.” And I am still trying to get my hands around how this \$2 million contract was issued. Was it bid? Do you have any documents about how Border Patrol decided IMC would get the contract?

And then somehow, they got \$44 million worth of add-ons in the first year. And then your statement was, “After \$44 million, none of the sites had a functional RVS system.” And then they were given a \$250 million extension.

How did that happen?

Mr. GALLAY. I wish there was a simple answer.

Mr. ROGERS. Did your audit reveal anything?

Mr. GALLAY. Going back to the initial procurement, there was an individual task order during 1999, there was one or two on the order of \$1 or \$2 million. We had sought the records of—the details of—that initial competition. We never did actually get those. We do not doubt that there was some degree of competition or we know that proposals were submitted and that there was a review by the Border Patrol of those proposals.

But it was not a full and open competition at the point at which this individual task order was expanded to a blanket purchase agreement; that is the point at which the requirements really dramatically changed.

Mr. ROGERS. Was there a paper trail as to how that occurred, how they arrived at one provider?

Mr. GALLAY. There is a paper trail with respect to the blanket purchase agreement, but the real issue was that there should have been full and open competition at that point and there was not. The underlying notion was to say: since IMC had a schedule contract, that would be a device under which competition would not ordinarily be required.

Once you put in place the blanket purchase agreement, all future orders under that BPA do not require further competition. And that was really the problem. It is at that point at which the requirement really ballooned into a nationwide program that had a value of over \$250 million, that was not in keeping with the scope of the original order, and that is where there should have been

competition. The original proposals really related to just that \$1 million or \$2 million task order.

Mr. ROGERS. But in your audit, you did not find any restraint or barriers outside which they could not have gone? I mean, they went from \$2 million to \$250 million. Could they have been \$1 billion?

Mr. GALLAY. Well, the limitation would have been that with respect to the BPA. To the extent that it could have been extended or renewed, you are correct.

Mr. ROGERS. You also mentioned that they were shoehorning monies that apparently were meant for purchase of commodities like cameras and such into construction. Is that lawful?

Mr. GALLAY. It is certainly not good procurement practice. This again goes back to the nature of the contract that IMC had, which was for equipment, some IT services and repairs.

The underlying notion of using the BPA was to say, okay, well we can stay with this one vendor and use them for the full range of services that are needed. That was really the essence of our finding, that this was not proper procurement.

At the point at which you knew your requirements really extended to this full range of other services, it was not appropriate. It was not lawful under the federal acquisition regulations to stay with that single vehicle for this purpose, when in fact you were really talking about a whole wide range of purposes.

Mr. ROGERS. But in that response, you did say it was not lawful.

Mr. GALLAY. That is correct.

Mr. ROGERS. In your opinion?

Mr. GALLAY. In terms of violation of federal acquisition regulations.

Mr. ROGERS. Great.

Who was supervising this? Or was anybody? I notice you made reference to your office and you also made reference to the FTS.

Mr. GALLAY. The FTS, Federal Technology Service, which is part of GSA.

Mr. ROGERS. Right.

Mr. GALLAY. Well, yes. The BPA did go through a process. It was handled out of the Chicago region and then was presented for approval up through the chains back at FTS headquarters.

So it is not like this was done, you know, in some sort of midnight, behind-the-scenes scenario.

Mr. ROGERS. So the people supervising this project seemed okay.

Mr. GALLAY. The RVS project, the Border Patrol efforts, did not occur in isolation. The real essence of our findings, in terms of our overall review, was that these kinds of problems were occurring with respect to FTS contracting activities across the board.

Something like 85 percent of their activities involve DOD. The reasons were many. Chiefly, probably the culture in which there was a great emphasis placed on growing the business. GSA and FTS are dependent on the fees they earn from contracting agencies or from client agencies.

And also, a desire to work with the client, do whatever the client wished. Doing whatever the client wished became more important than complying with federal acquisition regulations and good procurement practices.

Mr. ROGERS. And the law.

Mr. GALLAY. Well, that is correct.

Mr. ROGERS. My time is up. I now yield to my friend and colleague from Florida, Mr. Meek, for any questions he may have.

Mr. MEEK. Thank you, Mr. Chairman. And once again, I would just like to say I am glad that we are having this hearing.

Mr. Gallay, I want to ask you just one more question as it relates to your findings. How long have you been in the business of being an inspector general?

Mr. GALLAY. A good long while. I have been with the IG's office since 1979 and have also been a federal prosecutor.

Mr. MEEK. So you have seen a lot. Where does this case, this report that you all have generated as it relates to the practices that took place in this area, where does it rank as it relates to decisions that should have been made that were not made and also to waste of taxpayers' dollars?

Mr. GALLAY. It is certainly up there among the headline problems we have seen. Again, because it goes to something that is a critical program; that is the reason you are having this hearing.

Mr. MEEK. Critical program, I am pretty sure. Also, I guess, would you believe, of a waste of the taxpayers' dollars in many cases, as it relates to accountability?

Mr. GALLAY. I am sorry?

Mr. MEEK. As it relates to accountability from the department? And also, I guess, some responsibility by those individuals, those contractors, that are receiving money, I would assume. I am not putting words in your mouth, but I am just asking the question: a waste of the taxpayers' dollars.

Mr. GALLAY. That is correct.

Mr. MEEK. Okay.

Mr. Saponaro?

Mr. SAPONARO. Saponaro.

Mr. MEEK. Saponaro. I am sorry, sir. I am very sorry.

Your company acquired the original awardee of the contract. Am I correct?

Mr. SAPONARO. Yes.

Mr. MEEK. You all deal in a number of federal contracts. Is that an accurate statement?

Mr. SAPONARO. Yes.

Mr. MEEK. Under House rules, there is a disclosure form. You all have quite a few federal contracts. There is the Air Force, the Department of Defense, with General Administration. How many different contracts do you all have ongoing with the federal government?

Mr. SAPONARO. I think L-3 as a company and current revenue is about \$8 billion in annual size. So I think we have thousands of contracts with both the DOD agencies, other international agencies, as well as Homeland Security.

Mr. MEEK. I am looking here and there is like a page-and-a-half of federal contracts that you all have. And especially when it comes down to this \$200-plus million that we are dealing with here, I mean, that is a pretty big one.

Is that the largest one?

Mr. SAPONARO. No, it is not.

Mr. MEEK. Okay.

I noticed that you said something in your testimony that you all had some issues with some of the inspector general's findings. You wanted to be able to respond to some of it but did not have the opportunity to do so.

Where do you lie blame here as it relates to this? And were there some mismanagement within your company? Or was there mismanagement in the Department of Homeland Security? Were you all misled?

Probably you can answer some of the blatant questions that are here, of how the contract continued from what the inspector general said, cameras that were bought at a cheaper rate than what the government was actually billed. I mean, how do we explain some of those things?

I was looking in your testimony and I did not quite see it. But I do appreciate the fact that you are here.

Mr. SAPONARO. Yes. And I appreciate the opportunity to address some of those issues, particularly ones raised in the IG report.

As far as the camera substitution issue, we delivered essentially what the Border Patrol requested. Early on, in the 1999 period, prior to 2000, it was in fact a time and materials contract. And Border Patrol sectors would, in fact, select cameras that they felt were best for that sector.

The GSA would approve it. And we would in fact purchase it and deliver it, as requested by the Border Patrol, and in fact bill them in accordance with what the costs were for that camera.

Subsequent to the BPA, which was more of a fixed price arrangement on the contract, they had a selection of at least two different cameras with two different types of options on each camera. And again, I think we delivered pretty much what the Border Patrol requested.

There was a site plan created. They could change within this framework of what was on the BPA, as he suggested, and either pick a flare type or an ISAP camera. They could add a 2X extender to get improved visibility or not.

And whatever they chose, we actually got that approved by the GSA and then delivered that particular camera and, in fact, billed them in accordance with what the costs of those cameras were. So the interpretation, as we understand it, made that there was a single type of camera at a single price for all these installations made within the IG report is absolutely not correct with respect to the way the contract was executed.

Mr. MEEK. Okay.

Mr. MILLER. Mr. Meek, would you mind if I amplified a little bit on what Mr. Saponaro said?

Mr. MEEK. I guarantee you, if I get an opportunity to ask another question, I will ask the question to you directly. I am on the negative side of my time and there are some other members here.

Mr. SAPONARO. There were a couple of other things. I think the other point—and I think it is a significant one—raised in the report that there was something like \$20 million spent for sites over the U.S. that were not delivered and the government was billed. The fact is that, at the time the IG made its visit, as he indicated somewhere in the summer, there were eight particular task orders on the contract that involved several sites around the country.

Mr. MEEK. Well, let me, before you get into that, there are several other members who need to ask questions. I am pretty sure that you are going probably be the flavor of the day, so you will have an opportunity to answer those questions.

[Laughter.]

Mr. SAPONARO. Okay.

Mr. MEEK. Mr. Gallay, I have a couple more questions for you if I get another round to ask additional questions.

Mr. Chairman, thank you.

Mr. ROGERS. Thank you.

The chair now recognizes the gentleman from Georgia, Mr. Linder.

Mr. LINDER. Mr. Gallay, did anyone lose their job over this?

Mr. GALLAY. There are actually some proposed removal actions underway now.

Mr. LINDER. There was something that was criminal.

Mr. GALLAY. I am sorry?

Mr. LINDER. Is anything being pursued as criminal?

Mr. GALLAY. We have an open investigation at the present time.

Mr. LINDER. Who is "we"?

Mr. GALLAY. Our office, the Office of Inspector General at GSA.

Mr. LINDER. Do you expect that to occur?

Mr. GALLAY. It would really be inappropriate for me to say anything other than that we have an open investigation.

Mr. LINDER. You said these were just essentially commodities.

Mr. GALLAY. No, the nature of the work was certainly well beyond commodities. It was construction, installation of equipment and associated services.

Mr. LINDER. That was not completed. That was not completed, construction and installation?

Mr. GALLAY. Well, no. At many sites, construction was done. But at the eight sites we visited, the reference that was just made, in the summer of 2004, at none of those sites was the installation complete. And that was after having spent \$20 million identified as to each of those sites. That was the total spent with respect to those sites.

Mr. LINDER. Mr. Saponaro, you said, "We delivered what was ordered."

Mr. SAPONARO. As far as the cameras, yes, sir.

Mr. LINDER. But you did not install them.

Mr. SAPONARO. I am sorry?

Mr. LINDER. You did not install them?

Mr. SAPONARO. No, I was just about to comment on these eight specific sites that were being mentioned here. It was visited in the summertime. And the contract actually was ended on the 30th of September, 2004. And at that time, four of those eight were completely installed and completely operational, as they are today.

The other four sites that were not completed were strictly not completed because of the requirements for the government, meaning the Border Patrol had to provide environmental clearances and land accesses before we could complete the installation at these other four sites. And in fact, those sites were not completed.

But in anticipation of that happening, because we ordered cameras and ordered a number of other things to go in those four sites,

assuming they would be approved, and the government was only billed for the equipment and cost that we bore to get that partially completed site. So we completed four. The four that were uncompleted, we only billed the government for what our costs were on those programs.

Mr. LINDER. When you purchased IMC, was it a stock sale or an asset sale?

Mr. SAPONARO. I believe it was a stock sale, although I am not sure actually.

Mr. LINDER. So you all also purchased their liability?

Mr. SAPONARO. Yes, sir.

Mr. LINDER. Is there any investigation going on in your company about escalating a \$2 million contract to \$250 million without any bid?

Mr. SAPONARO. I think we had several things, when we got involved and it started to appreciate.

Mr. LINDER. My question was is your company investigating how a \$2 million single contract escalated to \$250 million?

Mr. SAPONARO. No, not to my knowledge.

Mr. LINDER. Do you think you ought to do that?

Mr. SAPONARO. I think it may be good to look into that. We have not been focused on that. We have been focused on some of these other issues.

Mr. LINDER. So you are an \$8 billion company? Is that L-3 Communications? Or is that L-3 Government Services?

Mr. SAPONARO. L-3 Communications is \$8 billion; Government Services Company is \$400 million.

Mr. LINDER. And about more than half of that was the contract for the border.

Mr. SAPONARO. No, those are annual revenue numbers. I would say, just to correct the record on the numbers, there may have been a contract awarded at \$250 million. I am actually not sure of that.

I am sure that \$150 million were task-funded on this contract. And I am also sure that we only invoiced something like about \$100 million or \$110.

So there is some \$40 million to \$50 million, as far as I know, still sitting in GSA. And there may be in fact more appropriations.

Mr. LINDER. Mr. Gallay, are you sure that it was a \$250 million operation.

Mr. GALLAY. Absolutely. Well, the value of the BPA was \$257 million. Absolutely.

Mr. LINDER. Is there \$50 million laying around at GSA? Mr. Saponaro said that there might be \$50 million; he did not know where it is.

Mr. GALLAY. I do not know the answer to that. The total obligations, there were orders placed against the BPA. There were also orders outside the BPA. And I believe the total obligations that have gone through FTS are on the order of \$200 million.

Mr. LINDER. Thank you.

Mr. ROGERS. The gentleman yields back.

The Chair now recognizes the Ranking Member of the full committee, Mr. Thompson, from Mississippi.

Mr. THOMPSON. Thank you very much.

Mr. Gallay, can you, without any hesitation or reservation, say to this committee that proper procurement procedures were not followed?

Mr. GALLAY. Absolutely. That is correct. They were not followed.

Mr. THOMPSON. Can you say to us that those procedures presently exist within procurement practices within the federal government?

Mr. GALLAY. That standards exist?

Mr. THOMPSON. The standards.

Mr. GALLAY. Absolutely.

Mr. THOMPSON. Did you look at whether or not the individuals that Mr. Linder referred to had the proper training to administer those standards that existed?

Mr. GALLAY. Did we look at that? I am sorry.

Mr. THOMPSON. Did you look at the people who have been disciplined to see whether or not the standards that you were talking about, that they had received the training or anything?

Mr. GALLAY. That was not within the scope of our review. However, I did reference the Get It Right program. One important element of that, in addition to making it very clear as a matter of first principle that procurement regulations should be complied with, one element though was also to emphasize training, to look to the procurement workforce and ensure that greater attention is paid to proper training.

Mr. THOMPSON. Now the sole source contract that raises most of the committee's concern here today, is it your opinion that that contract should not have been sole source?

Mr. GALLAY. Absolutely.

Mr. THOMPSON. That there are other people in the marketplace who, if they were given an opportunity to competitively bid on that contract, they would have?

Mr. GALLAY. Yes, sir. The fundamental principle of government contracting is that there should be open competition. And that can occur in a variety of ways.

The device of the BPA in this case, in a situation where the nature of the procurement was so substantially transformed and so far exceeded the nature of the existing schedule contract that IMC held, absolutely required under proper procedures that there should have been open competition.

Mr. THOMPSON. Mr. Saponaro, you indicated that L-3 was not allowed to comment on the report. And I want to make sure that we get the language correct. We have some comments to an audit by GSA that your company has made and a second response to that.

Mr. SAPONARO. The question, I think, my comments really were that more typically our experience that IG was in our offices, did do their audit. They audited five of GSA. And more typically, with such serious findings, there would be some opportunity for GSA to get that report or share that report before it is published so that we can at least comment on whether we think the validity of the data is correct. And we never got that opportunity to do that.

Mr. THOMPSON. Did you request it?

Mr. SAPONARO. We did not know the report was being generated. No, sir. We did not.

But typically, we would see that, with such accusations being made in the report. The first time we saw a copy, a piece of the report, was 2 weeks before it was released to the press in the end of December 2004.

Mr. THOMPSON. Thank you.

Mr. Gallay, you heard what was just said. Do you agree with that?

Mr. GALLAY. It would not be typical for us to provide a copy of the report to a contractor. This was an internal audit report. In the process of preparing it, we did provide copies to the management officials at FTS to get their input back. And they were taken into account in the issuance of our final report.

And we stand by our findings. It would not have been typical for an outside contractor to get a copy of this report prior to its being finalized.

And I would note, we are also aware of the response that they have provided. And we will not go into details at this time, but we also stand by our findings with respect to that. If the committee wishes to explore some of the issues on the cameras, we could address those as well.

Mr. THOMPSON. There is another concern I have about the contract. It appears that some aspects of this contract went beyond the scope of installation and maintenance and that, to some degree, the equipment was stored somewhere and we, in turn, were paying to have it stored, the same people that installed it.

In other words, there were a number of entities receiving payment. But from what we saw, they were one and the same. Is that your recollection of some of the storage facilities?

Mr. GALLAY. I do not know specifically the reference to the storage facilities. Certainly, there were materials that were delivered to sites and were—that would be the situation in Naco, Arizona. It was just lying out on the desert and also in storage adjacent to the property.

There may have been payments made in connection with that storage. I do not recall specifically about that. I could get you that information.

Mr. THOMPSON. That is the one I have recollection myself. And at some point, I am sure, maybe the second round of questions, we could get to it.

Mr. GALLAY. Yes, sir.

Mr. ROGERS. The gentleman yields back.

The Chair now recognizes the gentleman from Washington, Mr. Reichert, for any questions he may have.

Mr. REICHERT. Thank you, Mr. Chairman.

My question will go to all the members that wish to answer. The memo that we got, we received prior to this hearing, states that only 2 to 4 percent of the border and \$200 million paid for work that was poor, incomplete or never delivered.

And what I was pleased to hear is that there is an investigation being conducted. Whether criminal or some internal misconduct, there certainly needs to be an investigation conducted on behalf of the American people to find out really what happened.

More importantly, we need to look toward the future because the whole issue here is protecting our country and our nation's borders.

And looking through your testimony for this hearing, I am appalled to hear about the gross mismanagement of federal taxpayer dollars.

In a post-September 11th world, it is unacceptable for the Department of Homeland Security to waste this kind of money—hundreds of millions of dollars.

My district in Washington State is right next to the Canadian border. And part of the report certainly refers to Blaine, Washington.

And we have learned from Al-Qa'ida and other terrorist groups that they continually look for ways to exploit the Canadian border and our vulnerabilities there. As many of you know, the so-called Millennium Bomber, Ahmed Ressam, was apprehended there in 1999.

The bottom line for me is this: we talked a little bit about it and I heard some comments about things that we need to do in the future—close government and business partnerships and modern managers. And new technology and we have to focus on achieving the mission and look for the best talent and be flexible in how we approach these projects.

These are all things that we have known. These are common-sense things that all of us should know when approaching any kind of project in our daily work. These are things that we all do.

I want to know how this sort of thing can be specifically prevented from happening in the future.

Mr. GALLAY. Well, I think the essentials, as I mentioned earlier, are nothing new under the sun. It is adherence to some just basic elements of good contracting practices: acquisition planning beforehand, early identification what the requirements are; stick to the principles that are well established, of having competition when it is called for; and attentive and effective contract administration.

There does have to be a partnership between the government and the contracting community. And going forward, we are increasingly relying on contractors to do the government's business.

The government has responsibilities and contractors have responsibilities. And if people are not diligent about paying attention to those responsibilities, we are going to be back here at another hearing.

Mr. REICHERT. I guess I am really puzzled. I was the sheriff of Seattle just up until January 3 of this year. I had 1,100 employees. And there is a ranking structure. There is accountability. There is responsibility, a supervisory responsibility.

Where did that all fall apart? What happened to the accountability piece and people being held responsible and the line of supervision?

Mr. PELLEGRINO. In this new environment where speed and the dependency on suppliers that are outside of the government in order to achieve these more complex missions, you have to recognize that the traditional hierarchal approaches sometimes just simply do not work in this new world where you have to be able to manage as well horizontally, not just up and down.

And in that environment, looking at not only the issues related to contract compliance, which both industry and government, everyone would agree at the beginning of these programs that compli-

ance is not optional, that it is mandatory and it is essential to being effective in serving the federal government.

However, as good people intend to go down the path together and try to get something accomplished, if they in this particular program had achieved what they originally set out to, it would be an example that we would all call creative, an accomplishment. And we would not be having a hearing focused on some of the issues because when good things get done, we tend to say that we were creative; we did a good job; we did it quickly; we saved money.

But in an environment where the mission is moving faster than the pace of the government to keep up from a contracting perspective, we are depending on new approaches moving forward. If you look at NASA, for example, NASA contracts 80 percent of its budget. It is a recognition that, in a high-tech world, the dependency on suppliers and a partnership with industry and changing the management approaches to manage the network of organizations that are necessary to support a mission is a new skill.

We have to be able to teach that new skill. We have to have contracting be able to be responsive to rapidly changing priorities, moving ahead. And that is going to require us to continue to invest in the development of these new modern managers.

Now DHS is taking this issue seriously. And the new secretary and the deputy secretary are focused on strengthening the program management capabilities—not just the project management, the program management capabilities—by certifying more and more program managers through the Program Management Institute.

So there are measures that are being taken. They are essential to build that new workforce. It does not exist today, although I do agree it is common sense when you look back at a program that has failed to achieve its objective.

Mr. ROGERS. The gentleman yields back.

The Chair now recognizes the gentlelady from Texas, Ms. Jackson-Lee.

Ms. JACKSON-LEE. I thank the chair and the ranking member and the ranking member of the full committee for this hearing. And I was not a sheriff, but I was a lawyer and a former associate judge in local government. And I am equally concerned, as my friend is.

So I think this is truly a bipartisan crisis because it deals with the utilization of public dollars, but more importantly, in one of the most trusted or areas that needs the greatest trust of the American people, and that is their security.

So I hope that we will not have another hearing and we have an empty chair, which I assume is next to the last speaker here, sort of a very glaring empty space of the Department of Homeland Security.

And I hope that we will have the Homeland Security representative face this committee, Mr. Chairman, Ranking Member, as you so eloquently stated, so that we can restore the trust, but also be a part of helping to secure the American people. It is a great disappointment to me.

I am one of the border states. And when we do not get it right, not that we face any more danger than anyone else, but that we are constantly at risk because we are certainly a border that faces

or has a greater opportunity for individuals to pass over that line into the United States illegally.

I am interested in where the problem lies. We know that Border Patrol agents and law enforcement officers are trained in the basic skills of law enforcement. And we know now law enforcement has encompassed new technology.

DNA, for example, for those who are on the prosecution side and ultimately the trying of cases, DNA has become a new technological tool. And we know that there are a lot of equipment that we have been arguing about here in Washington, banging the gavel and the table, saying, "Let's get the technology out there. Let's get scanners out there. Let's put these things in the hands of the persons who are engaged in law enforcement."

So I am trying to track down, Mr. Gally and Mr. Saponaro—is it Saponaro? Is that correct?

Mr. SAPONARO. Yes, it is. Thank you.

Ms. JACKSON-LEE. Trying to track down where the problems lie. If I could get Mr. Gally to tell me whether or not we need, when you talk about the Border Patrol and their failure to have any attention to this RSV security improvement, chronic inattention, I note in your testimony, which leads of course to chronic mismanagement and chronic failure of the use of federal funds.

Tell me the crux of the problem. Is it law enforcement people who are more skilled at their tasks of being at the border or arrests? Is it that there is no institutional structure, there is no procurement process, there is no paperwork that came down from the Department of Homeland Security when it merged?

Border Patrol has no internal mechanism? What is the problem that would allow the wrong equipment or the wrong processes to be utilized and thereby diminish our security?

Mr. GALLAY. I think there were enough problems to go around. Everyone that participated in this program bears a share of the responsibility for the fact that it did not work as it should have.

Certainly GSA and the contracting arm did not do what it should have in terms of supporting the Border Patrol and providing the right kind of contract vehicle—competition—and failed to provide the right kind of contract administration support. The Border Patrol itself did not pay sufficient attention to what was being provided to it by the contractor. And there were significant failings on the part of the contractors on performance.

So everybody had a seat at this table.

Ms. JACKSON-LEE. So this committee has a responsibility. Let me just go quickly to Mr. Saponaro. Can you provide this committee with a complete list of the prices for the components of the RVS sites and the costs of these component parts to IMC?

And let me add this one. Can you provide this committee with substantial records explaining why IMC was awarded such a large government contract over another equally or more qualified company?

Mr. SAPONARO. With respect to the first thing you asked, yes we can. And I think, to some extent, some of the data we have supplied already does do that. But I think we can supply a complete auditing of our price list and what we charged for each of the sites that exist.

Ms. JACKSON-LEE. I would appreciate a freestanding answer on that.

Mr. SAPONARO. Okay. On the second point, I am not sure we can provide that. I think it was pointed out here earlier that we should obviously take a look and do our own investigation of how this happened, to be awarded a larger contract from the initial.

We have not done that, to my knowledge. I would point out, however, that the selection of the contract is not really done by the contractor, meaning IMC or L-3 or any other contractor. It is done by the government.

They pick the contract appropriate to perform the work. And in this case, it is absolutely clear that the contract selected was not adequate to really perform this work.

Many of the non-IT-related construction activities pointed to by the IG audit report could not be done under the IT Schedule 70 contract. And as a result, I mean, that was the biggest failing in the selection of the contract because this work—to install sensors, et cetera, along the border—does in fact require that kind of work to be done.

I think, as far as some of the other things that were mentioned here, we are aware of the Blaine, Washington thing. We did find out there was problems there in the summertime. L-3 actually stepped up on its own and completely fixed that system so it is operational today.

And in fact, I would make a recommendation that either the committee or its staff or some members of the committee actually go out to look at some of these sites and see how they really work. They have been very effective in a lot of the places in Texas that I think the agents used them successfully in performing their work.

There is no doubt that I think that whatever ASI does going forward in the application of technology will require, I think some training and involvement with the agents in the field to make sure they can utilize effectively this technology they get, whatever it is, because I think they are the key.

The key point here is to provide them information in a rapid and timely fashion so they can better do their job. And they ought to be part of the process of requirements, as I said in my testimony earlier.

Ms. JACKSON-LEE. Mr. Chairman, I appreciate his kind offer. My understanding is there has been information associated with the audit, but not a complete itemized list. If we can take Mr. Saponaro up on his offer to provide us with a complete itemized listing of the prices and the additional records that he may have, that would be helpful to the committee.

Mr. SAPONARO. We definitely will.

Ms. JACKSON-LEE. Thank you very much.

Mr. ROGERS. The gentlelady yields back.

Ms. JACKSON-LEE. I yield back.

Mr. ROGERS. And I would offer, let you know that I talked with the Ranking Member. We have every intention of going out and inspecting, as a committee, these sites where they are working and where they are not working.

But we will have to schedule that a little bit later.

Right now, the Chair recognizes the gentleman from Texas, Mr. McCaul, for any questions he may have.

Mr. MCCAUL. Thanks, Mr. Chairman. I think the issue for this hearing is accountability or lack thereof. But what is most disturbing to me is not the \$2 million—which it was and we do not know what we got for the \$2 million—not that the taxpayers, in my view, got ripped off, but that it impacts our national security.

This has a direct impact on our national security. I am interested in this investigation.

Mr. GALLAY, you mentioned improper procurement procedures involved with the contract, used the word “unlawful,” I believe, at one point in your testimony. I am a former federal prosecutor like you. I worked on counterterrorism investigations. I also worked in the Public Integrity Section in Washington.

And I understand you cannot comment on the nature of the investigation. But tell me, who is conducting the investigation?

Mr. GALLAY. We have an investigation underway ourselves, the Office of Inspector General of GSA. In the course of that investigation, we are also coordinating with other cognizant law enforcement agencies.

That would include the Inspector General’s Office at DHS and the FBI.

Mr. MCCAUL. So the FBI is investigating this matter currently?

Mr. GALLAY. It would be more accurate just to say that we are conducting an investigation and we have coordinated with them.

Mr. MCCAUL. Okay. Is anyone from the United States Attorney’s Office or with Public Integrity looking into this?

Mr. GALLAY. I really would not want to get into any further details about the nature of the investigation other than just to say it is ongoing.

Mr. MCCAUL. Do you know how many individuals are under investigation?

Mr. GALLAY. It would not be appropriate for me to get into any specifics with respect to that. I would be happy to do it in executive session.

Mr. MCCAUL. I think perhaps we should do that.

The second half of my question relates to, we spent \$200 million. I do not know what we got for that. And now we are proposing \$2 billion to expand.

And that obviously gives us some pause, given the lack of performance of this contract; 2 to 4 percent of the border was covered with the \$200 million. I think 6,000 miles will be covered under the \$2 billion contract.

Can any of you tell us, first of all, what did we get for the \$200 million contract? And how are we going to do better with the \$2 billion? And what is that going to provide?

Mr. SAPONARO. If I could? First of all, just to correct the record, from our record on the Remote Video Surveillance System, we have installed 246 sites at various locations, which we could provide you a complete list. That 246 sites cost the government \$100 million, not \$200 million. I just want to pound away on that because our records, that is what we have actually invoiced GSA that much money, not \$200 million. So that is the record.

I think of the 246 sites, all of them are at least operational or being maintained to be operational, as I stated earlier. There were several that were not completed at the end of the contract, which was not continued, primarily due to the problems associated with getting environmental assessments completed or land leases or things that had to be done so that work could be installed on the border. And in fact, if those things were completed, that equipment could in fact be installed on a going-forward basis.

Again, all of this investment made on RVS in its current capacity can, in fact, be integrated in the future ASI program. So it is not an investment that went down the drain. In some respects, it can be integrated.

And in fact, any kind of ASI program should have a pretty sophisticated integration of technology and a refresh of that technology in the future over the lifecycle of that for such a large program. So you spent \$100 million and you got 246 sites installed on the border, many of it being used successfully by Border Patrol agents today.

Mr. MCCAUL. Is this mostly cameras on poles and surveillance?

Mr. SAPONARO. Yes. The RVS program was, as opposed to the ASI broader program, was principally to mount poles in the ground and then some series of either 10 or more cameras on those poles focused on some section of the border. And they would cover different geographic ranges. And that way, that information would then be communicated back to a control center where they could view the information coming from the video cameras into the control station.

That is all the RVS program was. There are other sensors and things that the Border Patrol has experimented with—remote vehicles and other types of sensors. But they were not part of the RVS program but, in fact, will be part—I think—of an ASI program that perhaps should use a multiplicity of different technologies because each of these sections of the geography of the U.S. border are different, requiring different kinds of systems to really handle the surveillance of those kind of borders.

Mr. MCCAUL. And lastly, Mr. Chairman, if I could just—I noticed that 6,000 of the border.

Mr. SAPONARO. Yes.

Mr. MCCAUL. I, too, am from Texas. It is a border state. How much of that 6,000, what percentage of the southwest border, where we have the major influx of illegal immigration, which poses a threat to our national security, how much of that will be on the southwest border?

Mr. SAPONARO. I do not know the exact answer to that question off the top of my head. But I certainly would be prepared to get exactly how many miles of coverage we have in both Texas and Arizona. We have perhaps the majority of these installations are on the southern border.

And I could get that number. And we could supply it with this information requested into the record from our version.

Certainly, I am sure the Border Patrol or Customs and Border Patrol has perhaps the answer at the tip of their fingers. I just do not have it.

Mr. MCCAUL. Thank you, Mr. Chairman.

Mr. ROGERS. The gentleman yields back. The Chair now would like to begin a second round of questions.

Mr. Saponaro, you just made a clarification and said that your company had billed \$100 million.

Mr. SAPONARO. That is correct.

Mr. ROGERS. For 246 camera sites—246, 247? I heard both numbers. I do not know which.

Mr. SAPONARO. Yes, that is correct.

Mr. ROGERS. And describe for me actually what that site is. What would be at the typical site?

Mr. SAPONARO. A typical site would be an area of the border where we mount a pole—a 60-foot pole, as you indicated, in the ground and then mount on the pole upwards of—anywhere from seven to 10 cameras, depending on the geography of that section of the border.

Mr. ROGERS. So each side will have how many poles?

Mr. SAPONARO. Well, it depends on the geography of the site.

Mr. ROGERS. Okay.

Mr. SAPONARO. What we were just talking about is there are four cameras on any individual pole.

Mr. ROGERS. Okay.

Mr. SAPONARO. Okay? And then that information is then transmitted back to a control tower and that either could be directly, depending on distance to the control tower, or through a relay communication device.

Mr. ROGERS. Are they wired together? Or is it through satellite signals that they communicate?

Mr. SAPONARO. They are radio transmitted back really to the control.

Mr. ROGERS. Okay. The cameras themselves, how much do they cost—does each cameras cost? You said you have the kind that were requested, not the better kind.

Mr. SAPONARO. There was a range of cameras at the end of the contract. There was, I believe, FLIR cameras were one camera; the ISAP camera was another type of camera. A FLIR camera had a lens extender feature that could be added to get better vision.

Mr. ROGERS. So how much would the most expensive camera that you had to put on there cost?

Mr. SAPONARO. I would say \$35,000 to \$50,000.

Mr. MILLER. It was actually \$48,500 for the FLIR with the extender.

Mr. ROGERS. Okay. Well, math is not my strong suit. But \$100 million at 246 or 247 sites is over \$300,000 per site. I cannot imagine why it would cost over \$300,000 to put a 60-foot pole in the ground and a \$35,000 camera on top of it. What am I missing?

Mr. SAPONARO. I think that is about the right number, \$300,000 per site, is about the right number of the total cost to do that.

Mr. MILLER. Mr. Chairman, if I could help clarify?

Mr. ROGERS. Please do.

Mr. MILLER. There are four cameras on each pole, two nighttime infrared cameras, two of the daytime cameras. The nighttime cameras that the inspector general discussed are the ones that are approximately \$48,500.

So you have two on each pole; then the lower priced, daytime camera. Then you have microwave transmission equipment as well as the cost of installation and other accessories to go along with it, a very large pole as well that has to be planted in the ground.

Mr. ROGERS. Now you just described to me about \$150,000 worth of equipment and poles. How do you get the other \$150,000 into that mix?

Mr. MILLER. I think when you look at the entirety of what goes into that pole, including installation, et cetera, that there is a basis for the price.

Mr. ROGERS. Okay. I would like to have an itemization of that.

Mr. GALLAY, did your audit find that to be an accurate statement? That this roughly \$300,000 per site was supported by the actual equipment necessitated on that site?

Mr. GALLAY. Well, certainly the price of the contract line item number was on the order of \$300,000. I think the real issue is: what should it have been? And it goes back to the question that was asked before. There have been many installations that are up and running around the country.

The question is: did we get our money's worth? And the point about competition is that that would have been the way to determine what was the appropriate price.

This procurement vehicle does not provide any great assurance as to whether or not that was the appropriate price.

Mr. ROGERS. Right. We are finding that a lot in this committee, not just on this item. We are being told it costs \$190,000 to put a Border Patrol officer through a five-month training program, but yet you can send your child to Harvard University for a four-year degree for \$20,000 less than that. And somehow, that makes sense to the people that sat at that table that you are sitting at today.

The last thing I wanted to ask you about was—there was a reference you made earlier to fees being obtained by TRS and somebody else as being a possible cause for some of this—the lax oversight. What did you mean?

Mr. GALLAY. By FTS? By the Federal Technology Service?

Mr. ROGERS. Yes. And there is somebody else that you said generated fees.

Mr. GALLAY. Well, I think what I was saying, what you are referring to, was that one of the underlying causes, we believe, in our review of all of the FTS contracting practices in terms of what happened in the environment there, was the fact that they were motivated to get more business and part of that was keeping the client happy.

And that became more of a dominant concern, in some cases, than proper adherence to proper federal procurement practices.

GSA is no longer an appropriated fund agency. And for the most part, it operates based on fees generated from its contract activities in support of other client agencies in the federal government.

On the FTS side, Federal Technology Service side, the fees they would get for performing these contracts, acquisition and support services would range from about 1 to 4 percent. FSS, the Federal Supply Service, which operates the schedule contracts, which IMC had held, which was the basis for the BPA, had gotten to be about 1 percent. That is down to .75 percent now on its contracts.

Mr. ROGERS. So these are agencies that would be reviewing the process?

Mr. GALLAY. Well, FTS was the component of GSA that operated, that handled this procurement.

Mr. ROGERS. And they had an economic incentive for it to be a larger project.

Mr. GALLAY. Well, one could look at it that way. That was not a specific element of our finding in the report.

Our point was more directed toward the environment that was created in terms of let's emphasize growing the business, you know, let's keep the client happy. That became the dominant motivator. And the net result that we found was a whole range of problems in terms of failure to follow proper contracting procedures.

Mr. ROGERS. My time is up. I appreciate your responses.

Mr. GALLAY. Thank you, Mr. Chairman.

Mr. ROGERS. The gentleman from Florida, Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman.

Mr. Saponaro, I want to give you the opportunity—you wanted, you and Mr. Miller, wanted to explain a little bit more about what you were doing as it relates to cameras. But before that, I just want to ask you a question.

Are there any other inspector general's reports or anything that we need to be aware of that your company happens to have the contract on?

Mr. SAPONARO. Not to my knowledge. We do not have any other such—

Mr. MEEK. Not at this time. And I would say that the GSA does not have—this is the only issue, this particular contract, that you are actually looking into the practices of the company?

Mr. GALLAY. Of L-3?

Mr. MEEK. Yes.

Mr. GALLAY. To my knowledge. I would have to check and let the committee know if there are others.

Mr. MEEK. Okay. I ask that question because I am encouraged by the fact that you are here, sir, because you want to set the record straight, if the record needs to be set straight. I am concerned by the fact of all the media coverage on this and all of the attention on the GSA report and all, that there has not been an internal investigation launched yet to find out who did what wrong, if something did go wrong, in your opinion.

I am also concerned that I have already mentioned that the Department of Homeland Security is not here. And believe me, when they come, I am pretty sure that there will be more fireworks in this committee about what took place.

But I do this congressional thing every day. And if there is something that is happening the next day that did not happen the days that I have been here, then I am going to raise the question.

So basically, your testimony today is the fact that you did not find anything out of the ordinary with this contract until you saw the report. It was the first knowledge, I guess, to your level or Mr. Miller, that there was an issue.

Mr. SAPONARO. I think it is accurate to say that, as I mentioned in the opening remarks, IMC had this contract. We acquired it in

the year 2002, the end of 2002. It ran in a separate sort of company within L-3.

And by the time we looked at it in mid-2003 and began to look at the contract and performance and the magnitude of this thing, we felt that it would be more appropriate to integrate it into a larger company, GSI, and then to change the management and put some of our own management practices in, which were used to handling larger programs. So we actually did that.

As we got some indications during the execution of the contract in 2004 from the GSA people we were dealing with, the question asked me earlier was did we do our own investigation of the award going from \$2 million to \$250 million. We did not do that, but we did look deeply into the way we were performing the program during 2004 and took every step we really did do to improve the performance of the contract to L-3 standards.

As I mentioned in my opening remarks, L-3 has a very, very strong code of ethics in terms of not only performing contracts to the letter of the law, but performing the spirit of the contract. So we were on the move, trying to improve our performance.

At the same time, of course, the IG was completing its audit of the—

Mr. MEEK. Mr. Saponaro, let me ask you this question quickly. Is there someone still living within the old management team within L-3 now?

Mr. SAPONARO. No, sir.

Mr. MEEK. No one? The president, vice president, no one?

Mr. SAPONARO. No one.

Mr. MEEK. Okay. So you still have stockholders that were involved in that company?

Mr. SAPONARO. I am sorry, could you repeat that?

Mr. MEEK. Was the company publicly traded?

Mr. SAPONARO. No, it was not.

Mr. MEEK. Okay.

Mr. SAPONARO. And one other correction I would make to that. We have an employee that works for us now that was an employee of IMC. And she continues to manage and very successfully manage a lot of other programs for us.

Mr. MEEK. Okay.

Mr. SAPONARO. She is currently an employee.

Mr. MEEK. Okay, let me ask you a quick question. This is to be continued. We are not trying to come in for a landing right now. You have an ongoing investigation. There may be others that we do not know of at this time that may have an ongoing investigation into the practices of not only the department.

But I also think that there is some responsibility on the side of the contactors. I mean, it is encouraging that you are here. I do not think it is a bad thing. I think it is a great thing.

But I think that it is important. I think it has been said here 10 times over today that we are very concerned about this.

And for the first time in the history of the Congress that we have a Homeland Security standing committee, the mission of this subcommittee is to make sure that the American taxpayers get what they deserve—protection and also the accountability.

As it relates to the investigation that you all are conducting within GSA, when do you think that will be coming in for a landing? Or you do not know?

Mr. GALLAY. I really could not say. It would be inappropriate to talk in any detail about the investigation.

Mr. MEEK. Would you be willing to come back before the committee when the department comes back or comes before this committee?

Mr. GALLAY. Certainly.

Mr. MEEK. Okay. I think it would be helpful because I believe it will be only fair to have your office represented at the same time the Department of Homeland Security is before us. They have quite a bit of explaining to do as it relates to what is happening.

I want to ask you the same question. The individuals that were over the contract, you said earlier, well there is a process right now of evaluating their job status within the department. But they are still—do you have knowledge, are they still working for the Department of Homeland Security in the capacity of awarding contracts on a sole-source basis?

Mr. GALLAY. I cannot speak to what is going on at Homeland Security. At GSA, that is what you are asking me about?

Mr. MEEK. Yeah, GSA. I am sorry.

Mr. GALLAY. There are some people that were involved who are no longer at the agency. There are some people who are still there. And as I said, there are actions that are being proposed. And they have to work their way through the process.

Mr. MEEK. Okay.

Well, Mr. Chairman, I once again just would first of all like to thank you and also the chairman and ranking member for continuing to pay attention to this issue. We are not only in this area finding questionable practices, but in others.

So we have to continue to go through this process. And I am pretty sure the Department of Defense, especially with the Iraq war going on, they are going to have to go through this process too.

This is hopefully to prevent this from happening again. Not only is it bad for the federal government, but it is also bad for the contractors that are involved.

But I guess the truth will float to the top eventually. And I would suggest that your company plays a very close role in this. If it is something that you all have not done, you better say it quickly because I am pretty sure that someone is going to have to answer for something that happened here.

And I do not know how far it is going to go. But I hope that some of the things that have been brought to light can be explained because I know the American people will feel better, because some of this stuff is truly hard to believe.

Thank you.

Mr. ROGERS. Thank you.

I prefaced my questions a little while ago about the pole site costs by telling you math was not my strong suit. And I have to apologize. My math was wrong. It was not \$300,000 per site; it was \$406,000 per site.

Can you speak to that?

Mr. SAPONARO. Yes, sir. I will try to speak to that. I mean, you had some idea of what the equipment costs were, including additionally to the cameras were some radio communications equipment. But the evolution of the sites also involved site planning; that is, there had to be some labor involved to do the planning for the site, just to get that to the Border Patrol for their approval.

Some labor involved to supply information to the Army Corps of Engineers that handle the environmental assessments and all that part of it. There was a number of things involved.

And it is not only installing these sites, getting power to the sites and, I would say, several labor-related activities that supported the equipment that you roughly added up. And I think we can and will provide you sort of a breakdown of the site in terms of the components and the costs that go with it.

Mr. ROGERS. I look forward to that.

Mr. SAPONARO. And we are prepared to stand behind it.

Mr. ROGERS. I look forward to that. And before I move to the next questioner, I did want to revisit one statement you made and that was you said you have installed these 246 cameras.

You said, "Many are being used today by Border Patrol officers."

Mr. SAPONARO. Yes.

Mr. ROGERS. Not all of them?

Mr. SAPONARO. I think all of them are being used.

Mr. ROGERS. When you said many, it made me think that maybe some of them were not working.

Mr. MILLER. I think the qualifier there is because since September 30, 2004, to our knowledge, there has been no maintenance of the system as it was installed on that date. These are high-technology cameras. And in particular, a great number of them are cooled cameras.

And there will be failures if they are not maintained. We cannot speak to the current status.

Mr. ROGERS. Thank you very much.

I now yield to the gentleman from Washington, Mr. Reichert, for his second round of questions.

Mr. REICHERT. Thank you, Mr. Chairman.

First of all, this will be my last time to talk to you, so I want to thank you for being here. I know it is tough to sit in this meeting room and answer these hard questions. But we have that responsibility to the American people and appreciate you being here and giving us your honest answers.

I want to get back to just the responsibility issue that I share with my colleague from Florida, that someone will be held responsible and accountable here. And I know we cannot talk about details of the investigation. People in this room recognize that investigation will uncover some misconduct, if not criminal activity.

You can talk about vertical or horizontal responsibility, poor management. You can talk about silos. You can talk about all those things that might have prevented certain things from happening, how to manage a project within an old and tired system and trying to transfer it to a new and more modern system of management.

But the fact is that checks and balances here, whatever system we are talking about, failed. One of the questions that I had, now

as we look to the future, we want to get things done. And we want to make sure that we get our money's worth.

One of the things that has to happen is the Homeland Security Department has to have authority to enter into agreements and partnerships with private companies and businesses, partnerships and partnerships with them. Do they have that authority now?

Mr. PELLEGRINO. Just from firsthand experience, both our own organization as well as working with many of the leading suppliers, as the chairman of their association, supporting the department, they do have that authority. They are somewhat under-resourced, as the full committee chairman described earlier.

I think his numbers, in fact, were pretty accurate and on-target as of yesterday, in an update that our industry received from the chief procurement officer in terms of where they were with resources. Private industry spends 2.5 to 3 percent of their acquisition costs on resources to manage those procurements.

So 2 to 3 percent of the total cost of what they buy is spent on managing the acquisition. Today, if Homeland Security added literally twice as many contracting and procurement officers within their organization to run these acquisitions, they would only still be at half of the standard industry benchmark.

Double the current workforce and they would still be at half, which would mean that, to achieve the same level of performance as the private sector, they would have to work twice as hard. That is a very challenging environment.

And what that will drive, as we enter into a period where more and more government workers are also facing retirement over the next decade, is a greater dependence on private sector and systems integrators in order to achieve some of these very complex programs. So we need to develop that workforce, add those resources.

I know the department is committed to doing that. And they have already begun to make some progress.

And likewise, industry is stepping up to the plate as well. In fact, we have offered, as an industry group, to help facilitate the development of more skills in this new program management area by sponsoring some of the training, as well as some of the skills development, working side by side, to ensure that industry and government have comparable skills together to ensure that these types of things do not happen.

Mr. REICHERT. So now that you have described some of the difficulties that the Department of Homeland Security is facing, is it realistic to assume that we can complete America's Shield—6,000 miles—in 4 years?

Mr. PELLEGRINO. A program like that faces many challenges, as we have heard here. You have a full range of different types of skills that have to be brought together in order to address the full life cycle.

We have heard about site development and construction costs and putting up holes and wiring cameras. These are all different types of skills necessary.

And so a program like this has to address that entire life cycle of capabilities. I am reminded that the city of London a few years ago installed over 600 cameras in 174 locations in just 2 years. And

they charge every driver of a vehicle into the center city every day for that privilege.

And such a system being built in such a short period of time had a couple of critical elements: one, the mayor himself put his office on the line relative to the accomplishment of that very complex program. And he ran a very large program office that represented the client side, what we would say.

In other words, the program office represented the government in ensuring that all of the steps that were necessary were performed and competed and that the money was only paid when the job was done. That program was successful and it went live and it has operated very efficiently ever since it went in place 2 years ago.

So 2 years, a program that is equally ambitious and complex, just in the sense of putting something into a city that is that old, with new technology. And we should learn from programs like that, in terms of how they accomplished it.

Mr. REICHERT. So was that a yes?

Mr. PELLEGRINO. Yeah.

[Laughter.]

Mr. REICHERT. Thank you, Mr. Chairman.

Mr. ROGERS. The Chair now recognizes the gentleman from Texas, Mr. McCaul, for any more questions he may have.

Mr. MCCAUL. Thank you, Mr. Chairman.

I want to clarify some of the testimony. It is great to have all this technology on the border. I am generally supportive if we do it right.

But do we have the personnel to maintain it? Because if we do not, it is not of any benefit. I know that may be a little bit out of your field, but if you could address that issue, I think.

Mr. Miller, I know you are counsel, but you seemed to touch on that issue. It is an issue that we as a Congress, we fund Border Patrol and DHS. And so it is an issue I would like to hear your response.

Mr. SAPONARO. Border Patrol has established a center for operations and maintenance for the existing towers that are there in Albuquerque, in Texas. And we had 19 people, in addition to the Border Patrol people, helping to maintain that equipment.

In fact, that was one of the areas where the IG report, in our testimony, that we have clear records of what these people were doing exactly in terms of maintenance. I think in the acquisition of ASI, the logistical support for the more complicated systems perhaps should be in the hands of the prime integrator for some period of time, during the warranty period in the first couple of years of the system, they have the most to gain to make sure that equipment is in fact operating and working successfully, assuming there are some metrics or fixed price arrangement.

But I think currently, we do not know actually the status of the maintenance activities that have been done on the RVS equipment since September 30 since we have been off the contract.

Mr. MCCAUL. Do you have an estimate of how many, sort of the personnel numbers, what it would require to maintain the Shield Initiative?

Mr. SAPONARO. I do not really know that number. I think it definitely could be estimated. And we have not been privy to, in indus-

try, really what the vision and objectives and requirements really are for ASI.

It most likely will involve a multiplicity of technologies that can be deployed in different parts of the border, a program that I think might evolve over a longer period than the 4 years you mentioned, although it is hard to make a judgment on that without seeing what the priorities of the program are.

And as was indicated here earlier, once most prime contractors in the industry today, you know, really get up every morning trying to figure out how better to work with their customers to provide quality services and solution. And we are not getting up every morning to figure out how to cause some events that may cause another program to happen.

So I think the vision, priorities; then I think you could make a comment of whether this system can be done in 4 years. That seems like a pretty aggressive schedule.

Mr. McCAUL. Mr. Gallay, a question regarding your investigation. Did you request documents from Border Patrol as to how this contract was awarded?

Mr. GALLAY. In the context of our audit, yes we did.

Mr. McCAUL. Right.

And was there any compliance with that request?

Mr. GALLAY. Our requests were made through the FTS contracting officials, which handled the procurement. And I regret to say we were not provided with those documents. We never got a really satisfactory explanation as to why, as to whether or not they were destroyed or could not be located or what.

We made that request multiple times. We never were provided with the documentation. And that is reflected in the formal statement.

Mr. McCAUL. So you made several requests to Border Patrol.

Mr. GALLAY. To FTS, which made the request to the Border Patrol. And during the pendency of our request, we kept being told that yes, there is a box of materials relating to the initial RFP and the proposals and the awards. And those would be provided; those would be provided.

Suddenly, we were then told they were not available.

Mr. McCAUL. And so no documents were produced?

Mr. GALLAY. Not to us.

Mr. McCAUL. Is it typical when you have a contract awarded to maintain those records as to how the contract was awarded?

Mr. GALLAY. Yes, sir.

Mr. McCAUL. But in this case, they did not have any documents?

Mr. GALLAY. None were provided to us. That is not typical. And that is most disturbing.

Mr. McCAUL. And did they indicate they just did not have any documents? Or they just did not want to comply?

Mr. GALLAY. We did not get a satisfactory explanation as to why the documents were not provided to us.

Mr. McCAUL. I am very disturbed by that.

I think that is something, Mr. Chairman, that we should pursue on this committee.

Lastly, Mr. Saponaro, I know you sort of acquired a bit of a liability when you bought or acquired IMC. And this may apply to Mr. Gallay as well.

It is my understanding that IMC bought ISAP and that there were certain cameras that were specified to be used for the surveillance, but that at some point, the decision was made to substitute the more expensive cameras with the cheaper version. And I believe that was in your report.

Is that accurate? Or could you comment on that?

Mr. GALLAY. That is correct. Now this is a point on which there is some difference between L-3 and our view of events. I will say that, in terms of the point we made, the pricing of the proposal, which was done by IMC early on, was based for each contract line item on a certain array of cameras. And that pricing was based on the FLIR cameras at \$48,500. There may have been other variations.

And again, this goes back to the discussion about the government needing to work hand-in-hand with contractors. L-3's point was, well, they were free to make some changes in the selection of the individual cameras. Our point is, if that was done, that certainly should have been, in fairness, reflected in the price.

Mr. MCCAUL. And did the contractor ever notify GSA of this change?

Mr. GALLAY. We received some indication that the contractor did have conversations with the Border Patrol about some of the changes and that Border Patrol headquarters may have approved them, although one of the issues we found on our field visits was the people in the field clearly wanted the higher-end cameras and were not satisfied with some of the substitutions that were made.

Mr. MCCAUL. So the agents in the field wanted the higher-value camera. The decision was made at a higher level to go with the cheaper?

Mr. GALLAY. That is essentially correct. And just to follow up on your other point, there was not notification to the FTS contracting officer about those changes.

Mr. MCCAUL. Okay. I see my time has expired. Thank you.

Mr. ROGERS. Thank the gentleman.

The Chair now recognizes the gentleman from Connecticut, Mr. Shays, for any questions he may have.

Mr. SHAYS. Thank you very much.

The chairman of the full committee was here earlier and outlined this. We would love some answers as to the issue of seven procurement offices, the creation of a chief procurement office, the legacy of these 22 departments becoming one.

Under this issue, do you believe the current organizational structure is adequate to support successful contracting actions for the \$2.5 billion America's Shield Initiative?

And that would go to you, Mr. Pellegrino.

Mr. PELLEGRINO. I believe that the department is taking measures to ensure that CBP is adequately resourced and the chief procurement officer recognizes this as a significant challenge and has already begun to add a significant number of acquisition resources in order to address the current constraints.

Mr. SHAYS. You have about 700 totally and you are going to go to 400 more or so?

Mr. PELLEGRINO. I am not sure, 400 more? Today, I think it would be larger than that is the current plans. I believe that 400 more would just reflect the need that they have in both CBP and TSA.

Mr. SHAYS. Are you looking to consolidate these?

Mr. PELLEGRINO. This is not our role as Deloitte Touche. But I believe that they are addressing these issues in terms of how to better integrate the different procurement organizations within the department.

And we believe that their plans are well considered and appropriate.

Mr. SHAYS. Do you believe that the chief procurement officer should have direct line authority over the others?

Mr. PELLEGRINO. I believe that to have a chief procurement officer, it should have that type of authority.

Mr. SHAYS. Any opinions expressed by the other panelists on this issue?

Let me just ask, in one other area, in light of the management failures—and I would ask GSA on this—in light of the management failures outlined in your report, your audit, considering how significantly larger and more complex the ASI contract is projected compared to ISIS, which of these contracting options are you recommending GSA pursue for ASI?

Mr. GALLAY. Which of the options? I am sorry.

Mr. SHAYS. Yeah.

Mr. GALLAY. I am not sure I understood what the array of options was.

Mr. SHAYS. Well, you have one option is the full and open competition; you have option two, assisted contracting; and option three, partial-assisted contracting.

Mr. GALLAY. I do not have a specific recommendation. But certainly, the notion of open competition has to be an integral part of anything going forward here. And I would have serious reservations about anything that took away from that.

But essential to a project of this scope is proper planning and development of an acquisition concept that takes into account the difficulties that are to be encountered and provides everybody that is in the position to submit a proposal that opportunity.

Mr. SHAYS. Any other opinion by other panelists?

Mr. PELLEGRINO. I believe, from an industry perspective, full and open competition and a primary systems integrator to manage the program and the delivery is the right model.

Mr. SHAYS. Okay. It is pretty striking to me that this department, \$13 billion purchasing is an extraordinary amount of money. And it is a little unsettling that we still have not kind of sorted this out to the extent that we need to.

Are we finishing up here, sir?

Mr. ROGERS. Yes.

Mr. SHAYS. Is there any question that you wish that the members had asked, that you were prepared for, that you need to put on the record? It can be on any issue.

Anything you stayed up all night preparing for?

[Laughter.]

Seriously, is there any issue that any of you would like to put on the record? So I will assume no.

Thank you.

Mr. ROGERS. Thank the gentleman; he yields back.

I want to thank the witnesses for your very valuable testimony and your presence. And I want to thank the members for their questions.

Panelists, I would like you to be advised that the record will be held open for the next 10 days. So if members do have some questions, I would appreciate you responding to those.

And with that, this hearing is adjourned.

[Whereupon, at 12:04 p.m., the subcommittee was adjourned.]

**MISMANAGEMENT OF THE BORDER
SURVEILLANCE SYSTEM AND LESSONS
FOR THE NEW SECURE BORDER INITIATIVE
PART II**

Friday, December 16, 2005

HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON MANAGEMENT,
INTEGRATION, AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to call, at 10:45 a.m., in Room 311, Cannon House Office Building, Hon. Mike Rogers [chairman of the subcommittee] presiding.

Present: Representatives Rogers, Linder, McCaul, Meek, Pascrell, and Thompson.

Mr. ROGERS. I would like to call this meeting of the Subcommittee on Management, Integration, and Oversight of the Committee on Homeland Security to order. I thank the witness for being here.

We are holding this second hearing today to examine what went wrong with the border surveillance camera program, and how to avoid repeating the mistakes of the past in the new Secure Border Initiative.

I would first like to welcome our witness, the Inspector General from the Department of Homeland Security, in his first appearance before the subcommittee since his confirmation. On June 16, 2005, we held our first hearing on mismanagement of the Integrated Surveillance Intelligence System, referred to as ISIS. This program, managed by the Border Patrol, is a network of remote surveillance technology that includes ground sensors and cameras mounted on poles along the Nation's borders.

That hearing focused on a report from the General Services Administration Inspector General on disturbing financial and management problems in the ISIS program. These included: The ballooning of the initial contract award from \$2 million to \$200 million in just one year without competition; secondly, payments for tasks outside the scope of the original contract; payments for cameras and other equipment that did not work or were never installed; and then finally, numerous cost overruns in violations of contracting rules.

Today we will hear from the Inspector General for the Department of Homeland Security on his review of border surveillance technology. The Inspector General's report, which is being released

to the public today, identified a lack of effective oversight by the Border Patrol of the ISIS contract.

Today's oversight hearing is particularly important as the Department moves forward with its comprehensive new plan to secure our borders and reduce illegal immigration. This program, known as the Secure Border Initiative, is a multi-year, multi-billion dollar program that will use the combination of personnel, infrastructure, and technology. SBI is a far more ambitious and more expensive undertaking than was ISIS. Given the size and scope of SBI, it is critical that the Department not repeat the mistakes we have seen with ISIS.

I thank the Inspector General for being here today. I look forward to your testimony.

Now I would like to recognize the ranking member of the committee, my friend from Florida, Mr. Meek, for any statement he may have.

[The statement of Mr. Rogers follows:]

PREPARED OPENING STATEMENT OF THE HONORABLE MIKE ROGERS

DECEMBER 16, 2005

We are holding this *second* hearing today to examine what went wrong with the border surveillance camera program, and how to avoid repeating the mistakes of the past in the new Secure Border Initiative.

I would first like to welcome our sole witness—the Inspector General for the Department of Homeland Security—in his *first* appearance before this Subcommittee since his confirmation.

On June 16, 2005, we held our first hearing on mismanagement of the Integrated Surveillance Intelligence System, referred to as ISIS (*pronounced: Eye-sis*).

This program, managed by the Border Patrol, is a network of remote surveillance technology that includes ground sensors and cameras mounted on poles along the Nation's borders.

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These included—

- the ballooning of the initial contract award from \$2 million, to \$200 million, in one year without competition;
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- numerous cost overruns and violations of contracting rules.

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This program—known as the Secure Border Initiative—is a multi-year, multi-billion dollar program that will use a combination of personnel, infrastructure, and technology.

S-B-I is a far more ambitious—and *expensive*—undertaking than ISIS. Given the size and scope of S-B-I, it is *critical* that the Department not repeat the mistakes we have seen in ISIS.

We thank the Inspector General for being here today, and look forward to your testimony.

Mr. MEEK. Thank you, Mr. Chairman. Once again, I am glad to be here at this second hearing on the Integrated Surveillance Intelligence System, better known as ISIS. I want to also thank the Inspector General for Homeland Security, Mr. Skinner, for being

here, and also the Chief Inspector of the Office of Inspections and Special Reviews, Inspector Mann. Thank you, sir, for being here before us today.

First, I want to say in our first hearing, we heard from Mr. Joel Gallay, the Acting Inspector General at the General Services Administration. After describing the many problems with the ISIS contract, Mr. Gallay summarized the problems with this contract by stating that this contract failed to follow proper procurement rules, ensure adequate procurement planning, selection, and an appropriate contract vehicle, required open competition, and also provided oversight of the contracts before him. These are some of the places where we fell short.

In a nutshell, the contract had problems because it didn't follow the accepted rules in Federal contracting procurement guidelines. At this point, the Department has spent over \$400 million on border security technology, but has failed to cover more than 10 percent of the borders. This leads me to believe that the problems outlined in June by Mr. Gallay are still problems that face the Department of Homeland Security in implementing this program today under whichever name they may give it at this point.

For me, the question is how can we get beyond this point and bring about solutions. I believe that the answer is clear. There must be effective leadership and a clear vision and accountability, especially on how the taxpayer dollars are being spent.

Mr. Chairman, I understand that we are planning to have a third hearing on ISIS in February, and the Department of Homeland Security is planning to testify at that hearing. I hope that they come before us and provide us with solutions to many of the problems we heard about in June and the problems that I expect that we will hear about today with this report.

I just want to thank our witnesses once again for the work that they are doing. It is a very young department, but we need the oversight and we need your professional staff to stay motivated so that the taxpayers' dollars are being spent in the way they should be spent and, at the same time, protecting our borders and our country. Thank you.

Mr. ROGERS. I thank the gentleman. The Chair now recognizes the ranking member of the full committee, our friend and colleague from Mississippi, Mr. Thompson, for any statement he may have.

Mr. THOMPSON. Thank you very much, Mr. Chairman. Welcome to our witnesses. I am happy that you have come before us today.

I, too, attended the hearing in June and, like most of my colleagues, was very alarmed at what we were told. I am looking forward to your presentation this morning. This is our third new name for the same program, and we have to do better than just rename a program; we have to absolutely make sure that we do what is required. We have spent some \$428, \$429 million on this program, and as my colleague, Mr. Meek, just indicated, and we are only about 10 percent home. We have only demoted four employees in the process. So we have a long way to go. We all agree that we can't stand people shoulder-to-shoulder on the border to protect it. Technology absolutely has to be the way to go. But somehow, with the ability of this government, either procurement is not right or

something, and we just have to do what is right to protect our borders.

So I look forward to the testimony. I want to personally thank Mr. Skinner and his operation for the help that they have provided the people of the gulf coast during Katrina. You have done a good job. I would say that an IG's job is not really a thankless job but, nonetheless, you don't make a lot of friends. But I assure you the taxpayers of this country appreciate you for the job that you do.

Mr. Chairman, I yield back the rest of my time and look forward to the testimony.

Mr. ROGERS. I thank the gentleman. I would also remind the members if they would like to provide opening statements for the record, they will be able to do so.

**STATEMENT OF THE HONORABLE RICHARD L. SKINNER,
INSPECTOR GENERAL, DEPARTMENT OF HOMELAND
SECURITY**

Mr. ROGERS. The Chair now recognizes the Honorable Richard L. Skinner, Inspector General of the Department of Homeland Security, to testify. He is accompanied by Mr. Carl Mann, Chief Inspector for the Inspector General's Office of Inspections and Special Reviews. Mr. Skinner, you may proceed.

Mr. SKINNER. Thank you, Mr. Chairman and members of the committee. It is a pleasure to be here to talk about our report on remote surveillance technology. As you know, CBP, Customs and Border Protection, uses a mix of agents, intelligence, technology, and equipment to secure our Nation's border. The technology includes cameras and sensors to detect and identify illegal border intrusions recently augmented by aerial, or unmanned aerial vehicles, UAVs, along the southwest border. CBP manages remote surveillance technology under the auspices of the Integrated Surveillance Intelligence System as we all know as ISIS. Since fiscal year 1997, when it started under the Department of Justice, ISIS has received more than \$429 million in funding. Our report discusses a number of problems associated with the ISIS program, and it will be posted on our Web site later today. These issues are also summarized in my prepared statement.

In my oral remarks today, however, I would like to focus on the contract management problems that we encountered during our review. Before I begin, I wish to point out that we did not set out to audit CBP's contract with International Microwave Corporation but, because of the impact that contract management problems had on the effective implementation of ISIS, we felt compelled to comment on it in our report.

The first observation that anyone who looks at this program would make is that contract accountability was most certainly confused. At the Department of Justice where ISIS began, it actually began with the IT Office within the INS. Then it was transferred to the Border Patrol office. From there, INS dealt through GSA, using a Federal supply schedule contract and a blanket purchase agreement to eventually reach the contractor. The contractor, as integrator or coordinator, teamed with five other companies to procure and install the equipment that CBP had requested. This shifting of responsibility, the use of GSA as an intermediary, and the

use of different procurement vehicles are not in themselves that extraordinary as procurement practices. But, taken together, this over-taxed everyone's capacity to manage this contract and this program effectively. As a result, most contractor invoices were paid without CBP certification or, more recently, CBP certified the invoices, but after they had been paid. For example, in 2005, we were certifying invoices for goods and services that were delivered in 2002.

In our sample of about 65 invoices, we could only identify 7 invoices that were actually recommended for payment by CBP. No invoices in our sample, however, were rejected, although we understand that there were some invoices that were rejected by CBP. This resulted in payments to the contractor for goods and services that were never received.

At one point, CBP attempted to bring the contractor into compliance. On September 9, 2003, the ISIS program manager wrote a detailed letter to the contractor outlining a litany of concerns regarding the contractor's performance. The letter cited inefficient financial tracking and cost control, inefficient inventory control, failure to meet required deadlines and deliverable due dates, and a failure to notify the government of impediments to installations of cameras. The letter made several recommendations for remediation. However, one month later, GSA instructed the contractor to disregard CBP's letter on the grounds that CBP should not have had such communication with a contractor. While technically, GSA was correct in doing this, the contracting officer made no attempt to address the problems reported by the ISIS program manager. Instead, in the same letter, GSA advised that it had determined that no invoices could be submitted for non-IT related work, although such work had been performed, invoiced, and paid since the inception of the contract years earlier; 1998, in fact.

In essence, the letter from GSA was a stop work order. GSA did not coordinate this action with CBP, nor did it offer an alternative means or solution to get the work done. Consequently, little work on the ISIS contract has occurred over the past 2 years.

Another acquisition management issue that we think could be improved relates to site acquisition. To meet the ambitious goals of ISIS and presumably of the Secure Border Initiative, SBI, a significant number of additional surveillance structures and supporting infrastructure will likely be required. Based on a review of CBP records, however, camera installations took, on average, 20 months to install or to complete. The most time-consuming aspect involved site selection, securing land access, and performing environmental assessments. Much of this preconstruction activity under the contract was performed sequentially when some steps, in our opinion at least, could have been performed concurrently. We made seven recommendations to CBP. It concurred with all of them. However, it appears that ISIS is now being subsumed into the much broader Secure Border Initiative, SBI. As a result, the program has been put on hold.

CBP indicated that the next step would involve the selection of an integration contractor, which is projected to occur in September 2006. Given the uncertainty of when or if ISIS implementation, at least as currently envisioned by CBP might resume, we asked CBP

to provide our office with a detailed corrective action plan addressing each of our recommendations prior to then. Furthermore, we plan to monitor very closely the Department's strategy for rolling out its SBI, Secure Border Initiative, and the costs associated with its implementation.

Mr. Chairman, this concludes my statement. I am pleased to answer any questions you or the committee may have.

[The statement of Mr. Skinner follows:]

PREPARED STATEMENT OF RICHARD L. SKINNER

FRIDAY, DECEMBER 16, 2005

Good morning Mr. Chairman and Members of the Subcommittee. Thank you for the opportunity to discuss the Office of Inspector General's (OIG) review of the effectiveness of border surveillance, remote assessment, and monitoring technology in assisting the Department of Homeland Security's (DHS) Bureau of Customs and Border Protection (CBP) to detect illegal entry into the United States.¹

Introduction

The Office of Border Patrol (OBP), within CBP, is the primary federal law enforcement organization responsible for detecting and preventing illegal aliens, terrorists, and contraband from entering the United States between official ports of entry. To accomplish its mission, OBP uses a mix of agents, information, technology, and equipment.

The technology OBP uses includes cameras and sensors to detect and identify illegal border intrusions. OBP manages remote surveillance technology under the auspices of the Integrated Surveillance Intelligence System (ISIS) program and the America's Shield Initiative (ASI). Since Fiscal Year 1997, ISIS and ASI have received more than \$429 million in funding. ISIS equipment includes sensors, the Remote Video Surveillance (RVS) system, and the Intelligent Computer Assisted Detection (ICAD) system. The key elements are as follows:

ISIS Equipment

Sensors, primarily seismic and magnetic, buried in the ground, provide primary remote detection capability. When a sensor detects activity, alerts are sent via radio transmission to an OBP sector or station communications center. According to OBP, there are more than 11,000 sensors along the northern and southwest borders. Sensors are part of the first level of a layered border security strategy. Sensor technology is the most widely used as well as the easiest and least expensive to install and maintain.

The **RVS system** provides the primary remote identification capability. It includes both color (day) and thermal-infrared (night) cameras, which are mounted on sixty or eighty-foot poles or other structures. The RVS system utilizes related infrastructure such as repeater towers, control room monitors, and toggling keyboards to zoom, pan, and tilt the cameras. As of August 2005, 255 RVS camera sites and 27 non-camera sites (repeater towers, for example) are operational. There are 168 RVS camera sites and 38 non-camera sites that are incomplete.

The **ICAD system** provides OBP with a resource tracking and response coordination capability. ICAD is integrated with the sensors so that when a sensor is triggered, an alert is registered in ICAD. The alert creates an event record, or ticket, that is used to record data pertaining to the alert and eventually the result of an OBP agent's investigation. ICAD aids Law Enforcement Communication Assistants (LECA) in tracking OBP agent activities and provides OBP with a means to generate activity reports.

Law Enforcement Communications Assistants (LECA)

LECAs are primarily responsible for providing radio and dispatch support to OBP agents in the field. They are the coordination point between ISIS and the OBP agent. The LECAs monitor both RVS camera and ICAD terminals. Once they observe suspicious activity or receive a sensor alert notification through ICAD, they relay the appropriate information to OBP agents who will investigate and report on the incident. When the results of the OBP agent's investigation are received, the LECA closes the ICAD ticket.

¹DHS OIG, *A Review of Remote Surveillance Technology along U.S. Land Borders* (OIG-06-15)

Results of Review

Several limitations of border surveillance, remote assessment and monitoring technology as well as significant delays and cost overruns in the procurement of the RVS system have impeded the success of ISIS.

ISIS Has Not Been Integrated

Since its introduction, ISIS has had varying expectations.² However, it is clear that sensors and RVS cameras were intended to work together, leveraging the detection capabilities of sensors with the visual identification capabilities of RVS cameras.

To date, ISIS components have not been integrated to the level predicted at the onset of the program. RVS cameras and sensors are not linked whereby a sensor alert automatically activates a corresponding RVS camera to pan and tilt in the direction of the triggered sensor. However, even if ISIS was fully integrated, due to a limited number of operational RVS sites (255 nationwide), integration opportunities would be limited to the areas near these sites.³

The lack of automated integration undercuts the effectiveness and potential of ISIS. Since no automated integration exists between RVS cameras and sensors, the integration of information from these two sources becomes the responsibility of the LECAs. The LECA is required to select the appropriate RVS camera, manually maneuver the camera in the direction of the sensor, and then attempt to identify the cause of the sensor alert.

OBP Could Not Demonstrate Force—Multiplication Advantages of Technology

Senior CBP and OBP officials have repeatedly stated in congressional testimony and program documents that ISIS is a force-multiplier. OBP officials asserted that ISIS has been successful in serving as a force-multiplier in that it frees the use of the limited number of OBP agents who would otherwise be needed to monitor the border. However, OBP has not developed performance measures to evaluate the effectiveness of ISIS or its role as a force multiplier.

OBP officials pointed out that to measure accurately the force-multiplication benefits of ISIS technology requires an accounting of the number of attempted illegal entries and the number of attempts that were successful. Since this information is not easily obtainable, OBP must consider other indicators to measure force-multiplication and response effectiveness.

ICAD Data is Incomplete and Unreliable for Measuring Force-Multiplication

OBP officials acknowledged that ICAD data could be used to analyze force-multiplication and response effectiveness. However, because of the numerous variables involved in cataloging information in ICAD, and because some OBP sectors are recording certain events in ICAD while other sectors are not, they also acknowledge that ICAD data would be of limited value and that conclusions drawn from this data would vary.

Several factors limit the accuracy of ICAD data, thus its usefulness for measuring force-multiplication benefits and response effectiveness is limited. For example, LECAs may not always have time to advise an OBP agent of sensor alerts or camera observations. Similarly, OBP agents may not be available to respond. If there is a delay between the sensor alert or camera observation and when an OBP agent investigates the possible intrusion, the ticket may simply be cleared as “Unidentified,” “Not Available,” or “Unknown.”

Few Apprehensions Attributed to Sensor Alerts

Using sample ICAD data, we determined that more than 90 percent of the responses to sensor alerts resulted in “false alarms”—something other than illegal alien activity, such as local traffic, outbound traffic, a train, or animals. On the southwest border, only two percent of sensor alerts resulted in apprehensions; on the northern border, less than one percent of sensor alerts resulted in apprehensions.

² ISIS was initiated while the Border Patrol was part of the Department of Justice’s Immigration and Naturalization Service (INS). Within INS, the Office of Information Resources Management (OIRM) was the principal manager of the ISIS program. In April 2001, a memorandum of understanding was established between OIRM and Border Patrol that transferred the RVS system and sensor program to Border Patrol but left the ICAD component of ISIS with OIRM. In March 2003, when Border Patrol became a component of DHS, all ISIS elements transferred to the Border Patrol. All references to OBP refer to both current and legacy INS activities related to the ISIS program.

³ According to OBP officials, the RVS system currently deployed provides approximately five percent border coverage given an average tower height of 70 feet and viewing range of 1.5 miles.

Therefore, despite claims that ISIS prevents OBP agents from having to respond to false alarms, our analysis indicates that OBP agents are spending many hours investigating legitimate activities because sensors cannot differentiate between illegal activity and legitimate events, and because there are too few operational RVS camera sites available for OBP personnel to evaluate the cause of an intrusion alert remotely.

ISIS Procurement

Over the life of ISIS different contracts, regulations, and agreements have affected the installation of the RVS sites, including, Federal Acquisition Regulations and General Services Administration (GSA) federal supply schedule contracts with various vendors, particularly the federal supply schedule contracts with International Microwave Corporation (IMC) and a Blanket Purchase Agreement (BPA).

In September 1998, the INS entered into an interagency agreement with GSA through a Memorandum of Understanding (MOU). According to the MOU, GSA would provide information processing services through task orders to private sector contractors, while GSA would provide the contracting officer and the contracting officer's technical representative.

In March 1999, IMC was awarded a contract to engineer, install, manage, and provide remote surveillance equipment and support to multiple sites throughout the United States. Following the initial award to IMC, INS requested that GSA issue a BPA to IMC, citing cost savings as the greatest benefit of a BPA. Specifically, INS highlighted a unique teaming alliance that IMC had with five technology companies, which would result in favorable equipment discounts up to 16 percent below the GSA federal schedule price list. Additionally, INS stated that IMC had emerged as the principal systems integrator and that approval of the BPA would help standardize the RVS equipment by eliminating the continual requests from the field for customization.

In November 2000, GSA issued a BPA to IMC for an estimated \$200 million in purchases to support all RVS requirements through September 30, 2004. Only ISIS technology and OBP agent support equipment and services could be ordered under this BPA.

OBP's Oversight of RVS Equipment Contract Activities was Ineffective

Our primary objective was to review OBP's use of remote surveillance technology, including RVS equipment, rather than audit its procurement practices. Nonetheless, while conducting our review, we encountered certain contract management issues that adversely affected the timely installation of RVS equipment.

To test the adequacy of contracting oversight, we reviewed procurement documents for a sample of seven RVS installation Technical Directives (TDs), six issued under the BPA and one issued prior to the BPA. Weak project management and contract oversight, exacerbated by frequent turnover of ISIS program managers, resulted in RVS camera sites being incomplete, leaving large portions of the border without camera coverage.

In addition, completed work was not finished in a timely manner. More than \$37 million in DHS funds remain unspent in GSA accounts.

OBP Certified Few Contractor Invoices Prior to Payment

According to OBP and GSA records, most contractor invoices were paid without OBP certification. Procedurally, OBP should have certified correct and properly supported invoices, thereby accepting services, and returned the certifications to the contractor, who would forward the invoices and certifications to GSA for payment.

Currently, OBP is certifying invoices after the invoices have been paid. OBP hired Performance Management Consulting (PMC) to assist in verifying contractor invoices and closing TDs. As evidence that OBP certified invoices, OBP provided copies of email messages primarily written by PMC employees recommending payment of invoices submitted by the RVS contractor. PMC did recommend rejection of a few invoices. Most invoices were neither accepted nor rejected by OBP. In the six TDs in our sample, only seven invoices were recommended for payment in the certification emails, although according to GSA records, 65 invoices submitted by the contractor for these six TDs were paid in full. No invoices were rejected. However, the certification emails did include rejections of a few invoices for TDs that were not in our sample.

According to GSA, the GSA contracting officer's technical representative was to ensure that OBP received and approved contractor invoices. GSA agreed that, in practice, there was confusion about the responsibilities of OBP and GSA and, as the project grew and became more complex, the potential for error and pressure to keep on schedule increased. Nonetheless, OBP was obligated to certify invoices; but there

is minimal evidence that it fulfilled that obligation. This resulted in payment to the contractor for unverified goods and services.

OBP Made Some Efforts to Bring the Contractor into Compliance with the BPA

OBP attempted to bring the contractor into compliance with the BPA. On September 9, 2003, the ISIS program manager wrote a detailed letter to the contractor outlining a litany of concerns regarding the contractor's performance. The letter cited inefficient financial tracking and cost control, inefficient inventory control, a failure to meet required deadlines and deliverable due dates, and a failure to notify the government of impediments to installations. The letter made several recommendations for remediation.

However, GSA complicated OBP's efforts. In October 2003, GSA concluded that BPA invoices could not be submitted for construction-related expenses. According to the MOU, funds for RVS installations were directed to the GSA "Information Technology (IT) Fund." On October 9, 2003, the GSA contracting officer wrote a letter to IMC instructing the company not to submit any invoices for non-IT related work. This letter instructed the contractor to disregard OBP's letter of September 9, 2003, too. According to GSA's letter, the GSA contracting officer is the only authority who can provide contractual direction and OBP's letter was not legally binding. Despite this correspondence, GSA continued to pay invoices that the contractor submitted after this letter was sent. In essence, the letter from the GSA contracting officer was a stop work order. It does not appear that GSA coordinated this action with OBP.

Challenges Exist in Expanding Surveillance Coverage

Based on a review of RVS camera installation schedules and OBP records, these installations took, on average, 20 months to complete. The most time consuming aspect of installing RVS sites and associated infrastructure involved site selection, securing land access, and performing environmental assessments. In some instances, these administrative activities took more than 12 months to accomplish. This requirement will continue to exist in completing future RVS camera sites, repeater tower sites, and supporting power infrastructure.

Much of this pre-construction activity was performed sequentially when some steps could have been performed concurrently. For example, U.S. Army Corps of Engineers personnel could have performed informal consultation with state, tribal, and federal regulatory agencies and provided a preliminary assessment as to whether a potential environmental consideration might exist as part of the site selection process, while other contract activities—such as preparing, reviewing, and approving the contractor's technical and cost proposals, validating selected sites, and preparing property access agreements—were in progress.

To meet the ambitious goals of ASI, a significant number of additional surveillance structures and supporting infrastructure will likely be required. Once land access is obtained, environmental assessments will need to be performed for all sites considered for RVS camera, repeater tower, and supporting power infrastructure installations. Legislation such as the National Environmental Policy Act requires that federal agencies analyze the proposed federal actions that could significantly affect the environmental quality, including a detailed analysis of alternatives to the proposed action. Depending on the level of environmental evaluation and coordination required, some of these activities could take months to complete.

If OBP successfully obtains land access and favorable subsequent environmental assessments, resistance to the installation of ISIS equipment from special interest groups, privacy advocacy groups, private landowners, tribal governments, and other concerned citizens may further complicate or delay the installation of camera sites or force OBP to pursue alternate locations.

Some sectors have been successful in getting permission from other governmental, as well as non-governmental sources, to either access video feeds from non-OBP cameras or to install RVS cameras on non-OBP infrastructure. This strategy cannot be used in all locations where cameras are needed, but if access to property that meets strategic or tactical objectives can be secured, this approach would accelerate the process of establishing surveillance coverage.

Another limitation to current surveillance coverage is that once installed, RVS camera sites cannot be easily moved to respond to changes in the traffic patterns of illegal aliens. During our field visits, OBP demonstrated mobile surveillance technology or "scope trucks," which are available in some sectors. Mobile surveillance technology will eliminate the need to lease property or perform costly and time-consuming environmental assessments. Also, this technology could allow OBP to move remote surveillance platforms to different locations in response to changing traffic patterns of illegal aliens.

Unmanned Aerial Vehicles for Border Security

OBP's use of Unmanned Aerial Vehicles (UAVs) along a portion of the southwest border is one positive step toward using mobile technology. Nevertheless, challenges remain in expanding the use of UAVs, as well. While the UAVs that were tested are able to stay airborne for up to 20 hours, which surpasses any current capability of aircraft in OBP's fleet, there are significant limitations to the UAV system. Weather conditions can impact the operational capabilities of UAVs. Dense cloud cover limits the visual acuity of some sensor and camera packages. Also, icing conditions and thunderstorms cause difficulty for UAV flights.

UAVs remain very costly to operate and require a significant amount of logistical support as well as specialized operator and maintenance training. Operating one UAV requires a crew of up to 20 support personnel. OBP officials mentioned that the cost to operate a UAV is more than double the cost of manned aircraft, and that the use of UAVs has resulted in fewer seizures. However, the fact remains that UAVs can stay on station for an extended period of time, which is a distinct advantage over manned air support. According to OBP, the Hermes UAV costs \$1,351 per flight hour and the Hunter costs \$923. Those figures included acquisition costs, operations and maintenance costs, and the salaries and benefits of the pilots, payload operators, and mechanics. Flight hour costs were based on leasing the tested UAVs as opposed to a purchase, which OBP says would be less expensive.

Recommendations

We recommended that CBP (1) maximize integration opportunities and ensure that future remote surveillance technology investments and upgrades can be integrated; (2) standardize the process for collecting, cataloging, processing, and reporting intrusion and response data; (3) develop and apply performance measures to evaluate whether current and future technology solutions are providing force-multiplication benefits and increasing response effectiveness; (4) continue to work with GSA to resolve contract related claims, financially reconcile funding provided to GSA, and obtain the return of the unused funds to DHS; (5) develop strategies to streamline the site selection, site validation, and environmental assessment process to minimize delays of installing surveillance technology infrastructure; (6) expand the shared use of existing private and governmental structures to install remote surveillance technology infrastructure where possible; and (7) continue to identify and deploy the use of non-permanent or mobile surveillance platforms.

In its response, CBP concurred with all seven of our recommendations. However, we regarded five of their responses insufficient to resolve our recommendations. We have requested that CBP provide additional information in those instances.

Additionally, six of CBP's responses to our recommendations mention ASI. ASI is being subsumed into the much broader Secure Border Initiative (SBI). As a result, ASI has been put on hold according to OBP. In its response, CBP indicates that a key milestone toward ASI implementation will be the selection of a development and integration contractor, which is projected to occur in September 2006. Given the uncertainty of when, or if, ASI implementation as currently envisioned by CBP, we asked CBP to provide specific actions or activities that it will take prior to the proposed ASI implementation date to resolve our recommendations.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or the members may have.

Mr. ROGERS. Thank you very much, Mr. Skinner. In reviewing your statement last night, I was most struck by the conclusion following the recommendations you made. After you outlined your recommendations, you stated, "In its response, CBP concurred with all seven of our recommendations. However, we regarded five of their responses insufficient to resolve our recommendation."

Tell me—they are saying we know we did wrong, but we are not going to do anything about it? What does that mean?

Mr. SKINNER. In essence what they are saying is yes, we agree with your findings, we agree with your conclusions, and yes, we agree with your recommendations that corrective action has to take place. What they did not provide us is exactly what they intend to do to make those corrections. So now—

Mr. ROGERS. It would be nice to know, wouldn't it?

Mr. SKINNER. As I say in my oral statement, now we are going back and asking, we need to know exactly what you are going to do in order to correct these issues.

Mr. ROGERS. Okay. I would also like to direct your attention to the section a couple of pages before that titled, OBP certified fewer contractor invoices prior to payment.

This is the only part of your report I had a hard time really understanding what you were saying because of all the acronyms. Can you kind of walk me through, in plain English, what you were saying in that section?

Mr. SKINNER. First, let me apologize for all the acronyms, and we are going to work on that.

Mr. ROGERS. Thank you.

Mr. SKINNER. In essence, what we are saying is that the way the arrangement was supposed to work is that we entered into an agreement and an MOU with GSA. GSA was going to serve as our contracting officer. GSA appointed a contracting officer technical rep to handle the technical or admin parts of the contract, whereas OBP, under the agreement, was to manage the contract in this sense: they were to provide the taskings to the contractor, they were to review the delivery of the goods and services, and they were to review the invoices for those goods and services. They were to determine whether the invoices or the bills that arrived were, in fact, supportable, and that the goods and services had been, in fact, delivered and were acceptable.

The CBP would then certify: we received the goods and services, we gave that certification back to the contractor, who then would turn it over to the COTR, who would process it and authorize the check.

Mr. ROGERS. You lost me again. The COTR, what is the COTR?

Mr. SKINNER. I am sorry, the Contracting Officer's Technical Rep. It is someone who is appointed by the contractor or to handle the technical parts of the contract.

Mr. ROGERS. Is that what you refer to here as a PMC, Performance Management Consultant?

Mr. SKINNER. No. This is a very good point.

CBP does not have sufficient contracting officers, they do not have sufficient contracting reps who can serve on behalf of contracting officers, nor do they have sufficient certified program managers to manage large procurements. Therefore, they hired a private firm to do this on their behalf. This firm then, acting on behalf of the Department, would review the goods and services received and the related bills and certify that they were, in fact, sufficient and supportable.

What we found in our sample, we reviewed about 65 invoices, and of those 65 invoices, we determined that only six of the invoices that were submitted for payment were, in fact, reviewed and certified or approved by CBP or its agent, the contractor, before it was paid by the contracting officer. In other words—

Mr. ROGERS. I understand that. What was the response to that? I mean, have you asked anybody how did that happen?

Mr. SKINNER. Yes, we did.

Mr. ROGERS. And what did they say?

Mr. SKINNER. It was simply—what we found through this whole process, which began way back in 1998, that the program was shuffling from one office to a second office. And then to compound matters even worse, there was a reorganization under DHS. Then, to even compound matters even further, within the program, there was staff turnover. So what we had here was people were being brought in, they were ill-equipped, ill-trained to actually provide procurement oversight, and they were unable to fulfill their responsibilities.

The CBP at that time could have been more decisive; they could have been more assertive. They did not—they were distracted by other issues and, as a result, these contracts, the activities under the contract were proceeding without anyone monitoring what was going on. The contracting officer just simply assumed that the Department was monitoring these things, and they were not.

Mr. ROGERS. Okay. I thank you. I have a lot more questions, but I will wait until the next round.

I would like to ask, though, that when you finally receive the response back from CBP to your recommendations and what they intend to do about them, if you would forward a copy to this committee. We would appreciate it.

Mr. SKINNER. We most certainly will.

Mr. ROGERS. The Chair recognizes the gentleman from Florida, Mr. Meek, for any questions he may have.

Mr. MEEK. Thank you, Mr. Chairman. Once again, thank you to our witnesses.

You are familiar now, Mr. Inspector General, of what your office is doing now with Katrina-related, I guess, Rita-related contracts, of being on the ground, being in their face, and being there with those contracting officers. Can you talk a little bit about what you are doing now and how can it apply to contracts such as this one and how can we head off I guess reporting the news after the taxpayers' money has been spent inappropriately?

Mr. SKINNER. Yes, it can. This is not news. We were not surprised with anything that we are finding with Katrina right now. The Department is ill-equipped, from a procurement perspective, to provide oversight of the large number of contracts for which it is responsible.

In April of last year, of 2005, the Secretary arrived and we did discuss these issues. He asked what are some of the major issues that need to be addressed immediately, and we advised him, your procurement operations. As a result of that, he asked us to do an integrity review. In early May, we issued a report in which we identified weaknesses throughout the Department, not just with regards to FEMA or Katrina, or not just within CBP, but throughout the Department. We were woefully understaffed and ill-equipped to manage our contracts.

Let me give you an example. CBP, which has responsibility for ISIS, has 23 program managers responsible for over \$1 billion in procurements. But of those 23 program managers, only three are certified to provide that oversight; that is, with the experience and training in procurement to provide program oversight for procurement.

Mr. MEEK. Excuse me, sir. Are you referring to the report at the time that it was printed, or that is the situation as it stands now?

Mr. SKINNER. That was in May of 2005. It is very unlikely that it has increased a lot, because the training and the experience to obtain certification to handle procurements the size of ISIS, for example, a \$200 million, \$400 million project, it can take months and years. There may be some modest improvement, but I would be very surprised if it was substantial.

Also, with regard to contracting, on a national scale, it is recommended that a procurement official should have about approximately a \$5 million inventory of procurements for which you would be responsible on the average, per procurement officer. In the case of CBP, for example, I think each procurement officer has responsibility for over \$13 million per individual, which is almost twice what is recommended on a national scale. So they are woefully understaffed.

Mr. MEEK. Is the national scale based on Federal contracts, or are you just saying local government, State government?

Mr. SKINNER. This is recommended by associations of acquisition, institutes, NGOs, nongovernment offices. On a national scale in the government, it is probably between \$6 million and \$8 million. So we are still anywhere from 2 to 1-1/2 to 2 times what we should be handling.

Mr. MEEK. I would love to get a copy of that integrity report that you put forth. I don't know if I am stating—was it the integrity in-house report?

Mr. SKINNER. No. I believe we published this on the Web back in the May, June time frame. I am happy to send up another copy.

Mr. MEEK. If it is on the Web, we will get it.

I know that it is very difficult, especially for the job that you have to report; it is almost like in Katrina, the report was that the storm was coming and we weren't ready on all levels. And you are reporting now here before this committee that it still exists or possibly exists at the Department now. So as we speak, there is Federal contracts that are not receiving the kind of oversight from the procurement office or attention from a qualified procurement officer to be able to make sure the taxpayers' dollars are well spent.

I am hoping, Mr. Chairman, and I know, Inspector General, I hope I will get another opportunity to come around again, but I hope, Mr. Chairman, that when the Department comes, they have some real answers. Because usually what we get is the Potomac two-step about oh, that is covered, I don't know, that was an old report, that was under another department. I want to thank you for having this meeting again.

Mr. ROGERS. Thank you. I now recognize the gentleman from Texas, Mr. McCaul, for any statements or questions he may have.

Mr. MCCAUL. Thank you, Mr. Chairman. I thank the witnesses for being here. Mr. Skinner, I think you are doing a good job since you have come into your role, and I want to also commend Chairman Rogers for introducing the Secure Border Initiative Accountability Act, which I was proud to be an original cosponsor of, addressing this situation.

I have a series of questions, and I may not be able to get them all in in 5 minutes, but I want to go back to your investigation of

how this all came about. This was—was this a sole source contract, or was it competitively bid?

Mr. SKINNER. Originally it was competitively bid, is that right, Carl, in 1997. That is when we started with \$2 million.

The way this thing worked, it worked from the ground up. In other words, the Department did not have a strategic plan saying we want to have integrated surveillance, video and sensor surveillance on a national scale to cover the State of Texas, New Mexico, and parts of the northwest. It actually filtered up. In other words, it was a data call saying, if we have funding, where would you like to put cameras or sensors? So each sector would submit their request and, based on those requests, the Department would approve a sector: one sector would get cameras this year, and another sector would get cameras next year. It was done on an incremental basis.

After they went through its first round, they realized that this is actually a worthwhile endeavor and they wanted to expand it. I think just recently they referred to it as America's Shield Initiative, and they started expanding this initiative. The growth of the program then went from \$2 million to \$200 million to \$429 million, where it is today, before it was suspended.

Mr. MCCAUL. So the answer is it was competitively bid?

Mr. SKINNER. Well, the very first contract. So they had the contractor in place. They realized they liked it. They went back to GSA and said we would like to expand. In our opinion, they pulled the contractor off the general schedule, they did it under a blanket purchase agreement, but it grew to such an extent that they probably should have went out and rebid.

Mr. MCCAUL. So the original contract was competitively bid and then, after that, it was essentially amended with the same contractor.

Mr. SKINNER. Yes.

Mr. MCCAUL. When you have a competitive bid, are you required to maintain documents relating to that competitive bid?

Mr. SKINNER. Most certainly.

Mr. MCCAUL. Is that by regulation?

Mr. SKINNER. Yes, and also by procurement law as well.

Mr. MCCAUL. So by law, it is required. Were those documents requested by you in this case?

Mr. SKINNER. The blanket purchase order? Yes.

Mr. MANN. Yes.

Mr. MCCAUL. Were those documents provided to you?

Mr. SKINNER. Yes.

Mr. MANN. Yes.

Mr. MCCAUL. I recall at the last hearing, you had difficulty getting from Border Patrol documents related to the competitive bid; is that accurate?

Mr. SKINNER. That may have been GSA had difficulty getting those documents.

Mr. MCCAUL. But you were able to get those?

Mr. SKINNER. Yes, the original procurement, the blanket purchase agreements and the MOUs with GSA.

Mr. MCCAUL. Okay. I want to get to what was done in terms of reprimands or penalties to employees in the Federal Government. Can you tell me briefly who was reprimanded?

Mr. SKINNER. To our knowledge, no one.

Mr. MCCAUL. Did any demotions take place as a result of this?

Mr. SKINNER. Not to our knowledge, but we didn't ask those questions with regards to the Department of Homeland Security.

Mr. MANN. Pardon me. We do understand that some employees in the contracting office that was managing this contract out of the Chicago area were, in fact, reassigned. We did not get all of the details as to what led up to the reassignment. We suspect that the improper management of this contract may have contributed to that. However, we cannot say categorically that the lack of contract control on this particular contract was the sole source that caused the reassignments.

Mr. MCCAUL. So the only action taking place in response to all this from an internal policy standpoint, and we are speculating, it sounds like, was the reassignment of four employees?

Mr. SKINNER. That is correct.

Mr. MANN. Yes, sir.

Mr. MCCAUL. How much was the total contract award at the end of the day before it was stopped?

Mr. SKINNER. With the installation, installation of cameras, I believe it was around \$200 million; is that correct?

Mr. MANN. Yes, sir.

Mr. MCCAUL. And as I understand it, only \$9,000—we are only seeking, or you are, I guess the Department of Homeland Security is only seeking \$9,000 back. How much money was wasted?

Mr. SKINNER. The GSA is looking at that, and I believe they are very close to finishing their work. Since the contract was awarded by GSA, they have that oversight responsibility. We were looking at this from more of a program management perspective.

Mr. MCCAUL. I understand. And perhaps this is out of your realm, but so the only disciplinary action was the possible reassignment of four employees, and the only remedy against the contractor to date has been asking for seeking \$9,000 when we are talking about a \$200 million contract?

Mr. SKINNER. I can't say that it is only \$9,000. GSA would have more details on that.

Mr. MCCAUL. I understand. I see my time has expired. I will talk again. Thanks.

Mr. ROGERS. I thank the gentleman. I would like to make sure we are clear on this initial bid. I am looking at the language from the GSA Inspector General's audit, which said they found no documentation as to how the initial task order was complete and no documentation regarding the basis for award to IMC. And you found something inconsistent with that?

Mr. SKINNER. No. I think GSA was alluding to the decision made by the Department to award a blanket purchase.

Mr. ROGERS. No, sir. This is before that. They subsequently make reference to the fact they couldn't find any documentation as to why it ballooned to a \$200 million blanket purchase order. I am talking about the initial contract for surveillance contracts being given to a radio company with no competitive bidding.

Mr. SKINNER. The \$2 million.

Mr. ROGERS. The initial \$2 million.

Mr. SKINNER. It is our understanding that it was competitively let, and we have documentation to support that.

Mr. ROGERS. I would like to see that, because that is completely inconsistent with what GSA's audit found, and it was pretty detailed.

Mr. SKINNER. We will be happy to provide that.

Mr. ROGERS. I appreciate that. What we did learn from that audit was that there was no competitive bidding, that they had invited some people to come in and make an oral presentation, and then at the end of those oral presentations, they issued a sole contract, but there was no objective criteria laid out that was competitively bid. So I would love to know how you see that differently. I am sorry to get off track, but I thought we needed to clear that up before we went forward with any more questions.

The Chair now recognizes the ranking member of the full committee, Mr. Thompson, for any questions he may have.

Mr. THOMPSON. Thank you very much. The only thing I can say is if I take the June hearing and fast forward it to this one, I am even more troubled by what you presented, Mr. Skinner.

I guess I have some just basic questions. Did we have any non-performance or cancellation clauses in this contract?

Mr. SKINNER. Carl, are you familiar with that?

Mr. MANN. I am not familiar with that.

Mr. SKINNER. I am not sure if we did or not. We can get back to you on that. Again, keep in mind that the thrust or the objective of this review was not a contract evaluation, but rather a review to see how well ISIS was working. But we could not overlook the impact that contract management had on the effectiveness of ISIS's ability to work. So we were compelled to comment on that. We did not actually study the contract itself or the contractual arrangements. We relied on GSA to do that for us.

Mr. THOMPSON. Well, Mr. Chairman, somewhere between Mr. Skinner and GSA, we ought to ask for that review to happen so that we at least can have, I think, the basis for as much information as we can.

Moving forward, I am troubled now by the fact that some of this technology that we CBP has, the unmanned units, in your report you said that it is costing us more to staff the unmanned unit than it would a manned unit in terms of cost; is that correct?

Mr. SKINNER. That is correct.

Mr. THOMPSON. And that the question as to whether or not you are getting any more with the unmanned unit versus the manned unit.

Mr. SKINNER. That is something that requires further study. The one thing that I think we need to recognize is the unmanned vehicles can stay in the air for long, prolonged periods of time, whereas the manned vehicles cannot.

Mr. THOMPSON. The other question, moving forward is, did we cancel the contract, and I know we are getting into the contract, with the private contractor whose job was to oversee invoices? Was that contract still in force during your review?

Mr. SKINNER. It was during our review. There hasn't been a whole lot of work since October 2003, but I am not sure exactly

when the contract was put in place, and I am not real sure when it was stopped.

Mr. THOMPSON. Well, I guess what I need is what company was doing that?

Mr. SKINNER. Performance Management Consulting, PMC, as we have referred to, in our acronyms.

Mr. THOMPSON. I think the committee would benefit from some review of the contract, some analysis of the work done. We have heard your testimony so far, but from your testimony, more questions are raised as to whether or not the taxpayers got the best for the payment in the contract, and I just think that if we can, Mr. Chairman, get provided that information on the contract, because I think it causes real concern.

Is it customary to contract out the approval of invoices?

Mr. SKINNER. I don't believe that is a preferred method of providing oversight. Quite frankly, I would have to commend CBP for doing it, because they did not have the ability to do it, so they did have the sense enough to go find an expert to do it for them.

Mr. THOMPSON. But what is your analysis of the job the expert did?

Mr. SKINNER. Well, it is hard for me to make a judgment as to whether they did a great job, because when you look at the invoices and you see only six have been certified out of 65, it does not appear that they were doing a good job.

Mr. THOMPSON. I understand maybe the Potomac definition of expert is a little different from where I am from, but I think we could have gotten a better job from that, but I see my time as expired. I yield back, Mr. Chairman.

Mr. ROGERS. I thank the gentleman. I concur.

The Chair now recognizes the gentleman from New Jersey, Mr. Pascrell, for any questions he may have.

Mr. PASCRELL. Thank you, Mr. Chairman, good morning. We get more and more astonished by what we hear. Inspector General Skinner, thank you for your service and thank you for your previous service in FEMA. It was a freestanding agency and it worked, so you brought some expertise here, and we should listen to you.

Mr. SKINNER. Thank you.

Mr. PASCRELL. There is nothing more offensive to me in looking back before 9/11 and since 9/11, Mr. Chairman, than those people who have taken advantage of securing our neighborhoods and our families and our borders, in securing also the security of the country by what has happened overseas. To me, this is vial. This is unacceptable. I have heard very little transparency or credibility, accountability in any of these committee meetings, to be very honest with you. One has to conclude, one has to conclude that we sit up here and say we want to protect the taxpayer, we want to look at the system that was created, 90 percent of which, 90 percent of which in the ISIS, correct me if I'm wrong, were all false starts; either rabbits running across the borders and were picked up, and some traffic or some truck from Mexico where the back was falling out, and they were picked up by someone coming across the border. One has to conclude that it doesn't work, it is broken.

But I would like to ask you this question. If border security requires technological integration at the border, and interoperability,

yet we seem to be approaching this on a piecemeal basis; this is my perception. It seems that this kind of piecemeal approach will either cost more money, lead to poor results, or compromise our security. I don't sense any urgency, as Lee Hamilton and Tom Kean said in the 9/11 Report, and the 9/11 Report of recent time. Do you share my concerns about these likely outcomes and, if so, how should we remedy the situation?

Mr. SKINNER. Yes, we do. And one of the things that we have recommended to the Department is that the CBP, before they proceed, that they begin working very closely, hand in hand, with our science and technology directorate, where they can find the technology that is needed so that they can make wise investments. At the same time, we have made recommendations that before they proceed with any future large procurements, that they be vetted through an investment review board.

That is in a separate report dealing with our procurement oversight; it does not deal with ISIS per se, but this would apply here. As we proceed, we need to first ensure that the technology that we are going to put out there works. Two, we want to clearly define what our objectives are. What is our vision? What do we want to accomplish? Let's don't do it from the ground up, let's do it in a strategic manner. And hopefully, under the SBI, and it is too early for us to comment on that, but it is our understanding that is the approach they are going to be trying to take.

Mr. PASCRELL. Last night, Mr. Skinner, we voted on an amendment, and don't ask me what we are amending, because I thought we left homeland security talking about border security, and we wound up in an immigration bill. So God knows what can happen today. Hold on to your hats. We haven't seen the conclusion yet.

But last night we voted on an amendment that would, among other things, essentially create a 2,000-mile fence along the Canadian border. Just envision this, a 2,000-mile fence, a long fence, a pretty long fence. If this were to actually occur, how would it impact, in your mind, on the American Shield Initiative?

Mr. SKINNER. Sir, I am not qualified to answer that without having more information. One, I am not familiar with the amendment; and two, when you say American Shield, which is now going to become the Secure Border Initiative, as of right now has not been clearly defined, and it is something that the Secretary and his executive team is currently working on.

Mr. PASCRELL. I mean the fence is not going to have any appreciable impact upon this high-tech system that we want to employ. If we don't have the fence, we still have to do this. If we still have the fence, are we still going to do this, to your knowledge?

Mr. SKINNER. Are we trying to keep us in, or are we trying to keep someone out?

Mr. PASCRELL. I think they are trying to keep us in.

Mr. SKINNER. I don't know what the technology associated with the fence would be. I mean, can it be breached?

Mr. PASCRELL. I just had the picture, Mr. Chairman, of Marat Assad. We are trying to keep those folks out and we wind up locking ourselves in. Just think about that for a little while, you know, before we go home this weekend.

Do I have time for one more question?

Mr. ROGERS. Yes.

Mr. PASCRELL. Thanks. The Department has estimated that it is going to take about \$2.5 billion to fully implement the technological portions of the Shield program. Based on your audit findings, do you believe that this estimate is accurate?

Mr. SKINNER. We don't know, and that is something that we are looking at, and we are going to be monitoring it very, very closely. We just had our initial oversight briefing yesterday with regards to SBI, and we are going to be monitoring this thing as it is rolled out, and we are going to maintain a very, very close eye on any of the funds that they are proposing or asking for or spending.

Mr. PASCRELL. The final half of the question. Do you sense any urgency in getting this done?

Mr. SKINNER. Yes, I do. Within the Department, yes, I do. It is something—they are moving at a rapid pace; very, very fast, faster than I have seen any department move, and a good illustration of that would be the 2SR. To do a study and reorganize in a 4-month period is something I have seen other departments take years to do.

So there is a sense of urgency within the Department that we need to redefine the direction that we are going and build on our past successes, as few as they are.

Mr. PASCRELL. Thank you. Thank you, Mr. Chairman.

Mr. ROGERS. The Chair would like to yield to Mr. McCaul. I understand he has an inquiry.

Mr. MCCAUL. Just a clarification. The amendment last night was not a 2,000-mile fence, but rather, fences at strategic points, and then technology in-between those points. So I just wanted to clarify that for the record.

Mr. PASCRELL. Excuse me. Mr. Chairman, I am talking about simply the northern part of the country. Part of the amendment dealt with also the border between the United States and Mexico. That was part of it as well.

Mr. MCCAUL. Well, the southern border, as I understood it, if the gentleman will yield, was strategic; it costs to do that. But it is not germane in this hearing.

Mr. ROGERS. I have some questions. We are going to be called for votes pretty soon, so I would like to try to get through another round, if we could. And I know I am going to have some additional questions I want to submit to you in writing as well. I am curious to know how many sites were supposed to be installed in total from the inception in 1997 until 2003 when the plug was pulled, and how many have, in fact, been installed? I noticed in one report I read last night that there were 65 sites yet to be completed. So how many sites in total were supposed to be erected?

Mr. SKINNER. I believe the total was supposed to be about 488. That included camera sites and repeater sites. What was actually completed was 255 camera sites, 27 repeater sites, for a total of 282 sites.

Mr. ROGERS. So about half?

Mr. SKINNER. About 60 percent. What was not completed was 168 camera sites, 38 repeater sites, and 206 total sites were left incomplete.

Mr. ROGERS. So we were paying, based on what you are telling me, about \$800,000 a site.

Mr. SKINNER. That is correct. Approximately, yes.

Mr. ROGERS. For a pole with two to four cameras on each one.

Mr. SKINNER. Yes, but that also included the wiring and tape, swivels and other things that would make the camera work.

Mr. ROGERS. I know that doesn't shock some people in Washington, but that is just an astounding number to me—and most people in America, I would think. What, if anything, has the Department done since the suspension of the ISIS contract to maintain these existing cameras and sensors?

Mr. SKINNER. Right now, unfortunately, they have been maintained in two ways: (1) on-site by CBP agents. For example, if they have to switch batteries or something that is a simple to do; or if it is something that that requires major repair, CBP has a site—I believe it is in Albuquerque, New Mexico—where they will extract the camera and send it to Albuquerque for repair.

Mr. ROGERS. And you talked about these 200 and roughly 80 sites that have been completed. What percentage of our border does that cover? I read 2 to 4 percent somewhere. Is that accurate?

Mr. SKINNER. That is accurate. I was going to say about 5 percent. I think those were the figures that they were giving us.

And this gets back to the other issue that we are having with this whole program, that is, we have 5 percent covered, but how much should have been covered? How much do we want covered? What is our vision? What is our objective here?

Mr. ROGERS. I noticed in your evaluation you also were very critical as to the integration capabilities of these camera systems. Now when I went to the border this summer I was very impressed with what the cameras could do. But you seem critical of their ability to integrate the sensor information into a central database where a border patrol agent would be monitoring these cameras. Is that still your opinion?

Mr. SKINNER. Well, some are better than others. For one thing, the cameras have to be manned at a central control point in order to react to a sensor. The camera does not automatically react to a sensor. And if you go to some of these control sites, you may have one person trying to monitor a stream of 200 cameras, or 200 sensors. And that can create problems—the technology can do a little bit better job than that.

Mr. ROGERS. Well, that was one of your seven areas of recommendation. Was that one of the five that they didn't adequately respond to?

Mr. SKINNER. Technology, yes.

Mr. ROGERS. The integration.

Mr. SKINNER. Yes.

Mr. ROGERS. And the last area I want to visit before my time is up is disciplinary actions. I look back at how IMC got the initial contract and then how it ballooned into a blanket purchase order. Then, as Mr. Thompson was referencing, they contracted whomever to oversee it because they didn't have time to oversee it themselves. What disciplinary action has been taken? Have there been any civil actions?

You know, I assume this contractor was paid for what he was supposed to have been doing. Has there been a civil action to get money back? What disciplinary actions have taken place? And are they adequate in your opinion?

Mr. SKINNER. The contractor in the arrangement between the Federal Government and the contractor is currently under investigation by the GSA OIG, and I believe they will have their report ready in time for the February hearing. That is my understanding.

Mr. ROGERS. And that includes the disciplinary actions in that report.

Mr. SKINNER. If there are any, I would assume they would be in that report. If you are talking about disciplinary action as a result of mismanagement within CBP, it will not be addressed in that report unless there was some criminal culpability.

Mr. THOMPSON. Will the gentleman yield?

Mr. ROGERS. I will be happy to yield.

Mr. THOMPSON. I guess my concern is, if we pay people to look at invoices and make recommendations for payment and your test of the system revealed that a majority of instances indicated that that was not done, I think there is some cause for concern, Mr. Chairman, on our part that, in fact, we paid for a product that was never delivered. And I think that goes to part of your concern.

Mr. SKINNER. May I comment on that?

Mr. THOMPSON. Certainly.

Mr. SKINNER. We will go back to work papers and get some validation as to whether invoices were made available to the contractor and were not reviewed.

What we were finding was that the contractor was submitting invoices directly to the GSA contracting officer and the contracting officer was paying the bill without advising the CBP or their agent who was charged with reviewing those bills. So the six that we identified as being paid were probably bills that CBP became aware of. The others, it is our understanding, they may not have even been aware of until after the fact. That is why we found examples where CBP was reviewing, or the contractor on their behalf, was reviewing bills this past summer that were submitted to GSA in 2002. That is where I think you may find the gap.

Mr. THOMPSON. Well, can you tell us, under the contract for the private vendor and CBP, did it say that the invoices had to be submitted to the private contractor or to the CBP or to GSA?

Mr. SKINNER. They are to be submitted to CBP for certification prior to submission to the contracting officer. That was not occurring.

Mr. THOMPSON. So they would go to CBP and stay.

Mr. SKINNER. They were not going to CBP. They were going directly to the contracting officer.

Mr. THOMPSON. Okay. So I guess maybe we need a matrix on procurement. But I guess my concern, more than anything else, is if a system was defined as to how payment was to be performed, is it your testimony that the payment system was not followed?

Mr. SKINNER. That is correct. It was a very awkward process, very awkward.

Mr. ROGERS. I think that this whole ISIS program is the poster child for gross mismanagement, and I think that your audit has revealed that, as well as GSA's.

I also want to make it clear, for anybody from DHS that is here, we are going to have a hearing in February. I think everybody on this panel, as well as a lot of Americans who are paying the taxes, are looking for some heads to roll. When you spend \$429 million and you only get 60 percent of what you were supposed to get, we don't need to see people just being slapped on the hand for this. This is just inexplicably unforgivable.

Any questions by the ranking member from Florida, Mr. Meek?

Mr. MEEK. Thank you, Mr. Chairman.

Inspector General, I know that the day you were releasing your report I know possibly the Department had a copy of the report, your report following up on this ISIS program, and I know GSA has done one. Has any of this been passed on or asked for by the Justice Department or any other agency that may pursue a criminal route?

Mr. SKINNER. GSA OIG, I am sure, is working with Department of Justice with regard to their investigation of the contractor and their billing relationship with GSA or the Federal Government. Our office has not been involved in the actual contractor-Federal Government relationship. We rely on GSA to do that on our behalf.

Mr. MEEK. Reading some of this—mean, we are talking about demotions and heads rolling and all, but I mean, just looking at the report and hearing what we have heard from GSA, I mean, it is just very difficult not to even mention the issue of criminal activity here. I can tell you that I am very disturbed because the taxpayers not only got robbed in the spirit of protecting our borders, but they got robbed as relates to just—individuals thought that it was okay to just mail checks to a contractor that wasn't doing the work.

The reason why I raised my concerns earlier, in the first round of questions, about that activity, I could say very well it could be going on now, not maybe intentionally. Maybe it is not intentional. But I don't see the kind of forward lean from the Department right now. I just don't see it. I don't feel—and I believe that there is only so far that we can ride the horse, seeing we are a new department and we are trying to catch up.

Meanwhile, we are here thinking we are appropriating and authorizing money and we are protecting not only our constituents but Americans in general, and it is just not happening.

I am very disturbed and I think, Mr. Chairman, that especially the folks that sit on this side and the folks that sit on that side, we are united in this effort. But I think that the Department, we should probably put forth some questions, some real boilerplate questions that we want answers to, and they should be answers beyond a one- or two-line issue.

I know, Inspector General, that just looking at what is written in this report, I know the Department has some issues with it. And I just want to thank your staff once again and all the folks that are sitting behind you all for the work that you all are doing because this is—I don't think that we have heard the end of it. And, unfortunately, I hope that we are not—you are not before us again talking about something, as I speak now, that is happening.

I am very, very concerned. I know you are aware of the amendment that I put forth earlier in this Congress to give your office more—almost just as many inspector generals or assistant inspector generals as the Department of Defense. Because the way I look at it, the integrity of the Department, the integrity of defending America is at stake.

And we don't want to lose the American people on this. We just don't want to lose them. Because we could very easily lose them, especially if doing a good job of protecting our borders, preventing terrorist attacks—and we are asking Americans to do some things that they haven't done before as relates to personal information and all of those things. So when they see instances such as this one, and others that are out there being reported daily, it is very discouraging.

So I look forward not only to the Department—but I thank you. As we continue to understand the report more and Americans understand it more, I think we will hopefully be on the path to try to avoid some of these issues. But I want to thank you.

I know my office will be calling you on that whole procurement-officer-ratio issue based on the money that is being spent. Because if we do know that that is a problem, we need to try to deal with it and monitor, Mr. Chairman, some of the legislation that is going through the committee. We think that we are doing good, and we know that we have to have the FTEs in that area trained to be a part of making sure that the taxpayer dollars are not spent in an inappropriate way because an individual is not qualified or we don't have enough.

Thank you, Mr. Chairman.

Mr. ROGERS. I thank the gentleman.

The Chair now recognizes the gentleman from Texas, Mr. McCaul, for any final questions he may have.

Mr. MCCAUL. Thank you, Mr. Chairman.

I would like to echo my colleague's comments. There is nothing more disturbing than wasting taxpayers' money at the expense of protecting the American people. And I agree with the chairman. This is a really a poster child for mismanagement within the Department of Homeland Security, and it is something we will be following up on.

I had some very specific questions, and I do think it would be good to get the Inspector General for Homeland Security's sense for what happened here with the contracting issues, because there were some problems from the inception with this contract. I don't know if you have looked into that from the CBP standpoint or not, but that may be something we will want to talk about. Can you answer that?

Mr. SKINNER. We have looked at it more from a global perspective in our initial review. But as a result of that, in April, I created a new division within the OIG, the Office of Procurement, that is focused entirely on providing oversight of the Department's procurement activities.

With regard to this issue, yes, the Department came ill-equipped when it was formed in 2003, in March. They have done little up through 2005 to address those issues. Since 2005, there has been an active recruiting campaign. There has been an active training

campaign. There has been an active government ethics campaign for all procurement officers with the Department. This is all within the last 3, 4, 5, 6 months. We have not seen the impact of any of this yet.

I know, for example, as a result of Katrina, FEMA is in the process of hiring 120 additional procurement officers, and that is on a fast track. I meet on a weekly basis and I will meet again today, every Friday, with the Katrina procurement integrity board of the Department, and their primary focus right now is hiring for Katrina operations.

Mr. MCCAUL. And I would like to commend you for injecting yourself, the IG's office, at the procurement stage with those officers. It is a great idea. I know with Katrina you are doing that.

Because we have to vote soon, let me get to the point. I do understand—is it your understanding that there is a current criminal investigation by the Department of Justice?

Mr. SKINNER. No, it is my understanding that there is an investigation by the GSA OIG.

Mr. MCCAUL. Okay.

Mr. SKINNER. And, of course, any OIG investigation will be coordinated with the Department of Justice.

Mr. MCCAUL. Well, the GSA Inspector General indicated that there was.

One last question. Your report indicated that on September 9 of 2003 that the ISIS program manager wrote a letter to the contractor, IMC, expressing concerns over what was happening here and the failures. And your report also characterized this letter as a stop work letter, or stop work order. However, GSA instructed IMC to disregard the letter, since GSA was the only contracting authority that could do that, and that the Border Patrol letter was not legally binding. And, despite this correspondence, in your report it appears GSA continued to pay invoices that the contractor submitted after this letter was sent out. What happened here? And how much did the taxpayers lose as a result of that?

Mr. SKINNER. Let me explain. That is not the exact sequence of events.

In September, 2003, the ISIS project manager—and, again, keep in mind this contract was just transferred from the Department of Justice only 6 months prior—reviewed the activities under the contract and found several problems, which we identify in our report. He took—the project manager took it upon himself to write directly to the contractor saying we have a problem here and I want to get it fixed. He did not stop the contract—it was not a stop order letter.

GSA, in turn, wrote saying CBP is not authorized, nor do they have the authority to ask for such a remediation plan, nor should they be dealing directly with the contractor. That is what the contracting officer is supposed to do.

In and about the same time, or in the same letter, the contracting officer said, by the way, you are charging construction costs against this program, whereas the agreement only allows you to charge IT costs. And since the only way you can complete this project is through construction, that is, the construction of the poles and things of that nature, that, in essence, was a stop order. It wasn't a stop order because of lack of performance. It was a stop

order because CPB was not authorized to spend funds out of an IT account for construction.

That is essentially when ISIS came to a stop. Bills, of course, were being paid after that to settle up accounts. Also, there was some IT work done to install cameras on poles that had already been installed. All installation came to a stop.

Mr. MCCAUL. I see my time has expired.

Mr. ROGERS. It is. And I want to thank the members for their questions. I want to thank you, Mr. Skinner, and you, Mr. Mann, for your time. It has been a very beneficial hearing for us.

I would remind you that for the next 10 days we will keep the record open. Members may want to submit questions for the record, and I would ask you to respond to those in writing.

And, without objection, we are in adjournment.

[Whereupon, at 11:56 a.m., the subcommittee was adjourned.]

**MISMANAGEMENT OF THE BORDER
SURVEILLANCE SYSTEM AND LESSONS
LEARNED FOR THE NEW BORDER INITIATIVE
PART III**

Thursday, February 16, 2006

HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
SUBCOMMITTEE ON MANAGEMENT,
INTEGRATION, AND OVERSIGHT,
Washington, DC.

The subcommittee met, pursuant to call, at 1:45 p.m., in Room 311, Cannon House Office Building, Hon. Mike Rogers [chairman of the subcommittee] presiding.

Present: Representatives Rogers, Meek, and Jackson-Lee.

Mr. ROGERS. [Presiding.] This hearing of the Management, Integration, and Oversight Subcommittee of the Homeland Security Committee will come to order.

Today we are holding our third hearing on the mismanagement of the Integrated Surveillance and Intelligence System, referred to as ISIS. This program includes the cameras and sensors that monitor our nation's borders.

Let me begin by welcoming our two distinguished witnesses and thank them for being here today.

I would like to note for the record that this is the first appearance before Congress by the director of the department's new Secure Border Initiative office.

In our first hearing on ISIS, the deputy inspector general of the General Services Administration testified that ISIS was "a major project gone awry" and "a waste of taxpayers' dollars."

At our second hearing in December, the department's inspector general stated that weak project management and contract oversight left large portions of the border without camera coverage.

His audit also found that payments were made for goods and services never received; that installment of cameras took an average of 20 months to complete; that only 50 percent of the camera sites were completed for a cost of approximately \$800,000 per completed site; and, finally, that millions of dollars intended for border surveillance remained unspent in GSA accounts.

Just last week, the head of the U.S. Border Patrol agency, Chief David Aguilar, testified before Congressman McCaul's subcommittee. At that hearing, Chief Aguilar stated that ISIS had "major problems."

In my view, the ISIS program is nothing less than the poster child of government waste and mismanagement.

In today's hearing, we will examine three areas with officials from agencies responsible for the ISIS program: first, what went wrong with the ISIS program and what steps have been taken to fix those problems; second, and the area that I think is most important, what disciplinary actions have been taken against those federal employees who mismanaged the ISIS program; and then, thirdly, what assurances do we have that the mistakes made in the ISIS program will not be repeated in the implementation of the Secure Border Initiative.

As Ranking Member Meek and I have indicated in two letters to the deputy secretary, Michael Jackson, we expect those employees responsible for the ISIS problems to receive severe disciplinary action and not just a slap on the wrist. We expect nothing less for those who waste taxpayer dollars and jeopardized our border security.

And with that, I will yield to the ranking member, Mr. Meek, for any comments that he may have.

Mr. MEEK. Thank you, Mr. Chairman.

I want to thank our witnesses for being here.

And I am glad that we are having a third hearing on this issue. Hopefully, the third time will be a charm. And the chairman has called this hearing to give the department an opportunity to respond, not only to the auditor general's report, but many other reports that are out there.

I am pretty sure all of you are aware, and the chairman just mentioned, we sent correspondence to the department hoping that the two of you will be able to answer the questions in detail of, not only the department's response or message, but to also answer our questions as it relates to disciplinary action that has been taken or hopefully forthcoming to be taken against those individuals that are responsible, not only for the immediate oversight of the ISIS program, but also those individuals that have oversight over them.

I think it is important also for the American people to really understand what happened in this case, because right now the department has launched a new initiative similar to ISIS to be able to protect our borders.

We have to know this as an oversight committee to be able to make sure that the taxpayers' dollars are being spent in the way they are supposed to be spent.

At the same time, those individuals that have the responsibility, after we appropriate, after we legislate, of carrying out the programs that will protect Americans and protect our borders, they should also be held responsible.

Mr. Chairman, I just wanted to say that I know that Mr. Giddens has a long history in the procurement field. And I also know that the issues that we are going to be talking about here today I am pretty sure that you have a pretty good idea of what we are going to ask.

Hopefully, we will hear something new from the department that we have not heard thus far, as it relates to the explanation of how we got to this point.

As you know, we started in the summer of 2005, so we are well into a year of having these hearings and, hopefully, there will be some new information revealed here today.

This is not a witch hunt; this is just our job as an oversight committee of being able to get to the bottom or close to the bottom of what has happened so that we do not have to repeat ourselves.

So, Mr. Chairman, I am glad that, once again, that we are here. I want to thank our witnesses for coming.

I want to say, again, we sent correspondence saying that hopefully either you can answer—both of you can answer our questions or the people sitting behind you can answer our questions so that we can hopefully share it with our colleagues in the full committee.

Thank you, Mr. Chairman.

Mr. ROGERS. I thank the gentleman.

The chair now calls our first witness, Mr. Gregory L. Giddens, director of the Secure Border Initiative program at the U.S. Department of Homeland Security, for any statement he may have.

STATEMENT OF GREGORY GIDDENS, DIRECTOR, SECURE BORDER INITIATIVE PROGRAM, DEPARTMENT OF HOMELAND SECURITY

Mr. GIDDENS. Good afternoon, Mr. Chairman and Ranking Member Meek. Thank you for the opportunity to come before you today to talk about the legacy border surveillance program, ISIS, and the Remote Video Surveillance System that was a part of that.

Mr. Chairman, in your opening comments, you mentioned the mismanagement of the program. I am not going to sit here today and dispute that. Mistakes were made on this program. And, sir, they were made from the very beginning.

At that time INS partnered with GSA to go down this path, we really structured a program that would be more fitting for a commodity buy versus a buy that was for a part of a critical mission set. And, I think, was the beginning of the undoing of the program.

And that is one of the clear lessons that we have learned from this, as we are structuring SBI and as we go forward looking at major acquisitions, and treating those as major acquisitions of mission-critical programs, and the requisite planned program controls, risk management, test and evaluation plans, program management plans—processes and procedures, roles and responsibilities, we have learned a lot of lessons from that.

Collocating program management and contracting staff and engineering staff, there is a lot of lessons learned. And I will certainly be glad to elaborate more on that as we go forward.

We certainly appreciate the committee's support of the Department of Homeland Security and our efforts to secure the border to make it safe and secure.

And, Mr. Chairman and Ranking Member, I would welcome your continued oversight as we go forward.

Clearly, SBI in itself is a complicated program. It is critical, but it is complicated. And I will not sit before you and pretend it is not. And I would welcome your continued engagement.

And I also just want to make a point. I appreciate the work that the staff has done with us, even before this hearing, in general on

SBI and their willingness to meet with us and discuss issues that DHS has and try to build a collaborative partnership.

[The statement of Mr. Giddens follows:]

PREPARED STATEMENT OF GREGORY GIDDENS

Chairman Rogers, Ranking Member Meek, and members of the Committee: Thank you for the opportunity to address you today, and for your ongoing support of the Department of Homeland Security's (DHS) efforts to keep America's borders safe and secure. I am Gregory Giddens, Director of the DHS Secure Border Initiative (SBI) Program Executive Office. I am pleased to be here today to discuss the legacy border surveillance technology program known as the Integrated Surveillance Intelligence System (ISIS), and to identify how DHS has incorporated the lessons learned in our acquisition and management processes as we move forward to gain control of our nation's borders.

DHS shares Congressional concern over the problems identified in the December 9, 2004, audit report by the Inspector General (IG), General Services Administration (GSA), regarding the administration and oversight of the procurement of the Remote Video Surveillance System (RVSS), one component of the Integrated Surveillance Intelligence System (ISIS). These concerns were a major factor in the decision to terminate the ISIS program and related contracts at the end of FY2004.

In 2004, the successor border surveillance technology project referred to as the America's Shield Initiative (ASI) was initiated and designed to ensure the shortcomings or problematic issues of ISIS were not repeated. The requirements of this program are now being subsumed into a more comprehensive program called the Secure Border Initiative (SBI), which will be discussed in greater detail later. SBI incorporates similar sound acquisition and procurement strategies

The ISIS Project

ISIS had its origins in a program begun in 1998 to improve Border Patrol surveillance capabilities by acquiring new sensors, cameras, and Intelligent Computer-Aided Detection (ICAD) capabilities. Border Patrol was then a part of the former Immigration and Naturalization Service (INS). The Office of Information Resources Management (OIRM) at the INS originally was the Program Manager for this effort. Through a 1998 Memorandum of Understanding between INS and the General Services Administration (GSA), the initial ISIS contract vehicles, including the Remote Video Surveillance System (RVSS) program, were GSA Federal Supply Schedule contracts.

The RVSS project installed camera systems mounted on poles, towers, and other structures at a limited number of locations on the northern and southern borders. The cameras transmitted video images back to a control room where Law Enforcement Communications Assistants viewed the images and dispatched Border Patrol agents as necessary. At first the RVSS Project was supported through a series of individual orders with various contractors. In 1999, GSA selected a single vendor, the International Microwave Corporation (IMC) (later purchased by L-3 Communications), to provide RVSS capabilities as requested by OIRM in response to Border Patrol requirements. The award was converted to a Blanket Purchasing Agreement (BPA) between GSA and IMC in November 2000 under GSA Federal Technology Schedule 70, with a period of performance from November 8, 2000, until September 30, 2004. Under the BPA, OIRM provided program management oversight of the ISIS, and GSA served as the Contracting Officer (CO) and the Contracting Officer's Technical Representative (COTR).

In April 2001, program management responsibilities for the ISIS BPA were transferred to the Office of Border Patrol (OBP) through a Memorandum of Understanding signed by OIRM and OBP. GSA continued to exercise CO and COTR authority. With the creation of the DHS in March 2003, OBP became a part of U.S. Customs and Border Protection (CBP) and OIRM became part of Immigration and Customs Enforcement (ICE). Because of the continuously unresolved prior and ongoing problems with the IMC contract, CBP allowed the contract to lapse in September 2004, rather than renew it.

The CBP Office of Finance is continuing to work with GSA to recertify all remaining ISIS funding, which can only be utilized for the original intent of providing border surveillance technology.

IG Reports

Numerous problems with the RVSS project resulted in the GSA Administrator requesting the IG to conduct an audit. This audit covered all the GSA Federal Technology Service's (FTS) Regional Client Support Centers and was performed by the

GSA IG office in Fiscal Years (FY) 2003 and 2004. Although the majority of the audit findings related to GSA's procurement practices and alleged mismanagement by the integration contractor with regard to the purchase and installation of the RVSS, some of the findings and recommendations also focused on the OBP role in program management.

The GSA IG report identified three major areas with regard to the ISIS/RVSS acquisition that related to CBP/OBP:

- Inadequate contract management and oversight.
- Lack of acquisition planning.
- Inadequate provision for competition.

The DHS Inspector General issued a report (OIG-06-15) in December 2005 entitled "A Review of Remote Surveillance Technology Along the U.S. Land Borders" which also catalogues CBP's corrective actions regarding the problems with the ISIS project. [Maintained in committee file.]

Corrective Actions Addressed Through ASI

In 2004, CBP initiated ASI. ASI was designed to provide technology to improve our nation's ability to detect, classify, and respond to illegal attempts to enter the United States between the ports of entry.

CBP took a rigorous approach to managing and overseeing ASI planning for major acquisitions and investments, with a specific focus on correcting the problems that had existed with the previous ISIS effort. An ASI Program Management Office (PMO) was developed and staffed by the CBP OBP, the Office of Information and Technology, the Office of Procurement, and contractor personnel. PMO personnel were well qualified in program management, systems acquisition, logistics, contract management and oversight, and engineering, and brought a significant level of experience to the program. The PMO ensured its procurement processes and structure adhered strictly to Federal and DHS procurement guidelines.

To govern the operation of the PMO and comply with DHS investment management policy, the PMO created and implemented the following formal plans and processes for the acquisition of the ASI. This detailed level of planning meets the highest standards of federal enterprise architecture for acquisition projects and ensured all activities associated with the project were firmly under the supervision of senior management:

- Cost-benefit analysis
- Program Management Plan
- Acquisition Performance Baseline
- Acquisition Plan
- Source Selection Plan (draft)
- Risk Management Plan
- Test and Evaluation Master Plan
- Configuration Management Plan
- Integrated Logistics Support Plan
- Program Level Work Breakdown Schedule and Integrated Schedule

In accordance with FAR, Parts 7 and 39, the ASI Program Manager developed a comprehensive acquisition strategy that emphasizes the use of non-developmental, open systems technology to both ensure competition and to shorten the amount of time required to field the first incremental capabilities to the field. ASI planned to validate technologies and approaches through prototyping before approval was given to enter the production phase.

The ASI plan envisaged that:

The ASI program manager, contracting officer, contracting officer technical representatives (COTR) and support staff would be responsible for day-to-day administrative matters as well as cost, schedule and performance tracking. Contract performance would be managed through the application of Earned Value Management, the Contractor's CMMI Level 3 methodology, program management reviews, and design and milestone reviews.

- A procuring contracting officer would be on-site during the period of performance for the prototype development and acceptance testing.
- The contractor would be required to provide a quality management plan within 60 days of contract award.
- The contract and, as appropriate, any associated task orders will have a Government point of contact who will periodically audit the contractor's implementation of its quality management plan.
- A deliverables review system would be established by CBP to ensure timely delivery and Government inspection and acceptance of deliverables required in the contract.

- Each line item would be accepted after successful completion of acceptance testing.
- Invoices would be reviewed by the COTR to ensure that the contractor has met all the acceptance criteria before the approval and payment of each invoice.
- CBP and the development and integration contractor would identify, assess, track, and mitigate all risks that can potentially impact contract cost, schedule, and performance.

The Secure Border Initiative—The Way Forward

On November 2, 2005, Secretary Chertoff announced a comprehensive multi-year plan to secure America's borders and reduce illegal immigration. The, the Secure Border Initiative (or SBI) focuses broadly on three major themes, controlling the border, immigration enforcement within the United States, and the Temporary Worker Program.

The Secretary's vision for SBI includes:

- More agents and officers to patrol our borders, secure our ports of entry and enforce immigration laws;
- Expanded detention and removal capabilities to eliminate "catch and release";
- A comprehensive and systematic upgrade of the technology used in controlling the border, including use of manned and unmanned aerial assets (UAV's);
- Increased investment in infrastructure improvements—providing additional physical security and to sharply reduce illegal border crossings;
- Improve interior enforcement of our immigration laws.
- Working in close coordination with international partners to ensure illegal entrants are quickly returned to their countries of origin.

DHS has instituted specific leadership and management structures through SBI which will ensure program management deficiencies of legacy efforts such as ISIS are not repeated. Specifically, DHS has created an SBI Program Executive Office within the Office of the Assistant Secretary for Policy, Planning and International Affairs. I am the Director of that office. Weekly meetings are chaired by the Secretary and attended by a broad scope of DHS senior leaders to ensure we are realizing near term improvements in our immigration enforcement with existing resources, while continuing to focus on building a multiyear strategy that will address the gaps in our current approach. We also place a priority in working with our international partners, particularly in the area of detention and removals. We are appreciative of those nations that work with us most closely in this area; I would like to specifically note the excellent cooperation that we have experienced with El Salvador and Honduras.

Furthermore, CBP has created an SBI program management office (PMO) in the Office of Policy of Planning with direct reporting responsibility to the Commissioner. The organizational structure provides the SBI PMO with the advantage of drawing on the full range of relevant expertise and capabilities within CBP to ensure fully successful management of the effort. Leaders from the operational side of the agency provide overall project management, while the acquisition process for SBI technology and infrastructure are supervised by highly trained and certified program managers with extensive experience in the Federal Acquisition Regulations (FAR). The PMO also leverages expertise from the ASI PMO. Similarly, program management offices are also being developed for the Immigration and Customs Enforcement and Citizenship and Immigration Services.

SBI-net

A critical component of the SBI strategy to control the border is the Department's plan to launch a comprehensive program to transform its border control technology and infrastructure. This program, named SBI-net, will integrate multiple state of the art systems and traditional security infrastructure into a single comprehensive border security suite for the department. CBP will serve as the executive agent for the SBI-net program—leading, managing, and working with an industry integrator to implement this aggressive new DHS program.

Last month, DHS held an "Industry Day" to reach out to America's private industry as a first step in building a strategic partnership in support of the Secure Border Initiative (SBI). More than 400 representatives from the private sector attended the SBI-net Industry Day, which challenged industry to develop an integrated solution using a combination of new technology, tactical infrastructure, personnel, facilities, sensor and response platforms, communications, as well as existing government resources and infrastructure.

The DHS goal is to award an integrator contract by the end of this fiscal year through a constructive down select competition in full compliance with the FAR. DHS has contracted with an independent contractor to provide professional assist-

ance with drafting the Request for Proposal and the process of reviewing proposals submitted in response.

We expect the private sector systems integrator to help CBP and DHS provide a solution that provides deterrence, detection, and apprehension by a solution that:

- Fully integrates and balances the tradeoffs of personnel, technology and infrastructure requirements
- Addresses the need to coordinate operations and share information among all relevant DHS agencies and other federal, state, local and tribal law enforcement, defense, legal and intelligence agencies.
- Evaluates the illegal entry threat against the current level of resources, prioritizes the shortfalls based on areas of greatest operational need, and provides a comprehensive road-map for achieving full operational control of the border in the shortest possible time.
- Includes a detailed and comprehensive set of performance measures to ensure we have a robust ability to view and understand the impact of adding resources to ensure the expected improvements in operational capabilities actually are occurring.

Rigorous Program Management and Leadership

DHS is well positioned to meet the challenges of awarding and overseeing *SBI*net, and ensuring mistakes of the past are not repeated. The following actions have been instituted to establish rigorous program management and leadership necessary for success of large scale projects such as *SBI*net: Specifically:

- For major programs, oversight is provided by the DHS Program Executive and Central Procurement Offices, as well as by Senior Management in DHS organizations.
- The CBP SBI Program Management Office will include an independent, objective assessment of acquisition planning and implementation activities.
- The contractor will be required to provide a quality management plan within 60 days of contract award.
- CBP and the integration contractor will identify, assess, track and mitigate all risks that can potentially impact contractor costs, schedule, and performance
- The program manager, contracting officer, contracting officer technical review (COTR) will be held to the highest standards of accountability for program performance
- Contract performance will be managed through the application of Earned Value Management, program management reviews, and design and milestone reviews.
- A Contracting Officer will be assigned to CBP Acquisition Project Management Offices for the duration of the program to provide effective oversight for acquisition planning, solicitation, and contract administration activities.
- The contract and associated task orders will have a Government point of contact who will periodically audit the contractor's implementation of its quality management plan.
- CBP will establish a deliverables review system to ensure timely delivery and Government inspection and acceptance of deliverables required in the contract.
- Line items will be accepted only after successful completion of acceptance testing.

Conclusion

Gaining control of the border is a major challenge, which requires a comprehensive strategy that fully integrates personnel, technology and infrastructure most effectively, and through the Secure Border Initiative the Federal Government has defined this goal as a major priority.

Under this program, effective measures will be in place to provide high standard program management, direct supervision of all program activities by senior leadership, detailed performance metrics to measure operational capabilities.

Several IG, GAO and Congressional reviews of the problems associated with the ISIS program have highlighted the serious shortcomings in the management of the acquisition and procurement process, and DHS has taken steps to ensure similar problems do not occur in any current or future program.

Closing

Thank you again for the opportunity, Mr. Chairman to speak to you today. I will be happy to answer any questions from you or the other Members of the Subcommittee.

Mr. ROGERS. I thank the gentleman.

The chair now recognizes our next witness, Mr. James C. Handley, regional administrator for the Great Lakes Region 5 of the U.S. General Services Administration, for any statement you may have.

Mr. Handley?

STATEMENT OF JAMES HANDLEY

Mr. HANDLEY. Thank you, Chairman Rogers, Minority Member Meek.

We, too, have not shied away from admitting that mistakes were made in this program, as our I.G. most adequately testified before you some time ago, identifying certain shortcomings in the administration of this contract.

I will say that we have enjoyed now in these last few months a very good relationship with the Department of Homeland Security and the contractor in this case to try and arrive at some final numbers to present to everyone and close this matter out.

As you know, probably from previous testimony, that this all started in 1998. A close-out for all orders occurred in 2004. And since that time, we have been working to close out the program and to come up with some final numbers of accountability.

As you also noted, and the I.G. testified about, the December 14, 2004, audits. In those audits, there were several concerns raised.

Just to enumerate a few of those, a lack of competition in the awarding of the RVS contract, the inappropriate contract for construction services, inadequate contract administration, providing equipment without contract or approval, and ineffective management controls.

We agree with that, Mr. Chairman. And we are doing as much as we can today in trying to put those things behind us and to put in place—I think we do have in place now controls for addressing those kinds of matters in the future.

Once again, I would enumerate just a few. For instance, putting management controls in place to ensure adequate review and documentation, replacing key managers.

As you pointed out earlier, there were some shortcomings, and some key managers have been replaced. We do conduct regular meetings, as I mentioned a moment ago, with the contractor and DHS.

We also do consultation with our inspector general and with the general counsel in our office, who has been instrumental in guiding us through this process.

And we now have a process for requiring that funds are appropriately appropriated, if you will, and that the contracting vehicles are the correct contracting vehicles.

We also have a contract review board, which is pre-solicitation and do post-award reviews.

In addition to these actions, as you pointed out earlier, there were several disciplinary actions that were given out. And we send a paper to the committee on this prior to coming.

My written testimony goes into detail about how we conducted our deliberations, and I will be happy to answer questions you have about that.

One thing we would point out, we have had—you may have heard of it; you may not have heard of it. But at GSA we have what we call the Get it Right program. We are trying to make sure that we are doing things right in the acquisition field.

We recognize that this is an means to an end, that what we are really striving for is excellency in acquisition.

I will conclude my testimony at this time and be happy to answer any questions you might have about this program and about those disciplinary actions, which you referred to earlier.

Thank you, Mr. Chairman.

[The statement of Mr. Handley follows:]

PREPARED STATEMENT OF JAMES C. HANDLEY

Good afternoon, Chairman Rogers and Members of the Subcommittee. Thank you for the opportunity to appear before you to discuss the General Services Administration's (GSA) role in the U.S. Border Patrol Integrated Surveillance and Intelligence System (ISIS). I am Jim Handley, Regional Administrator for GSA's Great Lakes Region (Region 5), and I am pleased to be here today to discuss the December 2004 GSA audit of the Federal Technology Service (FTS), particularly the contract awarded for the U.S. Border Patrol's Remote Video Surveillance (RVS) program and what we are doing to correct these errors.

BACKGROUND

In late 1998, the former Immigration and Naturalization Service Border Patrol approached our regional FTS for acquisition support, including network cabling, IT services, commodities, network maintenance and upgrades for the RVS program. Initially, individual orders were issued; however, due to anticipated requirements, it was determined that a Blanket Purchase Agreement (BPA) would better streamline the process and provide for quantity discounts. The BPA, with an estimated value of \$200 million, was awarded to *International Microwave Corporation* (IMC) on November 14, 2000. The BPA was established under the terms of IMC's position on the Federal Supply Schedule (FSS) Contract FSS70. IMC was subsequently acquired by *L3 Communications Incorporated* in 2003.

The BPA expired for new orders on May 5, 2004, although some work was ongoing through September 30, 2004. The BPA, however, did not account for all equipment and services provided in support of the Border Patrol's surveillance needs and there were ancillary equipment requirements and support not covered under the BPA which were procured under separate task orders.

GSA AUDIT

The December 14, 2004, Office of Inspector General (OIG) audit was part of a nationwide review requested by the GSA Administrator to answer the following question: Were procurements awarded and administered in accordance with the Federal Acquisition Regulations and the terms of the contracts utilized? As we found out, the answer to this question was no.

A copy of that final audit was provided to the Committee when it was released and GSA's Deputy Inspector General appeared before the Subcommittee on June 16, 2005, to discuss the audit in greater detail.

In its final report, the OIG raised several concerns, such as:

- the lack of competition in the awarding of the RVS contract
- the inappropriate contract for construction services
- inadequate contract administration and project management
- providing equipment without contractor approval
- ineffective management controls

I assure you that these concerns are currently being addressed on a detailed level within the Region.

PROJECT REFORMS

Mr. Chairman and Members of the Subcommittee, I agree with these findings of the OIG. There were definitely certain instances of inappropriate contracting practices. These practices were not specific to Region 5 but part of a larger problem that permeated FTS nationwide. This is not meant to excuse our actions in any way, but it is meant to reinforce the OIG's finding of environmental problems throughout the organization.

Since the receipt of the OIG audit and as a direct result of it, Region 5 has made tremendous strides in correcting the issues raised. Some of these actions were taken

immediately while some have taken more time. This is a situation that will require a dedicated effort on our behalf to make sure this does not occur again. And I assure you, we are focusing our resources to resolve these issues.

Some of the actions we have taken on the regional and programmatic levels include:

- Putting management controls in place to ensure adequate review and documentation is provided;
- Replacing key managers with individuals who were experienced in their field and focused on customer service, quality of tasks, and adherence to procurement regulations;
- Conducting regular meetings with the Contractor and U.S. Customs and Border Protection to address any discrepancies in contracting procedures and contractor performance;
- Requiring a Memorandum of Understanding or Memorandum of Agreement with each task order to confirm GSA and customer roles and responsibilities;
- Consulting with the Office of General Counsel in our acquisition planning and execution;
- Limiting contracting authority to allow for more management control;
- Establishing a database to monitor every phase of the acquisition;
- Reviewing funds received, obligated, and invoiced between the two GSA financial centers;
- Validating all GSA financial data at the task order level to ensure funds and payment records match;
- Encouraging Contracting Officers to become more involved in task planning and encouraging customers to invite their contracting and financial management offices into discussions;
- Requiring that project funds be accepted only at the Director level or higher to ensure incoming work will be carried out effectively and efficiently;
- Instituting a regional remediation plan to review existing task orders and address any deficiencies or areas of concern;
- Establishing a Contract Review Board for pre-solicitation and post-award reviews;
- Reviewing all contract actions to ensure compliance with applicable regulations and policies;
- Revising performance measures to emphasize quality and eliminate the emphasis on volume and revenue; and
- Requiring a continued review of operating procedures to ensure pre- and post-award and contract administration is effectively carried out.

DISCIPLINARY ACTIONS

Mr. Chairman and Members of the Subcommittee, in addition to our actions mentioned above, disciplinary action was needed. Prior to this hearing, we provided the Subcommittee with a description of the disciplinary actions we have taken against certain GSA personnel as a result of the audit. In that letter, as well as in communication with the Subcommittee staff, we name the individuals involved, their positions and the nature and outcome of the disciplinary action taken against each. However, for the purposes of this open hearing, and because of Privacy Act considerations, I will limit my testimony today to briefly describing the general disciplinary process at GSA and addressing the questions we received from the Subcommittee.

1. How these cases happened at GSA?

As I have discussed previously, as a result of an OIG audit report on the FTS Client Support Center in GSA's Great Lakes Region, several improper task orders and contract awards were identified. Through further investigation, GSA found that some of the GSA employees involved in these procurements were engaged in misconduct and were issued disciplinary notices for their actions. These cases were the result of those proposed disciplinary actions. Several other personnel actions resulted in non-adverse actions, including official reprimands.

2. Who decides the cases at GSA?

The GSA Delegations of Authority permits the Heads of Services and Staff Offices and Regional Administrators to designate officials in their individual organization or region who are authorized to take disciplinary actions. Designated officials are usually in the line of authority over the disciplined employee. The type of disciplinary action taken determines who decides the matter. For example, warning and reprimand notices are usually issued by the first line supervisor. Suspension and removal actions require a proposal notice before a decision is rendered. Therefore, there is a proposing official and deciding official.

3. What is the procedure and how are they decided?

The Heads of GSA's Services and Staff Offices and Regional Administrators are responsible for the maintenance of discipline and adherence to the standards of conduct by employees under their jurisdiction. Immediate supervisors have the primary responsibility for discipline and initiating appropriate corrective action when it becomes necessary. When a supervisor suspects misconduct has occurred that supervisor conducts an inquiry to secure the facts needed to determine what disciplinary action, if any, is warranted.

As I mentioned previously, disciplinary action can take the form of a warning notice, an official reprimand or more serious penalties such as a suspension, a demotion to a lower grade or removal from Federal service. When an adverse action, such as a suspension, demotion or removal, is proposed the agency must comply with Title 5, Part 752 of the Code of Federal Regulations, which entitles an employee against whom such action is taken certain rights. These rights include the following: (1) an advance written notice stating the specific reasons for the proposed action; (2) a reasonable amount of time to reply orally and/or in writing to the charge(s) against him/her and to furnish affidavits and other documentary evidence in support of the reply; (3) to be represented by an attorney or other representative; and (4) a written decision and the specific reasons for that decision at the earliest practicable date. If the employee fails to make either a written and/or oral reply, the deciding official will make a decision based on the record as a whole. The decision is based on certain factors, prescribed by the Merit Systems Protection Board (MSPB), such as the employee's past disciplinary record, if any, his/her past work performance, length of service, the notoriety of the offense and the consistency of the penalty with those imposed upon other employees for the same or similar offenses.

Before applying these factors, the deciding official will make the determination as to which charges can be sustained based on the evidence of the record as a whole. The deciding official should make this decision independently, free of advice from the proposing official.

After making a determination on which charges to sustain, the deciding official must do a full analysis of the case to determine its outcome and then apply the relevant mitigating factors to the case at issue. In order to take an adverse action, the deciding official must make the determination that the misconduct at issue is severe and the penalty promotes the efficiency of the agency. Also, the penalty should be in accordance with the agency's penalty guide.

If an employee receives a suspension for longer than 14 work days, a demotion to a lower grade or removal from Federal service, he/she can appeal this decision to the MSPB within 30 calendar days of the effective date of the action. If the appeal proceeds to hearing, an Administrative Judge will decide whether the charges against the employee are sustained and, if so, whether the penalty imposed is reasonable.

The MSPB will not disturb the agency's choice of penalty unless the severity of it appears totally unwarranted in light of the relevant factors. If the deciding official fails to consider relevant mitigating factors, MSPB may mitigate the penalty to bring it within parameters of reasonableness, which is determined based on MSPB case law.

4. What were the final decisions?

Four GSA employees from the Great Lakes Region received the proposed adverse actions. All four actions were decided by the agency and all involved disciplinary actions against the individuals. Three of those cases have been appealed and settled. The fourth has an appeal pending with the MSPB. The three settled cases resulted in one person being demoted from a GS-15 to a GS-13; one person being demoted from a GS-15 to a GS-14; and one person agreed to retire from Federal service in lieu of being demoted from a GS-14 to a GS-13.

The pending appeal also involves a full grade demotion.

MOVING FROM "GET IT RIGHT" TO EXCELLENCE IN ACQUISITION

Mr. Chairman and Members of the Subcommittee, excellence in acquisition is the top priority for GSA. Conducting acquisitions the right way is critical to everyone. In July 2004, the Administrator, in conjunction with the Department of Defense, launched the "Get it Right" program to help promote proper contracting practices. The initiative has led to the implementation of better controls across FTS nationwide, as well as individual Client Support Center management improvement plans. "Get it Right" has resulted in greatly increased attention to ensuring adequate competition, determining best value and utilizing and properly administering the appropriate contract vehicles. These efforts have been fully supported by GSA's management team and we believe the agency is making genuine progress in addressing the serious contracting deficiencies found in our reviews. As I discussed earlier, the

management team in GSA's Great Lakes Region fully embraced the "Get it Right" initiative, and we have begun implementing a wide-range of program reforms in our procurements .

The "Get it Right" Plan is the foundation for Acquisition Excellence and is based on five objectives:

1. Secure the best value for Federal agencies and American taxpayers through an efficient and effective acquisition process, while ensuring full and open competition and instilling integrity and transparency in the use of GSA contracting vehicles.
2. Make acquisition policies, regulations and procedures clear and explicit.
3. Improve education/training of the Federal acquisition workforce on the proper use of GSA contracting vehicles and services.
4. Ensure compliance with Federal acquisition policies, regulations and procedures. Non-compliance is unacceptable!
5. Communicate with the acquisition community, including agencies, industry partners, the Office of Management and Budget, Congress and other stakeholders regarding the use of GSA contracting vehicles and services.

While the Get It Right Plan demonstrates our strong commitment to ensuring the proper use of GSA contracting vehicles and services in order to be in full compliance with Federal Acquisition Regulations and best practices, we view the "Get it Right" program as the means to an end. We are committed to excellence in acquisition at GSA and we know that that goal must begin with GSA's strong commitment to ensuring the proper use of GSA contracting vehicles and services in order to be in full compliance with Federal laws and regulations and best practices.

In addition to the regional and programmatic reforms put in place as a result of the audit, GSA has implemented better controls within FTS nationwide, and GSA has been making genuine progress in addressing the serious FTS contracting deficiencies found in our reviews.

Our Office of the Chief Acquisition Officer (CAO) has updated policy guidance on doing business with other agencies. We are increasing the use of competition in the procurement process and raising our own goals for competitive contracting, including small businesses in acquisition strategies and the use of small businesses to achieve socio-economic goals. We are also clarifying how to account for other direct costs when ordering from a GSA schedule. In 2006, the CAO is launching a multi-year campaign to rewrite the General Services Acquisition Manual (GSAM) and will be updating our acquisition regulations to ensure we have clear and explicit rules on which our GSA customers and associates can rely. On the national level, we are also working on an interagency contracting workgroup that OMB's Office of Federal Procurement Policy has put in place that will once again move us toward a common understanding of our responsibilities, both internally and government wide. Also, GSA has begun a thorough assessment of our acquisition workforce to determine whether they have the skills to "Get it Right" and to achieve excellence in acquisition. Finally, to ensure that we are doing things right, we are working closely with our Inspector General's office in reviewing our procurements, and our CAO's office has been traveling to each of the regional offices, conducting Program Management Reviews (PMR) of contracting actions. These PMRs are not audits, but are independent peer reviews, performed on an annual basis by GSA acquisition professionals; and are designed to ensure that acquisitions functions are in compliance with all applicable regulations, policies and procedures, to provide acquisitions solutions, and to identify and share best practices.

CLOSING

Mr. Chairman and Members of the Subcommittee, in its audit, the OIG raised several concerns. You have heard from the OIG directly and I have outlined them for you today. Everyone at GSA, from our Administrator and top executives, to our acquisitions officials, to our program managers take these concerns seriously. Our "Get it Right" initiative demonstrates our commitment on a nationwide level and we are addressing them on a detailed level within the Region as well.

Thank you again for this opportunity to speak with you about this very important matter this afternoon. We are committed to serious reforms and we are proud of our progress in rectifying the problems discovered. I will be happy to answer any questions you may have.

Mr. ROGERS. Thank you. And that is exactly what I would like to go to first.

Mr. HANDLEY. Okay.

Mr. ROGERS. My understanding of the disciplinary actions are that there were four individuals that were downgraded or taken

down in pay grade by one level. Nobody was fired. Is that inaccurate? This is \$250 million we are talking about.

Mr. HANDLEY. That is correct, Mr. Chairman. Yes, your statement would be accurate. There have been some departures of people who were involved in the program.

Mr. ROGERS. Through retirement.

Mr. HANDLEY. Actually that, but there were also some people, frankly, who left. I am speaking now from my region, Region 5 only, which is in Chicago.

There were two or three key individuals who departed before the I.G. audit findings were finalized and before the disciplinary process began.

But you were right; there were four what we call adverse actions taken. As you pointed out, no one was dismissed, but there were mitigating factors which we have to consider in these cases—

Mr. ROGERS. Such as?

Mr. HANDLEY. Such as mostly as past performance, how these people have conducted their—st of these people were long-time federal government employees. And you have to take into consideration their past work performance in issuing any disciplinary action.

Mr. ROGERS. Are you limited to that by some rules or regulations?

Mr. HANDLEY. Yes. These restrictions are called—it is something called the Douglas factors. And when you are dealing with the Merit Systems Protection Board, which on matters of personnel in the government are subject to going through their process, you are bound by these factors, which are called the Douglas factors.

And once again, they are basically just past performance.

Mr. ROGERS. From what I see, these are all pretty well-paid folks, GS-13, GS-14, GS-15, and virtually all of these people were reduced one grade. That is a slap on the wrist if I have ever seen one, particularly given the massive amount of money that we are talking about.

Mr. HANDLEY. Right. Well, it is a massive amount of money; there is no question about that.

Mr. ROGERS. And a lot of questions, too, about the propriety of their action. When you look at this unbid contract morphing from a \$2 million contract to a \$200 million contract, ultimately \$250 million, with no competitive bidding and nobody getting in trouble for it, and the cameras were not even put up, it makes you think that, at a minimum, some people would be terminated for that level of incompetence and possible corruption.

Mr. HANDLEY. Well, frankly, it was proposed that they be released from federal service. But once again, the deciding official is bound to consider these factors, which I referred to before, which are the Douglas factors—

Mr. ROGERS. Who is the deciding official?

Mr. HANDLEY. The decision official in this case was my deputy, deputy regional administrator in Chicago.

Mr. ROGERS. And he was the person who was recommending termination or—

Mr. HANDLEY. No, the recommending authority was the assistant—not the assistant regional administrator that was there at the time of these actions, but the one who subsequently came in.

Mr. ROGERS. Right.

Mr. HANDLEY. He was the one who was the recommending official. And then—

Mr. ROGERS. And he recommended termination?

Mr. HANDLEY. He recommended termination.

Mr. ROGERS. For one or more?

Mr. HANDLEY. For, I believe, four individuals.

Mr. ROGERS. And then your deputy said no?

Mr. HANDLEY. My deputy, well, he had to consider, as I say, these factors. And after considering those factors and deciding what was supportable going forward, he made the decisions as have been presented to you.

And incidentally, you know, to a federal employee or to any employee in any organization, when you get knocked down in grade and you get taken out of a job, that is a pretty devastating thing.

Granted, I know what you are saying. Accountability to the taxpayer is paramount; I agree with you wholeheartedly. But in this case, the affected people think this has been a pretty severe punishment.

Mr. ROGERS. Well, the affected people are wrong. The thing that we all have to keep in mind what the American people, the American taxpayer, is thinking about this.

We hear about all of these outrageous abuses and waste after Katrina, just on the news in the last couple of days about these 11,000 mobile homes that we paid \$300 million for, they are sitting in a field rotting. And nobody is using them or sees any use of them in the near future.

We see this, \$250 million for cameras that most, half of which, did not go up, and the ones that did go up are not working. I mean, it erodes the confidence of the citizenry in the Congress and the homeland security.

So, you know, there is a lot more at stake than just, you know, the feelings of these people.

And my question, I guess, though is: Is it your opinion that, because of that outcome, because your deputy had his hands tied by these regulations, these merit system regulations, do you think that is one of the other things that should be implemented as a consequence, that we ought to be giving more latitude to management to ensure that their employees take responsibility for their actions?

Mr. HANDLEY. I do not see a downside to that at all, sir. I think that would be a good thing to do.

Mr. ROGERS. Okay. I see my time is expired.

I yield to the ranking member for any questions he may have.

Mr. MEEK. Thank you, Mr. Chairman.

Mr. Handley, if I can continue on a line of questioning that the chairman was asking, you mentioned I believe the factor where you could not fire an individual—what is the name of that?

Mr. HANDLEY. The Douglas factor.

Mr. MEEK. Douglas factor, okay. I am familiar. That was a mitigating factor—

Mr. HANDLEY. Right, they are.

Mr. MEEK. —looking at all of those different disciplinary opportunities that you may have based on past performance. I am familiar with it, but the name slipped my mind there quickly.

These individuals could have been suspended, am I correct?

Mr. HANDLEY. They could have been.

Mr. MEEK. For a period of time?

Mr. HANDLEY. Yes, that would be one of the recommendations that could have come.

Mr. MEEK. Right. Were they?

Mr. HANDLEY. I do not believe so. Of these four individuals, I do not think they were suspensions. They were demotions.

Mr. MEEK. And I think this thing is a lot bigger than the four individuals. I think they have some bosses and some other folks that kind of knew that something was going wrong here.

When you are talking about \$250 million, that is an awful lot of money, even on the federal level. And we are talking about border security. This is not some study that was done in the university and the money was spent in a way that it should not have been spent. Some universities wish they could get \$250 million.

I represent a district, if someone misspends \$1 million, they will have the federal prosecutor trying to prosecute them for misappropriation of these dollars.

As far as your agency is concerned, as it relates to disciplinary action or any further action, are you done with your whole inquiry and disciplinary action, not only on behalf of the four, but possible others that could be involved in this?

Mr. HANDLEY. This, as we see it, is the end of the issue.

Mr. MEEK. Okay. So you are saying that the individuals that were disciplined, that they actually went through being demoted a grade, that the department sees it as quite severe?

Mr. HANDLEY. Yes. One of the four cases, Congressman, is still pending appeal. But I would have no reason to believe that it will be overturned, but it is pending appeal.

Mr. MEEK. If someone at the department was to take one of your vehicles and crash it, what do you do with them? Do you demote them, or do you fire them, or what do you do with them?

Mr. HANDLEY. I think it depends on the circumstance. If they were negligent, I am sure we would fire them, that they would undergo some kind of a warning or disciplinary action, once again depending on the merits of the case.

It is hard to make just a blanket statement regarding that, because there could be any set of circumstances you can imagine, I guess.

Mr. MEEK. We are not looking for blood here; we are just looking to make sure that bad behavior is not rewarded. And I am going to tell you, I have been in a career service setting before in my professional career. And I have seen people dismissed, and I mean dismissed for far less than wasting \$250 million.

Mr. HANDLEY. Right.

Mr. MEEK. So, with all due respect, sir, it is kind of hard for me to believe that, because of all of the mitigating factors that is involved here that these individuals only got demoted just one step down.

And that is the reason why we have this era of one may say cronyism. And folks get turned off with government. This is the perfect example.

Now, we have to continue to march on, on this issue, and push the department to hopefully come up, not only with better answers, but with better action.

If someone in an office in the same?what are they doing now? Are they over at some procurement program? Are they still in the business, in the area of where they were?

Mr. HANDLEY. They are out of any management responsibility now.

Mr. MEEK. What are they doing?

Mr. HANDLEY. Well, one of the people transferred to another service within GSA. And she is out of the management chain. The one gentleman, as I say, he is still pending appeal. One of the four people retired.

And the other lady has been demoted to a non-supervisory role in the same service. She is no longer involved in acquisition.

Mr. MEEK. Are they doing any contracting whatsoever?

Mr. HANDLEY. No.

Mr. MEEK. None of them?

Mr. HANDLEY. No. No. And we have implemented a whole new policy of oversight in that area. We have got much stronger reviews.

Once again, I am not saying that we were not negligent, we did not make a lot of mistakes. But we do have the measures in place now which I think will address a lot of this.

And I know any certain amount of money, to me, is a big amount of money, even a few million dollars.

But when we speak of \$250 million, when this whole thing is said and done and we come up with a final determination of what money was squandered or what did happen, the number will be far less. I mean, there was some value that did occur within this \$250 million which we are talking about.

Once again, Congressman, I am not saying that any amount of money in the millions is not substantial; to me, that is a lot of money. But it will not end up being a squandering of \$250 million.

Mr. MEEK. Maybe a question for both of you. You are on our way to the America's Shield Initiative, and I am pretty sure we are all familiar with it. We call it ASI.

What are the corrective actions to make sure that we do not?you are speaking of it very loosely by saying we have things in place.

It just seems like, time after time, in this committee, Mr. Chairman, and the department, and I am dealing with the federal dollar, that it is a lot of after the fact. And there is a real what one may call incompetence tax that the American people are paying.

These are the dollars that just fall down a black hole and they have no real public benefit to it. And I do not know if anyone is really accumulating the numbers, but it is in the billions.

And so, when folks start talking about saving the taxpayers' money, I mean, this is very, very important work. So I am just trying to figure out, because I know now, dealing with the issues, dealing with Katrina and all the other issues that we have out

there, we are supposed to have this accountability arm with the inspector general being a part of the whole contracting experience.

Can you explain to me a little bit more how we will never go down this road again or prevent going down this road again? I hate to say never, because I know folks are human. But at the same time, I do not understand it.

If I was to tell you, if you were to walk out this door, and there is some water on the floor there, and if you step in it you are going to slip, you may step in it the first time, and slip, and say, "Well, you know, Kendrick told me that that water was out there."

But you go there the second time, you are going to be looking to the right. Well, in this case, we walked out of the door well over 10 or 15 times, in my little short time here in Congress.

So I am trying to figure out, how can we stop stepping in the same puddle? So can you just elaborate a little bit more? Because this exercise is more than who did it; this is about making sure that we do not continue having Groundhog Day all over again, talking about the things that we are talking about constantly.

I would like to talk about forward progress here.

Mr. HANDLEY. Right.

Mr. MEEK. But we are spending a lot of time talking about what just happened yesterday, because we talked about it last week and we thought it would be corrected, and we just continue to do the same thing.

Mr. HANDLEY. Right.

Mr. MEEK. So, Mr. Chairman, I know I have gone over my time, but, you know, I think we do have enough time to try to get a better understanding of how this will not happen again. And, of course, let's continue to have the discourse on where the department is headed.

Mr. HANDLEY. My written statement does have an enumeration of some of these things. But let me just go over a couple which are very key to our oversight today, which we did not have in place at the time this occurred.

We now have project review panels in the services that review these things, and discussions with the customer agency occur in a much more meaningful fashion to get better understanding going forward of exactly what is expected of all parties.

We now review all acquisition plans, and any acquisition plan which involves a project of over \$100,000 has to be signed off on by me, and only after it is reviewed by the true professionals in our organization.

In our region, we have what is called a regional acquisition management staff. They review it for all technical aspects, and then it goes to our regional council. They sign off on it. And not until then do I sign it.

As pointed out earlier, we have a process now where these things, which may originate—much of this originated at a place called Wright-Patterson Air Force Base in Dayton, Ohio. Those folks no longer have the authority out there to sign off on a project of anywhere near this magnitude, and now has to go to Washington, D.C., for a review by the proper acquisition folks.

Let's see. We now have a system whereby the agency, the customer agency, verifies the source of the funds, the proper year, allo-

cation or appropriation of the funds. And that has to be certified before we can go forward.

They have been enumerated. I will be happy to provide you additional information on that, but those are a few of the things which we now have in place, which I think will avoid this—I do not know that we will ever avoid the black hole you spoke of.

I suppose there will always be waste. Hopefully we can minimize it. We think many of these things that we put in place will help GSA minimize that exposure.

Mr. MEEK. Towards that initiative, Mr. Chair, as I yield back, I just want you to think about it, because I am pretty sure we are going to have another round.

I just want to make sure that—I want to talk to you about the staffing and the enforcement of what you just explained.

Because many times we start initiatives, and if there is 10 people in compliance—I am just taking a number; I am not saying that there is 10—and you put these new responsibilities on them, and it is still 10 people, if they could not comply with the old rules, how can they do it with the new rules and all of the steps that you just talked about?

When we talk about streamlining government, nine times out of 10 compliance does not play a very strong acting role in that particular situation.

So if you can think about that, maybe in the next round of questions we can talk about it and go from there. Thank you for your—

Mr. HANDLEY. Thank you, sir.

Mr. ROGERS. I thank the gentleman.

The gentlelady from Texas is recognized for any questions she may have.

Ms. JACKSON-LEE. Mr. Chairman, I want to thank you and the ranking member for consistent, valuable hearings that we have had over the period of time.

And I will beg the indulgence of the witnesses. I may stay for a second round, but I do want to have a corrected record for something that I find enormously important, and that is the title of this committee is Management, Integration and Oversight.

And so, as we are looking at lessons for the new border initiative, which I believe are extremely important, and I understand that there are some benchmarks, Mr. Handley and Mr. Giddens, that we may not have met as of yet.

Just a couple of hours ago, we were in this committee with the secretary of Homeland Security, Mr. Chertoff. Unfortunately, we have not, although this committee has been—and at the full committee, excuse me—has been organized for at least one session, and we did so in order to be at the cutting edge of protecting America.

In this instance, we are talking about border security, but there are issues such as intelligence gathering, and there are issues dealing with natural disasters.

I was frustrated that, in a time when we need to be moving forward in our oversight, that Mr. Chertoff, who has spent few hours before our full committee, the last time appearing here on July 2005, thought that lunch for more than an hour and 15 minutes was more important than addressing some of the severe manage-

ment deficiencies that I believe resulted in 1,300 people dying in the gulf region.

Now, we can look prospectively, and I think that is key. As I said, I applaud the chairman and the ranking member, because this committee has been, I think, at the cutting edge of trying to improve the workings of the Department of Homeland Security. We have been meticulous in that work.

But I cannot imagine, despite all of the editorial comments about Katrina fatigue, how sad that is, that we in Washington would tolerate a cabinet member who infrequently comes to the Hill, particularly before this committee.

And let me say that I intend to mind my manners, because I do not usually speak when someone is not present. But Mr. Chertoff had an opportunity to stay and to allow members to question him rather fully. But again, as the record will reflect, and I stand ready to be corrected, he had to go to lunch.

The chairman of the full committee attempted to indicate that my facts were wrong about why Mr. Chertoff was leaving or that he had an appointment. He had an appointment at 1:30, and we were forced to end the hearing at 12:15.

So if there is an explanation to you gentlemen, who are clearly part of the family, and not necessarily in the line of fire in this sense, dealing with Katrina, whatever ways that you are able to communicate with the secretary, let it be known that America is watching and that these positions are privileged positions.

They do not belong to an individual; whether it is elected or appointed, you are a servant of the American people.

And if we are attempting to ask hard questions about why 1,300 people died, if we are trying to find out why there is an e-mail fight when CNN made it very clear that the levees were breaking between the 29th and the 30th, why you felt there was no reason, as the controller general indicated, to designate a designated leader to lead and coordinate the efforts.

And I think that management, integration and oversight, we certainly failed in management of the Homeland Security Department. And I believe that this committee failed in its jurisdiction or its duty by defining the hearing as a budget hearing, as opposed to a hearing to address some of the immediacies.

My comments are that, if this was a terrorist act and the levees had been imploded by terrorists, foreign or domestic, we would be having hearings, upon hearings, upon hearings, and rightly so.

But because there are people suffering in the Gulf Coast who are homeless, who are without businesses or work, because their faces represent the faces of America in all their diversity, we go on with business as usual in the United States of America.

The secretary of homeland security has to go to lunch, while I am facing thousands upon thousands of constituents in Houston, Texas, who are literally homeless, suffering traumatic experiences day after day, because they have no place to go.

I do not know what kind of country we are living in; I do not know what kind of leadership we have. But I would say that this represents, in my mind, one of the biggest failures of a department and a nation that we could ever imagine, and as well I restate my call for Mr. Chertoff to be fired, reprimanded or censured, because

I see no passion, no concern whatsoever in the presentation that he made here today.

And, Mr. Chairman and the ranking member, let me—I know there will be a second round. Thank you for your indulgence.

And I would simply say that I hope it may be that you have heard enough and that the committee that was so designated might have been sufficient, but I would just argue this.

I would not want to pursue going over what happened—I am certainly frustrated—but I do think this committee would be well in its jurisdiction to prospectively go forward and find out, not 6 months down, Mr. Chairman, or what we are doing, but why did not the secretary come here and say, “In 10 days, we will be back before the full committee with a directed plan that answers the tragedy of Katrina”?

We do not when we will hear from him again, and I would like this committee to make the request that Mr. Chertoff either be before us or others talking about a concrete plan, as we face hurricane season of 2006.

Is anybody home? Are the lights on in America for those who are suffering?

I yield back, Mr. Chairman.

Mr. ROGERS. And I thank the gentlelady.

I would like to revisit the disciplinary action subject.

Mr. Handley, specifically—and I ask Mr. Giddens to offer the same response, or a similar response, or a response to the same kind of question—specifically, what would you suggest be done differently that would allow you the latitude to appropriately discipline an employee that made a similar misjudgment in decision-making in the future?

Mr. HANDLEY. Honestly, Mr. Chairman, I do not know. I am not an expert in H.R. And without much more background, I do not feel qualified to answer that question.

I think you do have to consider extenuating factors when you are talking about disciplining individuals. I just do not feel qualified to answer that, but I will give it some thought and provide an answer to you by consulting with others, if you would like?

Mr. ROGERS. I would.

Mr. Giddens, with SBI going forward, if a similar problem arose, what would you like to have in place to make sure that you were able to appropriately discipline your subordinates?

Mr. GIDDENS. Sir, I think the first thing I would like to have in place is a process so that those issues could identify, while they are still young, and do not continue and continue for a month and month.

And I think that is one of the lessons that we have to learn on our side, is to set up a structure to really manage our acquisitions and to bring program management and systems engineering discipline to manage those and provide a leading indicator so that we get insight.

Mr. ROGERS. And do you have those in place now?

Mr. GIDDENS. We are building those, sir. And, for example, our program management plan, which would detail our roles, responsibilities and processes, we will have that in place before we make the award of SBI Net this September.

So we are in the process of building those. And we are leveraging other programs. We are also inviting in a third party to come in and do an assessment of where we are in our planning process, and try to bring ideas from outside the department to help us make the best acquisition plan and then execute that well going forward.

Mr. ROGERS. What do you anticipate the cost of SBI, the border security technology component to be? What do you anticipate the cost of that program being, given that it is going to be for the entire border, not just 5 percent like ISIS?

Mr. GIDDENS. Sir, that would be a question I will need to take back. We have not yet done an independent government estimate. It is a different program than the ASI program, and it is not just a technology piece; it is more inclusive.

Mr. ROGERS. Right.

Mr. GIDDENS. It will be a large investment and will be worthy of this committee's insight.

Mr. ROGERS. But you acknowledge that the technology component will be a multibillion-dollar component?

Mr. GIDDENS. Yes, sir.

Mr. ROGERS. And we have every reason to be apprehensive going into it, based on this more limited program and how it went awry.

Mr. GIDDENS. Yes, sir.

Mr. ROGERS. Let me ask, one of the things I noticed in preparing for this hearing was that the procurement officers in ISIS had a responsibility for, as I understand it, around \$13 million worth of contracts, which was double the normal recommended government level of contracting. And in the private sector, I understand it is \$5 million.

Your background is in procurement. Are you familiar with that at all?

Mr. GIDDENS. Yes, sir. I am familiar with that, through reading the various I.G. reports and audits.

Mr. ROGERS. What level of responsibility would the procurement officers in your SBI program be shouldered with? Would they maintain those reasonable levels of responsibility of \$7 to \$8 million?

Mr. GIDDENS. Well, sir, part of it would be the dollar amount and part of it the complexity and the number of the transactions.

If they are managing, from a procurement perspective, the acquisition of a single end item that is a large dollar value item, even say it is \$100 million a single item, they may be able to manage that, where if you have four different items that are \$20 to \$25 million with a lot of transactions, then they may not be reasonable for that one person to load.

One of the things that we have done within DHS and in CBP is really added procurement staff in preparation for ASI and now for ASI Net, to make sure that we have got a better balance of that.

I mentioned early the third-party review. We will also, as part of that third-party review, we will have a staffing review to give us insight based on some best practices across the government on what should be the right level of staffing to support this activity.

Mr. ROGERS. Let me ask both of you to answer this. Going forward with this SBI program, which all of us would acknowledge is critically important to our nation's future security, can each of you tell me, with a high degree of confidence, that we will not see the

same types of mistakes made and abuses occur with SBI's technology component that we saw with ISIS?

And I will start with you, Mr. Handley.

Mr. HANDLEY. Thank you, Mr. Chairman. If we were fortunate enough to be their agent in future endeavors, I can assure you that we will have things in place that will not put us here in front of you again.

We will do a much job. We think we have got those things in place today. As I like the say, the proof is in the pudding. But I think, yes, we can assure that we would do a much better job.

Mr. ROGERS. You have got those things in place, except for the ability to discipline your employees when they go off the—

Mr. HANDLEY. That is correct. And I think that is a fair question, and I will consult with people within GSA. And maybe they will have some others that we will talk about, and we will get back to you on that.

Mr. ROGERS. Thank you.

Mr. Giddens, the SBI is your baby. Do you have a high degree of confidence that we will not have this same problem, going forward with that technology component, as we saw with ISIS?

Mr. GIDDENS. Yes, sir. I have a high degree of confidence that I can assure you we will not have these kind of problems.

But, sir, I do not want to sit here and assure you that we are not going to have some type of problems. This will be a complicated undertaking, and we are going to manage it and work to have the right processes, procedures in place to be good stewards.

But we do not want to learn this lesson again.

Mr. ROGERS. My time is up, but I would like to ask the same thing of you I ask of Mr. Handley, and that is I would request that you go back and look at your options for disciplining employees who are just as abusive with their power as these people were with ISIS.

And let the ranking member and me know if you do not have all of the options available that you think you need to run a tight ship.

Mr. GIDDENS. Yes, sir.

Mr. ROGERS. Because if you have got some suggestions, there are things that we can recommend, as far as changes, we will be happy to champion that cause for you.

Mr. GIDDENS. Thank you, sir.

Mr. ROGERS. I yield back.

Now the ranking member is recognized for any questions he may have.

Mr. MEEK. Thank you, Mr. Chairman.

Mr. Handley, you have been in and out of this process over a number of years. And you have been in situations where you have been in the administrative level and making decisions on staffing and FTs, where you were authorized through Congress.

It runs along the lines of what the chairman was just speaking with the director on. Do you feel that you have what you need to be accountable with the taxpayers' dollars, as it relates to the programs that you outlined in the first round of questioning, as it relates to compliance?

Mr. HANDLEY. I believe we do, sir. I think we can always hone the process, and I think you have some of the very people in this room today who were involved in that.

And we get your message loud and clear, and I think we will be—we have within GSA a Human Capital Council, which is very much involved in looking at those areas which are what we call our mission-critical occupations and things like that, where we can definitely do a better job.

Mr. MEEK. Well, let me just say this. My question in the last round was: Do you still have the same number of individuals that are working on compliance within the GSA, prior to your new initiative, of all of the benchmarks that one has to go through to get a certain dollar procurement order through?

Is it the same group? It is the same five? It is the same 10? What do you have?

Mr. HANDLEY. No. It is not the same people doing the review at this point in time. As you might expect, these things change. All these jobs within the government are works in progress, because you have people coming and going and whatnot, and you have different directives and things you have to abide by.

But, clearly, we have a different group of people reviewing programs in the Great Lakes region. And my guess is that, across the country and all regions of the GSA, there are a lot of new people looking at these things.

Mr. MEEK. Mr. Giddens, do you feel that, as it relates—I know that you are just getting really into your capacity of what you are doing now, but do you feel, again—I know that the chairman asked you, but I am asking you again, because the department is constantly in the news about mismanagement of the public dollar.

And it is not your fault. It is not something that you need to brunt on your shoulders, saying that I am here wearing the badge of the Department of Homeland Security, but I just want to make sure and I want to be crystal clear, because I think—and I know it is not a light thing to come before Congress, and testify, and start speaking in sentences and putting a period at the end.

We know that there will be issues, but it is not every day that we have \$250 million issues, especially when it comes down to protecting the borders of the United States of America.

Do you have what you need, sir, again to be repetitive, to be able to make sure that we are not having another hearing like this anytime soon?

Mr. GIDDENS. Yes, sir. We have resources in place and are growing resources, as well, as we prepare to make the award and then execute the contract for SBI Net.

Mr. MEEK. When you say “growing resources,” could you elaborate?

Mr. GIDDENS. Well, we have, based on the 2006 appropriation—

Mr. MEEK. This is the \$51 million?

Mr. GIDDENS. No, sir, that was a 2005 appropriation.

Mr. MEEK. Okay.

Mr. GIDDENS. But there was staff included in the 2006, and CBP has taken that staff, and is building their program office, and putting those people in there. And they have already started that back in January.

And we are confident that they are putting together the right staff. We are going to do a third-party staffing assessment for that, to get an outside set of eyes on that.

But yes, sir, I am confident we are putting the right processes and resources in place.

Mr. MEEK. You know, Mr. Chairman, I mean, hearing the witnesses, I mean, it is almost like they are hear and they are saying, "Hey, listen, we are with you all. We are all in this thing together. We want to do the right thing. No one set out to waste \$250 million."

I think we need to go a step further. I mean, I would like to, Mr. Chairman—and I know that if we can both make the time—to kind of figure out who are these individuals that are carrying out the duty of watching over the taxpayers' dollars?

Of course, we are the stewards of appropriating constitutionally, but I am talking about the individuals that are down there punching in and out every day, taking a 30-minute lunch break.

I think we need to interface with those individuals, because they will not come and sit at that table. But we need to kind of find out how well this program is working.

I think it is where the money that has been wasted thus far, and also the mission to protect our borders. So I look forward, hopefully—and I do not know if GSA is going to be a part of that experience, but, if they are, I think it is worth a field trip to wherever these individuals are who will be carrying out the procurement responsibilities for this.

I really want to know the compliance end of it. You know, who is looking at it, outside of the inspector general? Because they are, like, after. They are almost like—they come up and they write the report after it is done, for us to call you to the Hill to come give your side, and the money is already spent.

So, Director, I look forward, as you start moving into your procurement stage—you said September of this year, am I correct, sir?

Mr. GIDDENS. Yes, sir.

Mr. MEEK. So I am assuming somewhere in August that you will be almost—you would have almost accomplished what you needed to accomplish to get the people in place to be able to oversee, not only the letting of the contract, but the responsibility for oversight and compliance.

Mr. GIDDENS. Yes, sir.

Mr. MEEK. So if you could please commit to keep the committee in writing informed on the forward progress of this, it will be very helpful to us, so that we can take the appropriate field trip and meet with the individuals that are maybe four or five tiers under you, have an opportunity to have a conversation with them.

I think it would be well worth all of our time, so that we can understand, because I am not going to rely—you may move on to another position. But I want to make sure that that principle is in there with those individuals and they feel good about the process.

Because they do not set out to do wrong; they set out to do right.

Mr. Chairman, I yield back my time.

Mr. ROGERS. I thank the gentleman.

The gentlelady from Texas is recognized for another round of questions.

Ms. JACKSON-LEE. Thank you very much, Mr. Chairman.

Let me just, Mr. Handley, acknowledge your work. And I am going to pose questions to Mr. Giddens, because I am well aware that you had to take the contract over and obviously were working in the framework that GSA works as a procurement entity, not really one that has the standard informational background, but you put the nuts and bolts together. And I appreciate that.

But, Mr. Giddens, let me thank you for your work that you did previously in the deepwater effort. And I know this was another life that you had, but I always want to take an opportunity to thank the Coast Guard for the work that was done during Hurricane Katrina.

So I just want to offer that appreciation and thank you for your work.

We have a serious state of affairs. And you will find that I will weave in and out of the ongoing episodes and scenarios that are occurring in the Gulf Coast.

I will cite for you the expenditures of a no-bid contract with one of the major engineering firms that generated 10,000 mobile homes that are now stuck in the mud in Arkansas for \$431 million.

That brings me to what I understand is an expenditure of \$439 million for only 4 percent coverage of the border, is what I am understanding. And I am certainly going to yield to you to try to help me understand where you are at this point.

The other thing is that, coming from the southern border—and I recognize the importance of both borders, having been to both of them, walked alongside the border on both ends—that we still are operating, I believe, with the same technology, the same equipment, the same infrastructure.

And even though we have this new Secure Border Initiative, it is my understanding that we have not made any steps forward on this equipment or that we are having any personnel who are engaged in operating the equipment or functioning in a way that should be.

You came to this position when, Mr. Giddens, the position that you hold now?

Mr. GIDDENS. I believe it was last October.

Ms. JACKSON-LEE. About last October. And have you met with Secretary Chertoff on these issues dealing with the failing border?

Mr. GIDDENS. Yes, ma'am.

Ms. JACKSON-LEE. And when did you have that meeting?

Mr. GIDDENS. I met with him several times, on the Secure Border Initiative and where we are moving forward as part of that program.

Ms. JACKSON-LEE. Specifically, however, when you have met with him several times, this figure leaks out that we have spent \$439 million and only 4 percent of the border is now seemingly covered.

In the meetings, was this your Secure Border Initiative team or was this—what framework of a meeting was this, please?

Mr. GIDDENS. The meeting was on the Secure Border Initiative and it is generally with the secretary and the component heads within DHS. Assistant Secretary Baker and myself were there from Secure Border office.

And really the intent of that is to ensure there is good communication, coordination, integration across the department. But, ma'am, as you can appreciate, it is an issue that is outside of Border Patrol. CPB has a role. ICE has a role. And a lot of agency components within the department have a role.

And the secretary—we meet with him, usually it is once a week—to go over current status and issues on the program.

Ms. JACKSON-LEE. Very good. I wish he had given that much attention to Hurricane Katrina, as well.

Did you report to him the status of this particular—I will give him status reports as it relates to the Secure Border Initiative, the ongoing concerns about the equipment and also the limited amount of coverage that we are getting?

Mr. GIDDENS. Yes, ma'am. That is one of the reasons that he has been so aggressive with us and getting this awarded so that we can start upgrading that equipment and provide an integrated suite of tools for the men and women—

Ms. JACKSON-LEE. Tell me, what do you mean by aggressive? What has he done? And I am very interested, because I would like to see some progress being made.

Mr. GIDDENS. One of the things that we have done is within the department and CBP, we stood up the program office to gather requirements, release the RFP, do a source selection, and make a competitive award by September.

Ms. JACKSON-LEE. So this was a competitive-bid, as opposed to a no-bid contract?

Mr. GIDDENS. It will be a competitive bid.

Ms. JACKSON-LEE. It is forthcoming?

Mr. GIDDENS. Yes, ma'am.

Ms. JACKSON-LEE. And when do you expect that? I did not hear what you said on the time frame.

Mr. GIDDENS. This September.

Ms. JACKSON-LEE. This September is going to be when the RFP is going to be out or—I am not hearing—

Mr. GIDDENS. It will be awarded this September.

Ms. JACKSON-LEE. So is it out on the street now?

Mr. GIDDENS. No, ma'am. I anticipate that going out the first week of April.

Ms. JACKSON-LEE. Okay. And in your mind, do you think that is as fast as it could be done?

Mr. GIDDENS. Yes, ma'am. And the challenge is there is a great need on the border. And our job is, through the acquisition process, provide those tools and equipment.

I appreciate your comments about the work that the Coast Guard does and that they did relative to Katrina. And I am not ashamed to say that, you know, one of the things that touched me about that is when we saw Coast Guard helicopters rescuing people.

And those were helicopters that our office helped set in place to re-engine—

Ms. JACKSON-LEE. Outstanding.

Mr. GIDDENS. —so that we could pluck people off of rooftops and out of danger, to make those helicopters safe and reliable for use.

So I do not make any bones about that acquisition is something for the bureaucracy. It is in the?to provide capability and capacity to the men and women in federal service on the front lines.

And I think your reference back to Katrina, the thing I thought about was seeing those HH-65 Charlies that we, within 7 months, had test flights of new engines on those so that they could be a safe and reliable asset to go out and do business when called upon.

That is the same kind of focus, the same kind of passion that we are going to have within SBI. I made a trip to the border; I have seen the equipment that they have had for 20 or 30 years.

I have seen the cameras that ISIS—I actually mounted and was actually in a control room when those cameras saw people jumping over the fence. And they were able, because of those cameras, to stop those folks and catch them.

So there is some benefit out there, as well, from these cameras. They are in operation now, and they are providing service to the Border Patrol. But that is not enough. We have to do more.

And it is not just the technology; it is providing command-and-control capabilities to allow sound operational decisions to be made by Border Patrol agents that work in a very dangerous environment.

We need to give them all the information they can to have situational awareness and then the response capabilities in order to carry out their mission.

Ms. JACKSON-LEE. Well, Mr. Giddens, we are very lucky to have you.

And let me just close by saying: Are you comfortable that the procurement process that has generated no-bid contracts at the very early stages, again, of Katrina, and that have not been effective, are you confident that, as you move forward in the procurement process going forward there are sufficient structures in place that, one, the equipment is going to be or the contract is going to generate superior type service, similar to what you have recounted in what you did previously in the Coast Guard?

And, by the way, the Coast Guard was literally the saving grace of anything that occurred down in that region.

But are you confident? And are you confident that you will have an ongoing relationship, not with deputies, not with assistant secretaries, but are you confident that Secretary Chertoff is going to actually be in place, knowing what is going on, monitoring what is going on, listening to your input, such as you can convey that to this committee?

Mr. GIDDENS. Yes, ma'am.

Ms. JACKSON-LEE. I look forward to that, and I look forward to not you, Mr. Giddens, in front of this committee, but I look forward to Mr. Chertoff appearing and being able to be as articulate as you have been, and as knowledgeable as you have been, and certainly as committed.

I yield back.

Mr. ROGERS. I thank the gentlelady.

I would like to pick back up with the line of questioning that I was pursuing with Mr. Handley but with Mr. Giddens instead.

Before this hearing, I would ask both—I had directed my staff to inform both your offices I wanted you to be prepared to talk at

length about the disciplinary actions that were taken by employees in your department. And I have pursued that with Mr. Handley.

But several of the employees involved in this ISIS abuse were Border Patrol officers. In reviewing the statement that you submitted to the committee prior to this hearing, I did not see any reference to any disciplinary actions by your department or Border Patrol for the actions of any of its employees.

Could you update us and let us know what, if any, disciplinary actions have been taken against any Border Patrol officers who were involved in the ISIS program?

Mr. GIDDENS. Yes, sir. There have been no disciplinary actions with any of the INS, former INS employees, or the CBP employees. The people that were involved in initiating this program within INS are no longer with the federal government.

The people that to a degree inherited this program, and started raising some of the issues and concerns, and then took actions to try and working with GSA to shut it down and to end it, they are not working on SBI. They have been reassigned.

But again, those were people that inherited it and started working through issues, and then said, "Hey, this is not working. We need to get out of this contract."

Mr. ROGERS. So let me make sure I understand. The employees that were affiliated with this project that have some culpability in this abuse are no longer with the federal government?

Mr. GIDDENS. The Federal government, yes, sir.

Mr. ROGERS. And those that came in to clean it up are the folks that you have left?

Mr. GIDDENS. Yes, sir.

Mr. ROGERS. Okay. That is all I have got.

I yield to the ranking member for any additional questions he may have.

Mr. MEEK. Well, Mr. Chairman, I really do not have any further questions. I believe that our two witnesses have tried to answer the questions to the best of their ability.

I just wanted assurances, a, that disciplinary has been carried out as far as it can be carried out. The last we want are media reports and other reports about individuals that mishandled \$250 million still being upheld by the department, by both departments, as though it is just another day at the office, because it is not.

Also, I heard in testimony from both of our witnesses that corrective action and standards have been put in place to make sure that this never happens again or come close to never happening again, especially not at this magnitude, in dealing with the issue of border security.

Director Giddens, I know that one of the things that you spoke on a little earlier was the fact that you are taking the appropriate staffing to start letting the contract Ms. Jackson-Lee was sharing with you.

And I know that Undersecretary Michael Jackson mentioned that it will be—you said it will be out in April?

Mr. GIDDENS. The first week of April.

Mr. MEEK. Okay. And was mentioning March. I hope we do not start—you believe first week in April. You are pretty confident

about that, that we could start moving forward in the procedure of getting that contract out on the street.

I hope that you have what you need in place to make sure that every t is crossed and every sentence, at the end of it, has a period there, or every I is dotted, because we do not want this to be Groundhog Day again. It will be embarrassing for this committee.

And I will tell you right now that this committee does not want to be embarrassed, especially with the taxpayers' dollars, because people stand in judgment of all of us on this committee on a given Tuesday every 2 years.

And I do not want to have to explain to them that we did not do everything that we could possibly do to make sure that the taxpayers' dollars are not wasted again.

So I am not putting that on your shoulders; I am just putting it out there to the department, both departments. We have direct oversight over Department of Homeland Security, and so I am speaking to you directly.

Hopefully that message will get back to as high as the secretary of the department and anyone in the White House that oversees policy at the department, that we all have a responsibility.

We are elected, you all are selected to lead. By us being elected, we have a higher responsibility to the American people, because by the fact that they elected us to represent them gives us the authority to ask the questions that we asked and to carry out the oversight that we must carry out.

Mr. Chairman, I just want to say in closing I am so glad that, since the formation of our subcommittee, that we have continued to stick with this issue. And this is not the end; we will continue to stick with this issue all the way through.

I just want to commend you that, on this issue, we have really worked in a bipartisan way, Mr. Chairman, equally signing letters together, putting forth legislation to make sure that we do not approach this particular threshold again.

And it is a pleasure to continue to work with you on this; unfortunately, it has to be under these circumstances.

Mr. ROGERS. Thank you, witnesses.

I thank the gentleman.

The chair now recognizes for any final question Ms. Jackson-Lee of Texas.

Ms. JACKSON-LEE. Thank you. I want to echo the comments of the ranking member in how this committee in general as worked.

As you well know, we have overlapping hearings. In fact, my hearing is going right now with the economic infrastructure, but I wanted to be here because I thought the management of a department, Mr. Chairman and ranking member, are clearly, I think, at the heart and soul of the service to the American people.

I keep hearing the question, and I did not hear the answer, of what kind of disciplinary action. And, forgive me, did someone answer whether they are in the process thereof of addressing the question?

And I might say this, because it would seem that we would take pleasure in being able to sit three or four feet above the witness table and make comments about people's livelihood or future.

And, frankly, I would rather be giving out accolades, and Congressional Medal of Freedom, and a number of other citations, to be able to compliment what is going on.

But for a product or a project to have been so ignored, clearly there needs to be some sort of a reprimand, if you will.

So I just want to yield. Has someone answered the question or is it under review? I just did not get the answer.

Mr. ROGERS. In short, it was answered, and it is not what you want to hear.

There were four employees, GSA employees, who are well paid, GS-13, -14, and -15s, who were demoted one level in pay. The other folks who were with GSA that had some culpability retired, and the same thing with the folks with Border Patrol.

Nobody was demoted. Nobody was fired. The folks who had some culpability early on have decided to move on to the private sector, either through retirement or of their own volition.

But, yes, we saw a \$250 million program had about \$100 million of that wasted. And nobody was fired.

Ms. JACKSON-LEE. And I want to—and, thank you, Mr. Chairman. You are right; I did not hear it correctly.

But we do not take comfort in this line of questioning. And for fear of tying various themes together, I think that there lie sort of the theme and the chain that found itself ultimately with the horrific response, the failure in Hurricane Katrina.

So I want to say this.

Mr. Handley, you are functioning now, and monitoring, and moving forward. and I would like to see us have reports back really quite frequently, as we monitor the progress of this particular effort.

I happen to sit on the Subcommittee on Immigration in the Judiciary Committee, and I can assure you before the committee, some of its jurisdiction moved to homeland security, we had the whole mettle, if you will.

And this whole question of border security is likewise a key element to the nation's security. One of the messages that Secretary Chertoff said today was protection and prevention. Unfortunately, this hearing goes to the crux of failures to prevention and protections.

And so, one, I am sure the reprimands are behind us on this. unfortunate saga. Again, let the record state that we are going down the same unfortunate path with the failures of Hurricane Katrina, because we heard no one suggest any kind of reprimand, censure or firing, except for the scapegoating of Michael Brown.

This committee is here for serious business, and that is to help a 180,000-plus-person department with very staff, I know, working in many, many areas, give the best product that we can possibly give for the American people.

I think this border security initiative and the progress that will take place between now and September is crucial. It is one of the steps that can be shown to this committee and the full committee that DHS knows what it is doing and that it is engaged in the protection of the American people.

And, again, although he is not present, I hope that the meetings with you, Mr. Giddens, and the secretary are more than frequent.

And I know that some may find this to be somewhat humorous. Just take a ride down to New Orleans, and Biloxi, Mississippi, and Houston, Texas, and you will find that in other places where Katrina survivors and Rita survivors are, and this is not humorous.

The management of this department is poor. The leadership is poorer. And for those of you who are working hard everyday, we want to thank you.

But to the head, I believe that they have been ineffective, asleep at the wheel, and we will see whether or not this September, if we are all here to talk about it, that border security initiative is in place and, God forbid, God forbid that there be some horrific tragedy, manmade because we have failed, we are derelict in our duties.

I yield back, Mr. Chairman.

Mr. ROGERS. And I thank the gentlelady.

I appreciate the time that the witnesses put into your statements and for making yourself available for this.

I do want to make the point that this is our third hearing. This committee did not exist when these problems occurred, much less this subcommittee. This permanent standing Committee on Homeland Security was only established 13 months ago by the Congress.

We will be all over this subject matter in the future. We will be having a fourth hearing this fall on SBI and the technical component.

So just know that we take our responsibility in oversight and management supervision very seriously, and we will be looking forward to working with you in a collaborative fashion in the future to ensure these kind of things do not happen again.

And, again, I want to thank the witnesses. I do want to remind you that the record will be left open for 10 days.

As you know, earlier today our voting on the floor ended for the week, so most members are headed for the airport, which is why you do not see more in attendance today.

But I am sure that we will have some questions that we will submit to the record. I would ask you to respond to those in writing and submit them back to us.

So with that, this meeting is adjourned.

[Whereupon, at 2:58 p.m., the subcommittee was adjourned.]

FOR THE RECORD

QUESTIONS FOR THE RECORD SUBMITTED BY CHAIRMAN MIKE ROGERS

FRIDAY, DECEMBER 16, 2005

In our first hearing we held on the ISIS program, we heard testimony from the Office of Inspector General for the General Services Administration. The testimony was highly critical of the contracting and management of the border surveillance system. Testimony revealed a program that resulted in a "major project gone awry" and "a waste of the taxpayer's dollars."

Question: 1. Are your findings consistent with this characterization of the ISIS program?

Yes. We characterized the ISIS program as having weak project management and contract oversight, which resulted in remote video surveillance (RVS) camera sites not being completed, leaving large portions of the border without camera coverage. We believe that was due in part to the frequent turnover of ISIS program managers.

The first observation anyone who looks at this program would make is that contract accountability was confused. This is the net affect of shifting contract respon-

sibilities within the Immigration and Naturalization Service between its Office of Information Resources Management and the Office of Border Patrol (OBP) when dealing with the contractor, the contractor's "teaming" arrangement with five other companies to obtain the equipment OBP requested, the use of the General Services Administration (GSA) as an intermediary, and the use of different procurement vehicles.

Question: 2. What should have been done differently in managing the contracts for the Remote Video Surveillance (RVS) equipment?

This question might better be directed to GSA's OIG, since our inspection focused on the programmatic applications rather than the acquisition or management of the contract. We were critical of OBP's role, however. Although the contracting officer and contracting officer's technical representative were GSA employees, it was incumbent upon OBP to oversee contractor performance and certify contractor invoices.

Question: 3. What, if anything, has the department done since the suspension of the ISIS contract in September 2004 to maintain the existing cameras, and install new cameras, along the border?

It is our understanding that maintenance of ISIS equipment continues to be performed by OBP agents, Customs and Border Protection (CBP) electronics technicians, and by contract personnel at the operation and maintenance facility in Albuquerque, New Mexico. Additionally, we understand that OBP plans to enter into other contract arrangements to complete the work at some locations where the work was started but not completed.

Question: 4. Your review, as well as the GSA Inspector General's review, found improper sole-source awards, work outside the contract scope, and lack of effective oversight [sic] contract provisions. In your opinion, to what degree has the Department of Homeland Security identified the improper procurement practices regarding ISIS and other border surveillance programs? To what extent have these problems been addressed? What more can the department do?

We reported a general need for more comprehensive acquisition guidance and oversight in our report, "Department of Homeland Security's Procurement and Program Management Operations," OIG-05-53, September 2005. In this report, we recommended that DHS require expanded procurement ethics training for senior program and procurement officials; ensure procurement and program management oversight processes monitor departmental procurement activities for potential standards of conduct violations; create and staff a DHS organization to develop program management policies and procedures; provide independent technical support to DHS senior management and organizational component program managers on an as-required basis; and identify and foster best practices.

The GAO reported in 2005 that the Office of the Chief Procurement Officer (OCPO) had only two people to conduct oversight on the eight separate procurement offices and almost \$9.8 billion in procurement activity during FY 2004. GAO recommended that DHS provide OCPO with sufficient resources and enforcement authority to enable effective department-wide oversight of acquisition policies and procedures. DHS issued a management directive on the Acquisition Oversight Program in December 2005. Therefore, we also recommended that DHS provide the OCPO with sufficient staff and authority to effectively conduct oversight of DHS' procurement operations.

In response to our report, management began action to correct the reported problems. Specifically, the OCPO is developing a training class on procurement ethics for senior program and procurement officials that is emphasizing real examples of procurement fraud in addition to teaching applicable regulations. OCPO issued a DHS management directive on the Acquisition Oversight Program in December 2005 and is hiring additional staff to conduct oversight of other acquisition offices. Finally, DHS began work to create a Departmental Program Management Office in FY 2007.

On November 2, 2005, Homeland Security Secretary Michael Chertoff announced a comprehensive multi-year plan, referred to as the Secure Border Initiative (SBI), which is designed to integrate technologies, infrastructure, and personnel to gain "operational control" over the nation's borders in five years. This initiative is expected to cost hundreds of millions, if not billions, of dollars over a number of years.

Question: 1. To your knowledge, what are the Department's plans for this new initiative? How will the existing ISIS program, including the Remote

Video Surveillance (RVS) cameras, be integrated into the Secure Border Initiative?

SBI is still a work in progress. We will know more when we get the department's action plan for implementing our recommendations, due 90 days after issuance of the report. It is our understanding that ISIS, for which the RVS program is a part, will continue to be a subset of the much broader America's Shield Initiative, which is one of many components of the SBI. However, the SBI, particularly the technology aspects of it, has not been fully articulated.

Question: 2. Based on your review, what lessons were learned from the problems in contract oversight for ISIS and the Remote Video Surveillance program that can be applied to this much larger, more complex, and much more expensive Secure Border Initiative?

The lessons learned include: (1) DHS must properly assert itself as the customer and contract underwriter, and (2) DHS must have a sufficient number of competent, adequately trained, and certified contract managers commensurate with the size, complexity, and value of SBI.

Question: 3. What management and financial controls should the Department of Homeland Security have in place to ensure the effective acquisition of new surveillance equipment and services under the Secure Border Initiative?

DHS and its subcomponents must have a sufficient number of competent, adequately trained, and certified contract managers commensurate with the size, complexity, and value of its procurement activity. In addition, DHS must ensure fair and open competition before a contract is awarded to make sure the government gets the best value possible.

The Department of Homeland Security needs management and financial controls over all procurements, not just the Secure Border Initiative. We have not yet conducted a comprehensive review of the controls over acquisition programs, although we reported a general need for more comprehensive acquisition guidance and oversight in our report, "Department of Homeland Security's Procurement and Program Management Operations," OIG-05-53, September 2005.

Question: 4. In light of the problems with ISIS, what should the roles of the Chief Financial Officer and the Chief Procurement Officer be in overseeing Secure Border Initiative contracts?

The DHS Under Secretary for Management through the Chief Financial Officer and Chief Procurement Officer must ensure fair and open competition for DHS procurements and that DHS has a sufficient number of competent, adequately trained, and certified contract managers.

We reported a general need for more comprehensive acquisition guidance and oversight in our report, "Department of Homeland Security's Procurement and Program Management Operations," OIG-05-53, September 2005.

Question: 5. Do you believe the Department currently has the necessary number of staff under the Chief Financial Officer and the Chief Procurement Officer to effectively oversee future contracts in the Secure Border Initiative?

We have reported that both the Chief Financial Officer and Chief Procurement Officer need more staff and authority to effectively carry out their general oversight responsibilities. Both issues were discussed in our report on "Major Management Challenges Facing the Department of Homeland Security," OIG-06-14, December 2005. We also reported on general organizational issues in our report, "Department of Homeland Security's Procurement and Program Management Operations," OIG-05-53, September 2005. In that report, we recommended that DHS provide OCPO with sufficient staff and authority to effectively conduct oversight of DHS' procurement operations. DHS management concurred with our recommendations and is taking action to increase staffing for procurement oversight.

Question: 6. In your opinion, do you believe the Department's new organizational structure under Secretary Chertoff's Second Stage Review is fully equipped to implement the comprehensive multi-year Secure Border Initiative? If not, what organizational changes would you recommend?

We have reported that both the Chief Financial Officer and Chief Procurement Officer need more staff and authority to effectively carry out their general oversight responsibilities. Both issues were discussed in our report on "Major Management Challenges Facing the Department of Homeland Security," OIG-06-14, December 2005. We have not, however, fully assessed the organizational structure for the Secure Border Initiative, although we reported on general organizational issues in our

report, “Department of Homeland Security’s Procurement and Program Management Operations,” OIG–05–53, September 2005. In that report, we recommended that DHS create and staff an organization to develop program management policies and procedures; provide independent technical support to DHS senior management and organizational component program managers on an as-required basis; and identify and foster best practices. We further recommended that DHS provide OCPO with sufficient staff and authority to effectively conduct oversight of DHS’ procurement operations. DHS management concurred with our recommendations and is taking action to increase staffing for procurement oversight.

Your report, as well as the General Services Administration Inspector General’s report, identified problems in the use of a “blanket purchase agreement” for the contractor—International Microwave Corporation (IMC)—to install poles and cameras along our borders.

Question: 1. Could you describe the problems with a blanket purchase agreement?

Within the context of our review, the primary problems were associated with CBP’s oversight of the blanket purchase agreement for the installation of RVS camera sites and not with the contract vehicle itself. A contributing factor to CBP’s oversight problems with this particular blanket purchase agreement was the issuance of technical directives for the design and installation of RVS systems prior to the completion of the permit, zoning and lease negotiations (as evidenced by the fact that the technical directive required the contractor to provide assistance to the Government during these processes). Permitting, zoning, and lease negotiations can sometimes be protracted legal processes and are subject to delay. Contractors are motivated to bill for their services as soon as possible after the incurrence of costs in order to recoup their costs and reduce the carrying cost of their inventory. Delays in the zoning, permitting and leasing processes may have resulted in the contractor incurring additional carrying costs attributable to a high level of RVS inventory. The blanket purchase agreement appeared to have adequate contractual provisions in place to allow CBP to adequately monitor contract services. Therefore, we consider the CBP oversight to be the primary problem with this particular blanket purchase agreement.

Question: 2. What type of contracts would you recommend the Department utilize for the Secure Border Initiative?

The type of contract is less important than the management and oversight of the contract. DHS must choose the type of contract that best fits the nature of the procurement.

Based on your review of Remote Video Surveillance (RVS) camera installation schedules and Border Patrol records, these installations took, on average 20 months to complete. And, administrative activities alone, in some instances, took more than 12 months to accomplish.

Question: 1. Did your report identify the cause of these significant delays?

Yes. The most time consuming aspect of installing RVS sites and associated infrastructure, involved site selection, securing land access, and performing environmental assessments.

Question: 2. Are there ways to streamline the site selection, site validations, and environmental assessments to minimize delays? If so, what are they?

Yes. We believe that much of the pre-construction activity could be performed concurrently. For example, U.S. Army Corps of Engineers personnel could perform informal consultation with state, tribal, and federal regulatory agencies and provide a preliminary assessment as to whether a potential negative environmental effect might exist as part of the site selection process, while other contract activities—such as preparing, reviewing, and approving the contractor’s technical and cost proposals, validating selected sites, and preparing property access agreements—are being performed.

In addition, CBP could expand the shared use of existing private and governmental structures to install remote surveillance technology infrastructure where possible and continue to identify and deploy the use of non-permanent or mobile surveillance. The use of existing infrastructure and non-permanent, mobile surveillance platforms, where possible, will eliminate the need for time-consuming site access activities.

Question: 3. Given the ambitious goals of the new Secure Border Initiative, has the Department identified ways in which similar administrative hurdles can be eliminated?

Yes. CBP advised that it would make every possible use of existing private and government structures to install future remote surveillance technology. In addition, CBP stated that it would implement strategies to streamline the site selection process through a Risk Management Plan.

Despite a Federal investment of more than \$429 million since 1997, your audit revealed that ISIS components have not been integrated to the level predicted at the program's onset. For example, as your report points out, if ground sensors are triggered, cameras do not automatically pan in the direction of the activated sensor.

Question: 1. In your opinion, how and to what extent has the lack of integration weakened our border security?

ISIS's lack of automated integration has made border surveillance more staff intensive instead of a force multiplier. Law Enforcement Communication Assistants must perform manual integration to confirm the cause of a sensor alert using RVS cameras where the two are installed in close proximity. Where cameras and sensors are not co-located, the cameras must be continually monitored to be effective and OBP agents must investigate all sensor alerts because video surveillance is unavailable. Without the necessary personnel to perform video analysis or investigate sensor alerts, force-multiplication benefits are minimized.

Question: 2. In your opinion, what are the impediments to achieving greater integration of the existing Remote Video Surveillance (RVS) components?

Neither the RVS nor the Intelligent Computer Assisted Detection (ICAD) system contract required the automated integration of RVS cameras with sensors. Nevertheless, OBP did attempt to integrate these two systems using both hardware and software design modifications that would have automated the integration between sensors and RVS cameras. These modifications were "successfully demonstrated," but never deployed because solutions did not meet functional requirements. Even if the attempts to integrate these two systems were successful, due to the limited number of RVS sites installed, this would have only covered approximately five percent of the border.

Question: 3. Based on your review, can you determine whether the existing system can be fully integrated? If so, what steps need to be taken?

No. OBP tested hardware and software design modifications that would have automated the integration between sensors and RVS cameras. However, further refinements in integration capabilities are necessary. For example, how an RVS camera would react to multiple sensor alerts being triggered at or near the same time remains unresolved.

Question: 4. What steps would you recommend to the Border Patrol to ensure that remote surveillance technologies deployed in the future can be fully integrated?

We did not make a specific recommendation that CBP should institute to integrate technology. However, we do endorse OBP's work with Customs and Border Protection's Office of Information Technology, and its consulting contractor, to identify and refine ASI requirements, and the Science and Technology Directorate to identify potential technology solutions to address impending ASI requirements.

CBP officials advised that they plan to establish ASI requirements and objectives and then hire a contractor to serve as a prime integrator. Once ASI is further refined and the prime integration contractor identifies specific technology requirements to meet OBP's objectives, we anticipate that this collaborative effort will address immediate and future ASI integration requirements if executed properly.

Your report "evaluates the effectiveness of border surveillance, remote assessment, and monitoring technology in assisting the Bureau of Customs and Border Protection (CBP) to detect illegal entry into the United States."

Question: 1. Could you please elaborate on the report's finding that the Border Patrol could not demonstrate "force-multiplication advantages" in the ISIS program?

We questioned whether remote surveillance technology is providing force-multiplication benefits or increasing response effectiveness because according to our analysis of sample sensor alert data, non-ISIS sources of illegal alien detection proved to be as effective based on a percentage of apprehensions per sensor alert as RVS camera detections. Non-ISIS detections are primarily observations by citi-

zens, OBP agents, or other agency personnel. Along the northern border, non-ISIS sources were more effective than RVS camera detections, and both non-ISIS sources and RVS cameras performed better than sensors based on a percentage of arrests per sensor alert. Our analysis of sample sensor alert data also indicated that more than 90% of the responses to ground sensor alerts resulted in “false alarms,” meaning that OBP agents spent many hours investigating activities that did not involve illegal attempts to enter the United States. Nevertheless, OBP officials assert that ISIS has been successful in serving as a force-multiplier in that it frees the use of the limited number of OBP agents who would otherwise be needed to monitor the border.

Question: 2. How would you advise the Border Patrol to address your report’s finding that data is incomplete and unreliable for measuring effectiveness?

We recommended that the Commissioner for CBP should standardize the process for collecting, cataloging, processing, and reporting ICAD intrusion and response data. CBP stated that they recently released enhancements to the ICAD system that provides aids and tools to improve and standardize the data collection process. CBP indicated that response data fields have been defined, which should lead to more consistent recording of activity. We believe these enhancements will lead to improved data collection and reliability which in-turn will allow OBP to analyze force-multiplication benefits and response effectiveness better.

Question: 3. How would you advise the Border Patrol to address your report’s finding that its oversight of contract activities and its oversight of contractor performance were ineffective?

We would suggest that the Border Patrol hire a sufficient number of competent, adequately trained, and certified contract managers commensurate with the size, complexity, and value of its procurements and ensure that contract awards are based on fair and open competition. It might also consider obtaining the services of a contractor with expertise in large project management and contract oversight to advise it and augment the Border Patrol’s own capabilities given the complexity and high dollar value of the project.

Question: 4. Could you please elaborate on the report’s finding that the Border Patrol certified few contractor invoices prior to payment and what effect [sic] this practice had on the ISIS program?

According to our analysis of OBP and GSA records, most contractor invoices were paid without OBP certification despite a requirement of the BPA that OBP must certify correct and properly supported invoices. Overall, OBP rejected few invoices, and most invoices were not addressed (either accepted or rejected). According to GSA, the GSA contracting officer’s technical representative should have ensured that OBP received and approved contractor invoices. GSA agreed that, in practice, there was confusion about the responsibilities of OBP and GSA. GSA added that as the project grew and became more complex, the potential for error and pressure to keep on schedule increased. Nonetheless, OBP was obligated to certify invoices, and there is minimal evidence that it fulfilled that obligation. This resulted in payment to the contractor for unverified goods and services.

Your report cites that millions of dollars dedicated for installing border surveillance cameras remain unspent in accounts at the General Services Administration (GSA).

Question: 1. Based on your review, could you determine where along the borders cameras have not been installed because of this bureaucratic delay?

As of August 2005, 168 RVS camera sites and 38 non-camera sites were incomplete. According to OBP reports, these sites are within the following OBP sectors:

- Buffalo
- El Paso
- San Diego
- Del Rio
- Laredo
- Tucson
- Detroit
- Marfa
- Yuma
- El Centro
- McAllen.

Question: 2. What recommendations do you have to expedite allocation of these funds for deployment of more border security cameras? Or, do you believe these funds should be reallocated though the new Secure Border Initiative?

We recommended that the Commissioner for CBP, continue to work with GSA and the RVS contractor to settle remaining claims under the BPA, financially reconcile funding provided to GSA, and obtain the return of the unused funds to the Department. In an interview, a senior OBP official told us that OBP has completed verifying invoices with the contractor and GSA, and GSA is going to permit the OBP to spend remaining funds, approximately \$37 million, through GSA, on “ISIS-like equipment.” According to the OBP, this will occur after GSA pays agreed upon outstanding debts to the contractor. OBP officials said that OBP would receive an official letter confirming this agreement from GSA after GSA’s counsel approves it. As of the date of the hearing, that letter had not been received.

