BUILDING ONE DHS: WHY CAN'T MANAGEMENT INFORMATION BE INTEGRATED?

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT, INVESTIGATIONS, AND MANAGEMENT

OF THE

COMMITTEE ON HOMELAND SECURITY HOUSE OF REPRESENTATIVES

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BUILDING ONE DHS: WHY CAN'T MANAGEMENT INFORMATION BE INTEGRATED?

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Thursday, March 1, 2012

U.S. HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON OVERSIGHT, INVESTIGATIONS, AND
MANAGEMENT,
COMMITTEE ON HOMELAND SECURITY,
Washington, DC.

The subcommittee met, pursuant to call, at 9:30 a.m., in Room 311, Cannon House Office Building, Hon. Michael T. McCaul [Chairman of the subcommittee] presiding.

Present: Representatives McCaul, Farino, Keating, and Davis.

Mr. MCCAUL. The committee will come to order.

First, I would like to acknowledge the Coast Guard announced that one of its helicopters with four crewmen aboard crashed during a training mission in the vicinity of Mobile Bay in the Gulf of Mexico Tuesday night.

We lost one crew member and search-and-rescue efforts are ongoing for the others. So our hearts and thoughts and prayers go out to the families of these brave men and women.

Let me thank the witnesses for being here today. I now recognize myself for an opening statement. This hearing is a second in the series of oversight hearings examining the extent to which the Department of Homeland Security has made progress building a more cohesive, efficient, and integrated One DHS, a department that can effectively thwart terrorist attacks by protecting air travelers, securing our borders, and enforcing our immigration laws.

According to House Rules, each standing committee of the Congress must hold an oversight hearing on an issue the Government Accountability Office has deemed high-risk for waste, fraud, and mismanagement, and this is one of those hearings. After nearly a decade, DHS's failure to integrate its management practices remains on the GAO's high-risk list. Stovepiped management information systems continue to plague DHS with mismanagement, redundancies, and duplication and inefficient use of resources that has increased costs within the Department and bungled the implementation of security operations.

According to the GAO, as of December 2011, DHS has fully addressed only two out of the 31 key actions and outcomes required to be removed from the high-risk list for implementing and transforming DHS. Although Secretary Napolitano has said she wants to build a more cohesive DHS without integration and consolidation of management functions, a One DHS will not happen. Equally important, taxpayer dollars will be wasted and security objectives

will not be met. Unfortunately, there have been too many examples where DHS has failed at developing and acquiring new technologies to address the various threats to the homeland, including border surveillance, screening equipment, and nuclear detection equipment.

SBInet is one example where the Secretary ended the original program after costing taxpayers nearly $1 billion to monitor only 53 miles of the Southwest Border. SBInet failed due to the lack of effective program management, poorly defined requirements, inaccurate cost estimates, and limited access to expert guidance and unavailable and unreliable performance data to make informed decisions.

The advanced spectroscopic portal program, or ASP, designed to improve radiation and nuclear detection capabilities at our seaports and land border crossings is another example where inaccurate data and poor acquisition management resulted in underestimated cost and overstated benefits.

DHS spent $230 million on the program before it was cancelled. Recognizing the inherent risk of acquisitions, it is essential that the Department effectively leverage best practices, institutionalize clear governing rules and processes and enable greater disability of acquisition programs so immediate action can be taken when a program begins to experience schedule delays and cost overruns.

GAO defines management and integration as the development of consistent and consolidated processes, systems, and people in areas such as information technology financial management acquisition and human capital that lead directly to greater efficiency and effectiveness of management in programs. It is essential that the integration not be limited just within each individual management function but also be integrated horizontally across all core management functions of the Department.

Without full integration, inconsistent reporting requirements and varying definitions for cost estimations across the Department can create inaccurate reports on a program's true cost. The lack of integrated and consolidated core management functions, something that is required to effectively run any large organization, has resulted in manually-intensive data entry on Excel spreadsheets and data calls to prepare financial statements.

I have a tough time understanding how Americans can seamlessly sign into their checking accounts on-line to check their balances, yet DHS is unable to produce reliable, timely, and useful financial information on where it is spending billions of taxpayer dollars. Being unable to fully monitor expenditures of billions of dollars is unacceptable, and the American people deserve better.

At a time of reduced Federal budgets, the American people expect greater transparency on how Washington manages limited resources. Industry has demonstrated through mergers and acquisitions, management information integration can be accomplished effectively. Without it, it is impossible for any manager, either Government or private corporation, to conduct oversight, improve inefficiencies, and prevent duplicative programs.

According to the GAO, DHS continues to face challenges implementing its human capital strategic plan. DHS lacks an integrated human resource information technology, or HRIT, management

system to track workforce information critical to human resource planning. For example, the Federal Protective Service has yet to implement a human capital plan to track and report hiring, training, and retention programs.

DHS's failure to address these basic management integration challenges are hindering our ability to provide the required training, equipment, and information to men and women working to protect the United States' homeland.

GAO states some progress has been made in the area of management integration by instituting a decision support tool to monitor acquisitions and a Center of Excellence to share best practices throughout the Department. However, GAO also says considerable work lies ahead addressing the issue of management integration. I look forward to receiving the testimony today on what the Department is doing to ensure that management integration issues will not continue to get in the way of the Department's need to carry out its mission of protecting the American people and saving taxpayer dollars.

With that, I will recognize the Ranking Member of the subcommittee, Mr. Keating.

[The statement of Mr. McCaul follows:]

STATEMENT OF CHAIRMAN MICHAEL T. MCCAUL

MARCH 1, 2012

This hearing is the second in a series of oversight hearings to examine the extent to which the Department of Homeland Security has made progress building a more cohesive, efficient, and integrated "One DHS"—a Department that can effectively thwart terrorist attacks by protecting air travelers, securing our borders, and enforcing our immigration laws.

According to House Rules, each standing Committee of the Congress must hold an oversight hearing on an issue the Government Accountability Office has deemed high-risk for waste, fraud, and mismanagement.

After nearly a decade, DHS's failure to integrate its management practices remains on the GAO's High-Risk list.

Stove-piped management information systems continue to plague DHS with mismanagement, redundancies, and duplication, and inefficient use of resources that has increased costs within the Department and bungled the implementation of security operations.

According to GAO, as of December 2011 DHS has fully addressed only 2 out of 31 key actions and outcomes required to be removed from the high-risk list for "Implementing and Transforming DHS."

Although Secretary Napolitano has said she wants to build a more cohesive, effective, and efficient "One DHS," without integration and consolidation of management functions, a "One DHS" will not happen; and equally important, taxpayer dollars will be wasted and security objectives will not be met.

Unfortunately there have been too many examples where DHS has failed at developing and acquiring new technologies to address the various threats to the homeland including border surveillance, screening equipment, and nuclear detection equipment.

SBInet is one example where the Secretary ended the original program after costing taxpayers nearly $1 billion to monitor only 53 miles of the Southwest Border.

SBInet failed due to the lack of effective program management, poorly defined program requirements, inaccurate cost estimations, limited access to expert guidance, and unavailable and unreliable performance data to make informative decisions.

The Advanced Spectroscopic Portal Program, or ASP, designed to improve radiation and nuclear detection capabilities at our seaports and land border crossings is another example where inaccurate data and poor acquisition management resulted in underestimated costs and overstated benefits. DHS spent $230 million on the program before it was cancelled.

Recognizing the inherit risks of acquisitions, it is essential that the Department effectively leverage best practices, institutionalize clear governing roles and processes, and enable greater visibility of acquisition programs so immediate action can be taken when a program begins to experience schedule delays and/or cost overruns.

GAO defines management integration as the development of consistent and consolidated processes, systems, and people—in areas such as information technology, financial management, acquisition, and human capital—that lead directly to greater efficiency and effectiveness of management and programs.

It is essential that integration not be limited just within each individual management function, but also be integrated horizontally across all core management functions of the Department.

Without full integration, inconsistent reporting requirements and varying definitions for cost estimations across the Department can create inaccurate reports on a program's true cost.

The lack of integrated and consolidated core management functions, something that's required to effectively run any large organization, has resulted in manually-intensive data entry on Excel spreadsheets and "data calls" to prepare financial statements.

I have a tough time understanding how Americans can seamlessly sign into their checking accounts on-line to check their balances yet DHS is unable to produce reliable, timely, and useful financial information on where it's spending billions of taxpayer dollars.

Being unable to fully monitor expenditures of billions of dollars is unacceptable. The American people deserve better.

At a time of reduced Federal budgets, the American people expect greater transparency on how Washington manages limited resources.

Industry has demonstrated, through mergers and acquisitions, management information integration can be accomplished effectively.

Without it, it is impossible for any manager, either Government or private corporation, to conduct oversight, improve efficiencies, and prevent duplicative programs.

According to GAO, DHS continues to face challenges implementing its Human Capital Strategic Plan. DHS lacks an integrated Human Resource Information Technology, or HRIT management system to track workforce information critical to human resource planning.

For example, the Federal Protective Service has yet to implement a human capital plan to track and report hiring, training, and retention programs.

DHS' failure to address these basic management integration challenges are second-handedly hindering our ability to provide the required training, equipment, and information to men and women working to protect the U.S. homeland.

GAO states some progress has been made in the area of management integration by instituting a decision support tool to monitor acquisitions and a Center of Excellence to share best practices throughout the Department. However GAO also says considerable work lies ahead addressing the issue of management integration.

I look forward to receiving testimony today on what the Department is doing to ensure that management integration issues will not continue to get in the way of the Department's need to carry out its mission of protecting the American people, and saving taxpayer dollars.

Mr. KEATING. Thank you, Mr. Chairman.

Earlier this year, we had the opportunity to go back 10 years and look at the 9/11 Commission report. I would just like to mention at the outset that one of the gaping holes that was called into question dealing with not having an integrated block so the public safety people at all levels can talk to each other has been addressed since then. We have the passage of the 700 megahertz dedicated to that that will save lives should we face another natural disaster or a terrorist attack, and the so-called D Block is there, and it is worth noting we have made some progress on that since we had a hearing that emphasized that earlier this year.

I also want to thank the panelists for being here.

Under Secretary Borras, it is great to see you again.

The Department of Homeland Security is one agency formed with 22 other legacy agencies. Legacy is worth mentioning because it is

part of the problem we still are grasping trying to deal with today as we look for integration. There is no secret that since the Department's inception in 2003, that its unique history has caused DHS officials, particularly the management division, to face multiple challenges in building One DHS.

The Government Accountability Office subsequently categorized the Department's transformation efforts as high-risk because of the economic and National security implications dealing with this kind of integration.

To address this designation, the Department provided the Government Accountability Office with its integrated strategy for high-risk management and has issued updates of the strategy in June and December 2011, identifying the causes of its management challenges.

I appreciate the Department's efforts to further consolidate these efforts, but with approximately $60 billion in budgetary authority and over 200,000 in personnel, the need is greater than ever for the Department to mature into a cohesive organization with streamlined management functions and operations with the capacity to fulfill its homeland security missions.

The Government Accountability Office has issued upwards of 100 recommendations since 2003 to assist the Department in shoring up its management integration initiatives. In an increasingly strained budget climate, it is imperative that the Department move to implement these recommendations with all deliberate speed. It is no longer sufficient for the Department to just develop plans and processes. It is a time to execute and build on the foundation that has been established in the interest of National security.

In the last Congress, the Department suffered considerable funding and staff reductions, yet progress has been made by Under Secretary for Management Borras and advancing key management initiatives that have the potential to redirect management functions and operations. Notably, for the first time, the Department received a qualified opinion on its financial statements in fiscal year 2011.

Now the Department must build on this milestone by accelerating the complete implementation of initiatives to stabilize its internal controls and to modernize its management of financial management. Acquisition, management, and human capital information technology also have to accelerate in terms of their management capabilities. To succeed in achieving management integration, Under Secretary Borras needs sufficient enforcement authority to ensure the Department's many component agency heads and personnel are able to carry out the mandates for changing how business is conducted. Also, the Under Secretary and senior leaders must ensure that they secure the cooperation of component agency personnel if they are to succeed in implementation of their agenda for achieving management integration.

With that, I look forward to today's hearing and the testimony. I yield back my time.

Mr. MCCAUL. I thank the Ranking Member.

With that, I will introduce the witnesses. We have votes around 10:15, so if we can make those opening statements concise so the

Members can ask questions and we can hopefully be done before the votes occur.

First, Mr. Rafael Borras is the Under Secretary for Management and Chief Acquisitions Officer for the Department. He oversees management of the Department's nearly $40 billion budget, the appropriations, expenditures of funds, accounting, and finance. He administers control over the Department's $17 billion in procurements. He is also responsible for directing human capital and personnel programs for the employees.

Next, we have Mr. David Maurer, who is the director with the U.S. Government Accountability Office, Homeland Security and Justice Team, where he leads GAO's work reviewing DHS and the Department of Justice management issues. His recent work in these areas include management integration, examination of the Quadrennial Homeland Security Review, Secret Service financial management, DOJ grant management, the Federal Prison System, and others.

One final witness is Mr. Charles Edwards, the Acting Inspector General of the Department of Homeland Security. He assumed his position in February 2011. He served previously as a Deputy Inspector General of the Department of Homeland Security and has 20 years of experience in the Federal Government and has held several leadership positions.

Other committee Members may have statements and they will be included for the record.

[The statement of Ranking Member Thompson follows:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

MARCH 1, 2012

I would first like to thank Chairman McCaul for convening this hearing.

We are here today to discuss the integration of the Department of Homeland Security's (Department) management functions and examine whether there is room for improvement.

When the Department was created in 2002, it was the largest reorganization and consolidation of Government agencies, personnel, programs, and operations since the creation of the Department of Defense in 1949, some 53 years earlier.

Twenty-two different agencies, many with management challenges of their own, were combined into one.

These agencies brought with them aged financial management systems, cumbersome acquisition policies, and inconsistent human capital policies.

Since that time, the Department has made efforts to build these disparate operations into one seamless system so that the thousands of men and women that work every day to secure our Nation will have the proper administrative and management functions they need to operate on a daily basis.

When FEMA enters into a contract with a vendor for one amount, and then CBP enters into a contract with the same vendor for the same product for a different amount, that's a problem. If those contracts were combined, money could be saved.

When a TSA human resources manager has to log out and log into three different systems to determine: (1) Time and attendance records; (2) current salary; and (3) training attendance for one employee, that's a problem. Combining these systems into one can save time, reduce errors, and streamline bureaucracy.

When an employee that works for the Chief Financial Officer has a meeting with an employee that works for the Chief Information Officer and has to travel 30 minutes to get to the meeting location, that's a problem. Consolidating the Department's headquarters into one location will reduce costs, travel time, and create a more harmonious environment among the Department's personnel.

Fortunately, as reflected by the President's fiscal year 2013 budget request, the Department has come a long way in streamlining its efforts and under new initiatives intends to go even further.

The new Human Resource Information Technology program, in addition to plans to finalize existing Data Center consolidation efforts, and the new strategy for financial modernization are all steps in the right direction.

If fully funded, these programs will go a long way in improving the Department's integration efforts.

I look forward to hearing testimony from Under Secretary Borras on additional Department plans and strategies and from our witnesses from the Government Accountability Office and the Officer of the Inspector General on improvements that have been made in the last 3 years and recommendations for future progress.

I yield back the balance of my time.

Mr. McCAUL. With that, I now recognize Mr. Borras for his opening statement.

STATEMENT OF RAFAEL BORRAS, UNDER SECRETARY FOR MANAGEMENT, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. BORRAS. Thank you, Mr. Chairman, Ranking Member Keating and the other distinguished Members of the committee. Thank you for the opportunity to appear before you today.

Also, Mr. Chairman, thank you for acknowledging the loss of our brave Coast Guard servicemen who lost their lives not quite 36 hours ago in a training mission in the Mobile area.

One of my top priorities during my tenure as Under Secretary for Management has been to improve the way we collect, store, and manage and use information across the Department. When I arrived at the Department almost 2 years ago, I was frustrated with the time and effort needed to access the necessary information to facilitate responsible decision making in a multibillion dollar enterprise. In my private-sector experience, I was accustomed to having essential financial information at my fingerprints to support my decision-making responsibilities.

While significant progress has been made to leverage business intelligence and integrate disparate processes and systems to improve our decision-making abilities, we still have not reached a fully integrated operational state. However, we have made very important progress during the past 2 years. I am especially proud of the progress we made to enhance how we have managed information in three key areas; acquisition, finance, and human capital.

As chief acquisition officer, I oversee the policies and processes and procedures used to acquire over $18 billion worth of goods and services each year. During my tenure, I have focused significant attention on successful delivery of major acquisition programs, which are imperative to supporting the front-line operations. A crucial step to improve the process was taken last year when I restructured the oversight of all major acquisition programs. A key part of that restructuring was to elevate the Office of Program Accountability and Risk Management, called PARM, to be a direct report to me.

I also issued a program management and execution playbook to the acquisition workforce. The playbook is my vision for strengthening program management and execution capabilities as an important step to mature the acquisition management system. Most importantly, at my direction, PARM developed and implemented a business intelligence tool to monitor the operational status of each acquisition program. The decision support tool, or DST, is a web-enabled tool that provides DHS leaders and program managers

with a central dashboard for accessing and tracking the health of major acquisition programs, projects, and our portfolio programs.

As a result of the DST and our enhanced acquisition oversight, we can be much more responsive and generate factual detail information on the health of a program investment quickly. Since October 1, 2011, the DST is being used to monitor the cost, schedule, and performance of all of our acquisition programs.

I am also pleased to report the Department's financial management capabilities are improving. For 2011, we received a qualified audit opinion on two of the Department's financial statements, a key accomplishment which could not have occurred without greatly improved ways of collecting and using data. We are harnessing the lessons learned from this process to design and implement broader business intelligence capabilities that will modernize financial management systems.

Through business intelligence, we will have better access to current financial data, which will inform management decisions, increase accountability to stakeholders and improve the overall health and financial management of the Department. In March 2011, I launched a Financial Reporting Dashboard System, FRDS, an enterprise-wide repository and business intelligence tool. FRDS uses the monthly budget execution data provided to Congress to produce enterprise level reports and trend analysis in user-friendly formats. Although it is only part of the capability we will ultimately need, we have expanded our ability to extract financial information to improve the visibility of the component's financial condition.

As we move beyond the financial consolidation efforts of the past, we recognize the difficult financial pressures we face and will focus on an incremental and financially responsible approach, which includes shoring up near-term system capabilities before moving on to the deployment of modernized core financial systems in those components that have the most pressing needs.

One effort in aligning Human Resource Information Technology, or HRIT, is another key priority. In September 2010, I established and chaired an HRIT executive steering committee to provide cross-departmental leadership to the modernization efforts of our human resource processes. Through the executive steering committee, we have developed a strategic plan to consolidate multiple HR systems throughout DHS. One of the first activities was completing a Department-wide human resources target architecture, which serves as the blueprint for our HR systems' end state. This work was recently awarded a 2011 Excellence in Enterprise Architecture Award for our staff.

In the coming months, we will standardize data sets and initiate pilots on enterprise business intelligence capability. My goal is for the decision support capability to serve as the primary source for DHS dashboards, where performance program and portfolio management, financial acquisition and human capital information, and other DHS data sets are obtained from the DHS systems of record. Those dashboards will be integrated to provide a better view into the Department's mission performance and identify efficiency opportunities.

My approach to using information to help integrate DHS can be summed up as follows: I am building a solid sustainable foundation that is being implemented and executed using best practices with good stewardship of the taxpayer's dollars. We will continue to use a modular and agile approach to add capabilities that avoid duplication while enhancing our ability to collect, analyze, and report on the business of DHS to help informed decision making and enhance our management integration. Along the way, we are helping to foster the One DHS culture that is necessary to continue to mature our Department and support our operators in the execution of their mission.

Once again, I thank you for the opportunity to be before you today, and I look forward to answering your questions.

[The statement of Mr. Borras follows:]

PREPARED STATEMENT OF RAFAEL BORRAS

MARCH 1, 2012

Chairman McCaul, Ranking Member Keating, and other distinguished Members of the committee, I thank you for the opportunity to appear before you today and discuss our efforts to integrate management information and to build One DHS.

One of my top priorities during my tenure as Under Secretary for Management (USM) has been to improve the way we collect, store, and manage data across the Department in order to improve executive level decision making. When I arrived at the Department almost 2 years ago, I was frustrated with the time and effort needed to retrieve data I needed to oversee a multi-billion dollar enterprise. In my private sector experience, I was accustomed to having key financial, human capital, and procurement data at my fingertips.

One of my first actions was to direct my line-of-business chiefs to work with their component counterparts to mature the Department's data management and better support our enterprise level decision-making capabilities. While significant progress has been made to leverage business intelligence and integrate disparate processes and systems, we still have work to do in order to reach a fully integrated operational state. Today, I would like to present some of the important progress that has been made over the past 2 years and outline the way forward to continue to build out the support systems to allow DHS to make better-informed decisions. In many ways, this effort is at the core of improving our "One DHS" culture.

Historically, much of the data available to Department of Homeland Security (DHS) leadership has been generated through manual data calls, which are labor-intensive and have a greater risk of inaccurate or incomplete content. In response, we have begun developing standard data sources and reporting mechanisms to provide timely and accurate data across all lines of business.

We have made progress in implementing several systems to reduce manual data calls and improve accuracy and completeness of information. Some of our solutions that are successfully providing quality data are the Department of Homeland Security Treasury Information Executive Repository, the Fleet Management Analysis and Reporting System, the Financial Reporting Dashboard System, and most recently the Decision Support Tool, which became the official source of acquisition program execution information and data on October 1, 2011. These solutions provide robust business intelligence (BI) over disparate data sources, collating information to improve decision-making through access to accurate program data and metrics. Deploying business intelligence solutions across the financial management spectrum has improved Departmental compliance with the Chief Financial Officer (CFO) Act and DHS Financial Accountability Act, OMB guidance, other regulations, and Government accounting standards.

I firmly believe that utilizing BI tools will improve the effectiveness of management and achieve compliance, performance, and quality improvement goals by providing:
- Enhanced access to key financial data across organizational boundaries,
- Key indicators of acquisition health that are data-driven and risk-informed, and
- Improved human capital and resource management to enable emerging organizational opportunities.

To house the BI solutions, the Department recognizes the need for a common place for systems and data to reside in a private cloud environment. In alignment

with OMB's Federal Data Center Consolidation Initiative, our Office of the Chief Information Officer (CIO) is in the process of consolidating 43 of the Department's legacy data centers into two Enterprise Data Centers (EDC), known as "DC1" and "DC2." The consolidation of numerous component systems at our EDCs enables more effective collection and use of business information across the enterprise and the Department's fiscal year 2013 budget request includes nearly $65 million to fully complete the migration of data centers for three of our largest components.

One example of this increased effectiveness is the deployment of SharePoint-as-a-Service in our EDCs. Numerous human resource, financial, and administrative systems use SharePoint. By migrating these SharePoint systems to a common platform within our data centers, we enable the appropriate data aggregation across components to improve enterprise decision-making. Additional benefits of consolidation include ensuring that DHS has a seamless disaster recovery capability and significantly enhancing the cybersecurity posture of DHS systems.

Since I last testified before this committee, I have worked closely with my colleagues in the components, as well as my line-of-business chiefs, to mature our organizational effectiveness across DHS. I am especially proud of our progress to enhance the three key management disciplines of acquisition management, financial management, and human capital management. The Department has made significant progress to improve in these areas.

I welcome the opportunity to focus first on the significant achievements in the acquisition management area.

ACQUISITION MANAGEMENT

The successful delivery of major programs is imperative to our Department. Nearly half of the DHS budget is dedicated to obtaining goods and services to support and improve our capabilities, including over $18 billion in investments in our acquisition programs. Due to the nature of how quickly the Department was stood up and the many legacy and new agencies it encompassed, DHS's earliest acquisition processes were imperfect and slow to mature. Today's acquisition practices are vastly improved in terms of process, oversight, and collaboration. We are working collaboratively with our partners across DHS to enhance our acquisition practices so that we are efficient and effective in delivering critical capabilities.

In the early days, DHS was operating in disparate silos focused on purchasing goods and services with minimal management of requirements. Today we are much more efficient because we have a more robust acquisition practice that focuses on requirements and program management, enhanced guidance on testing, and training and certification of our professional workforce. Departmental leadership is better equipped than ever to make risk-informed acquisition decisions.

A crucial step in this process was taken in the second quarter of fiscal year 2011, when I restructured oversight of all major acquisition programs. A key part of this restructuring was the elevation of the Program Accountability and Risk Management (PARM) to be a direct report to me to support my role as the Under Secretary for Management. PARM manages and implements *Acquisition Management Directive (MD) 102–01,* serves as the Executive Secretariat to the Acquisition Review Board (ARB) and the Component Acquisition Executive (CAE) Council, and guides managers of major investments through the acquisition governance process. PARM also provides independent assessments of major investment programs and works with DHS partners to enhance business intelligence to inform ARB decisions. It monitors programs between formal reviews to identify any emerging issues that DHS needs to address to keep the programs on track. PARM guides programs to success.

To establish a vision for enhancing program execution, in December 2011, I issued the Program Management & Execution Playbook, called the Playbook, to the acquisition workforce. The Playbook is my vision for strengthening program management and execution capabilities, and maturing the acquisition management system. The Playbook addresses several management priorities, including increasing the expertise and capabilities of the acquisition and program management workforce, improving program execution, increasing access to expert guidance and best practices, and increasing access to reliable and useful program performance data.

In addition to managing the day-to-day oversight of acquisition programs, PARM has developed and implemented a business intelligence tool to monitor the operational status of each acquisition program. The Decision Support Tool (DST) is a web-enabled tool that provides DHS leaders, governance boards, and program managers with a central dashboard for assessing and tracking the health of major acquisition projects, programs, and portfolios. The DST creates graphs, charts, and other views of key indicators of program health, such as cost, funding, and schedule. My

goal is to improve program accountability and to strengthen the Department's ability to make sound strategic decisions throughout the life cycle of major acquisitions.

The DST became the official source of Acquisition Decision Event information and data on October 1, 2011. It is already informing ARBs with standardized information. On February 13, 2012, I issued a memorandum once again calling on all components and programs to ensure that on a monthly basis all acquisition program information reported in the Department existing data systems is complete, accurate, and valid.

One aspect of the DHS vision is to shift the program management paradigm toward being more data-driven, with emphasis on the criticality of maintaining quality data within DHS source systems. One significant result of this shift in culture is evidenced in the development and delivery of the Comprehensive Acquisition Status Report (CASR).

The CASR provides the status of DHS major acquisitions listed in the "Department of Homeland Security Major Acquisition Oversight List." Previous DHS Congressional reports provided limited detail and took several months to compile. The new CASR format increases the quality of information and can be produced in less time. As our business intelligence capability and data fidelity efforts continue to mature, the already greatly condensed time line will leverage DST automation to mine program data to feed the CASR in near-real-time.

From the procurement perspective, the Department has also matured. In November 2011, we implemented a comprehensive Procurement Health Assessment Program for all nine contracting activities across DHS. This Health Assessment is a robust management information system to monitor and evaluate the performance of contracting operations and support across 30 specific Chief Procurement Officer (CPO) initiatives. In order to integrate our assessment system throughout all DHS procurement activities, we implemented a business intelligence tool, the Enterprise Reporting Application (ERA), to extract data from several sources into a single data warehouse. This system allows each Head of Contracting Activity (HCA) and the CPO to monitor key performance metrics, such as competition rates, small business contracting progress, acquisition savings initiatives, data accuracy, and employee training and certification status on a daily basis and take immediate corrective action. Our Health Assessment Program also provides us with the ability to perform an extensive mid-year and end-of-year performance review with each contracting activity, as well as to establish specific goals for the upcoming fiscal year.

The Department is making significant progress to improve acquisition management and program execution. We are continuing to drive our governance processes forward to ensure greater program accountability.

FINANCIAL MANAGEMENT

The Department is designing and implementing business intelligence capabilities that will modernize financial systems. Through BI, we will have better access to current financial data, which will inform management decisions, increase accountability to stakeholders, and improve the overall health of financial management.

For the past 4 years, we have generated the audited financial statements for the Department and components through a critical reporting tool known as DHSTIER (Department of Homeland Security Treasury Information Executive Repository). The tool consolidates summary-level financial data from fifteen components and offices, generating the core financial reporting for the Department.

The use of DHSTIER has enhanced the efficiency of generating financial statements and is essential for meeting our reporting requirements, as well as the accelerated time frames for producing the Annual Financial Report. DHSTIER provides near-real-time financial statement data immediately upon data upload in the system. The system is proven, audited, and consistently delivers the required financial reports for DHS.

Currently, we are implementing a new DHS data element to capture Program Project Activity (PPA) in financial systems. By the second quarter of fiscal year 2013, PPA data will feed into DHSTIER from the component financial systems, giving us an automated, standardized way of categorizing and accounting for DHS PPA funds and providing visibility into budget execution data reporting down to the program level.

In March 2011, I launched the Financial Reporting Dashboard System (FRDS), an enterprise-wide data repository and business intelligence tool. FRDS uses the monthly budget execution data provided to Congress to produce enterprise-level reports and trend analysis in user-friendly formats for Departmental leadership. This system increases our ability to validate and improve data, which in turn provides greater transparency and better information for decision making. Automating the

collection and validation of budget execution data will improve our response time to inquiries from stakeholders.

FRDS provides some additional reporting capabilities and automates others that were previously compiled manually. We can produce reports that display data from multiple levels and sources, including Departmental totals. Further, we can drill down from these enterprise-level reports to obtain execution data by component or by Treasury Account Fund Symbol (TAFS). We are also bringing DHSTIER financial data into FRDS, which will strengthen and validate the Monthly Execution Report.

We have established standard data elements and are working to implement a common line of accounting to provide timely, accurate, useful, and actionable financial information to decision makers and stakeholders and to prevent waste, fraud, and abuse. This will increase data sharing capabilities and interoperability, minimize the time required to crosswalk data elements, and include applicable Federal and National standards to provide the foundation for accurate, timely, and reliable Departmental financial reporting.

Qualified Opinion

A significant example of the progress being made in the Department's financial management area is exhibited by our recent qualified opinion. Obtaining this opinion is significant progress towards addressing a key weakness identified by GAO.

The CFO conducted targeted risk assessments to identify and remediate weaknesses in accounting and financial reporting. We established mission action plans for the Department's most significant challenge areas and monitored progress against those plans throughout the fiscal year. As a result of these efforts, DHS received a qualified audit opinion on its fiscal year 2011 Consolidated Balance Sheet and Statement of Custodial Activity. This accomplishment is significant because it increases transparency and accountability for the Department's resources.

The CFO will expand the scope of the fiscal year 2012 audit, with the goal of obtaining an opinion on all five financial statements. The Department will continue to implement a risk-based approach to audit remediation and will work closely with components to mitigate any risk of new material weaknesses or audit qualifications as a means to sustain prior-year successes.

Finally, DHS has also made significant progress identifying and recovering improper payments through general recovery audits, testing of high-risk programs, and execution of corrective action plans. In fiscal year 2011, the CFO began targeted recovery audits for high-risk payment types. One such audit focused on telecommunication invoices and resulted in $4 million in recoverable improper payment claims, $100,000 in immediate cost savings, and $2 million in estimated future cost savings. We are developing additional measures, such as risk-based analytic tools and stronger internal controls, to reduce the probability of future improper payments.

HUMAN RESOURCES MANAGEMENT

Aligning human resources information technology (HRIT) to increase timeliness and efficiency of DHS human capital operations is a goal included in the Department's *Workforce Strategy for FY 2011–2016.*

In September 2010, I established the Human Resources Information Technology Executive Steering Committee, a formal governance board of human capital, training, and IT executive representatives from every DHS component and additional leadership from across my organization. Our first order of business was initiating the first application of Federal Segment Architecture at DHS. The Human Capital Segment Architecture (HCSA) project provided a clear understanding of the best and most appropriate ways to align the Department's Human Capital resources—people, technology, data, and systems—to serve the Department's critical mission effectively and efficiently. DHS received an award titled, *Leadership in Government Transformation Using Enterprise Architecture,* for this project at the annual Excellence in Enterprise Architecture Awards ceremony in November 2011.

In 2010, the Office of the Chief Human Capital Officer (CHCO), in partnership with CBP, implemented the COGNOS Business Intelligence environment that provides self-service data analysis and reporting for CHCO end-users to better direct their programs. A few significant accomplishments to date include: Field definitions and value calculations have been identified and standardized in accordance with regulatory classifications established by OPM; all personnel historical data has been populated; desktop capability for end-users to generate reports has been developed along with recurring reports; and the capability for recipients to execute their own reports has been developed. We have created end-user canned reports for inclusion in the standard report library which provides a more efficient means for producing

enterprise reports. Planned initiatives are to populate the COGNOS technology with payroll data and automate the HR dashboard.

Additionally, during 2011, I directed CHCO to partner with CIO to create a capability to electronically transfer personnel files, including background investigations. Our implementation of the eDelivery feature eliminated the need to get in a car and drive to the location(s) where the investigative files were located. This also eliminated hours of manual processing. We can now get what we need in near-real-time, greatly reducing the time to adjudicate on the back end of the on-boarding process. In fiscal year 2011, we averaged approximately 25 days to adjudicate a case. Today, we average approximately 15 days, five fewer days than that required to meet Federal guidelines. Therefore, we have reduced the time by 10 days, 80 percent of which is attributed to the eDelivery system.

Other Uses of Business Intelligence

Clearly, BI is helping to transform our acquisition, financial, and human capital management practices across the Department. We are also focusing on going beyond capturing data to inform decisions but also to control our limited resources. The improved management of our physical assets has the added benefit of detecting waste, fraud, and abuse. While these initiatives may be different, each initiative shares a similar technical solution which leads us to building integration and "One DHS." The Office of the Chief Administrative Officer (CAO) has business intelligence initiatives capturing and reporting on asset data.

In December 2010, we initiated an agency-wide review of the fleet program focusing on Vehicle Allocation Methodology (VAM). Each of the 13 DHS components operating motor vehicles participated in this collaborative effort, which included DHS headquarters. This analysis identified the current and future vehicle inventory requirements to achieve a diverse set of missions across the agency. As a result of this collaborative review components identified a 3 percent reduction in vehicle inventory. A 3 percent reduction translates to approximately $74 million in cost avoidance with the combination of acquisitions, fuel, and maintenance. The VAM analysis will be conducted annually, and DHS will continue to review its fleet program with the goal to further reduce its vehicle fleet while maintaining affordable readiness.

To date, DHS has identified and centralized all real estate holdings and is in the process of integrating this data with multiple components' personal property systems as a means to populate and maintain data currency in the data warehouse. In addition, the platform utilized by each line-of-business is standardized and will be integrated to promote enterprise use of data sets across business lines. This capability will serve as a "One DHS" decision support and management intelligence service in the area of personal property that will utilize integration as a key element to maturing the Department towards a "One DHS" model.

CONCLUSION

The Department has made good progress to date. All Management Directorate line-of-business offices are developing information standards for their respective functions and are using the Department's business intelligence service to develop dashboards from both internal and external stakeholders. It is expected that over the next 12 months, we will standardize data sets and initiate pilots on enterprise business intelligence capability.

My goal is for the decision support capability to serve as the primary source for DHS dashboards where performance, program and portfolio management, financial, acquisition, human capital, asset management, enterprise architecture, cyber, and other DHS data sets are obtained from the DHS systems of record. Those dashboards will be integrated to provide a better view into the Department's mission performance and identify efficiency opportunities.

As I have stated in previous public statements, one of my first official acts upon becoming Under Secretary for Management was to issue a memo authorizing a manual data call. At that time, a manual data call was the only method to collect information across the Department. It was clear to me then, as it is now, that to best serve the Department of Homeland Security and allow leadership to make more timely and accurate mission-related decisions, building better and integrated information systems needed to be a priority. In fact, these capabilities now exist through a powerful set of systems that form the core of our emerging suite of our business analytics. These tools are bringing DHS more in line to become, as the Secretary has prioritized, a better integrated or One DHS.

Once again, I thank you for the opportunity to appear before you today, and I look forward to answering your questions.

Mr. MCCAUL. Thank you, Mr. Borras.

The Chairman now recognizes Mr. Maurer for his opening statement.

STATEMENT OF DAVID C. MAURER, DIRECTOR, HOMELAND SE-CURITY AND JUSTICE TEAM, GOVERNMENT ACCOUNT-ABILITY OFFICE

Mr. MAURER. Good morning, Chairman McCaul, Ranking Member Keating, and other Members and staff. I am pleased to be here today to discuss DHS's on-going efforts to build an integrated and unified department.

As you have already noted, from the day DHS opened its doors in 2003, GAO designated its implementation as high-risk. Completing its transformation into a cohesive department is critical to achieving its homeland security missions. Doing so will require continued progress in human capital, information technology, and acquisition in financial management, as well as integrating these functions across the Department.

Now, these are broad areas so I am going to focus my comments this morning on a few key points. First, to carry out its vital daily missions, DHS needs a strong uniformed management foundation. This includes the ability to obtain a clean financial opinion, deploy new technologies on time and within budget, and identify and fill key skill gaps across the Department. We have provided DHS 31 outcomes like these, which DHS has agreed to accomplish. Collectively, these outcomes identify where they want to go. But DHS isn't there yet.

It currently lacks vital management capabilities to integrate the Department into something greater than the sum of its parts. For example, DHS faces challenges identifying and meeting acquisition program requirements, and only a small number of DHS's major acquisitions have validated cost estimates. DHS twice attempted and was unable to build an integrated Department-wide financial management system. DHS also lacks comprehensive Department-level visibility over key human capital information.

Now, in recent years, DHS has worked hard to fix its management problems and has achieved some key successes. For example, last year DHS obtained a qualified audit opinion on its balance sheet for the first time since its creation. DHS has lowered its senior level—senior leadership vacancy rates from a peak of 25 percent in 2006 to 10 percent in 2011. We have also seen significant senior level support for a series of plans to help ensure DHS missions are ably supported by a sound management infrastructure. In particular, the Department's December 2011 strategy for addressing high risk is a good roadmap for moving DHS from where it is now, a department with several management challenges, to where it wants to be, a unified department supported by integrated management functions that is no longer on our high-risk list.

To further strengthen its plans, we would suggest among other things establishing measures and reporting on progress for all initiatives, which brings me to my final point, which is especially important: DHS needs to focus on executing its plans. The Department has laid out an ambitious agenda and has considerable work ahead to achieve its goals. For example, DHS is rolling out plans for improving how it manages investments across the Department.

However, it still needs to implement several changes to make this happen. DHS continues to face challenges implementing information security controls and managing its IT acquisitions, which it is trying to address through, among other things, a new approach to overseeing IT investments. On the financial front, DHS recently announced a new approach for modernizing its financial systems but is still years away from complete implementation and continues to have material weaknesses and internal controls over financial reporting.

In short, while DHS has made important strides addressing its management challenges, the Department still has a great deal of work ahead of executing its plans. Doing so is important because building a solid management foundation will help DHS carry out its important missions.

Mr. Chairman, thank you for the opportunity to testify this morning. I look forward to your questions.

[The statement of Mr. Maurer follows:]

PREPARED STATEMENT OF DAVID C. MAURER

MARCH 1, 2012

GAO HIGHLIGHTS

Highlights of GAO–12–365T, a testimony before the Subcommittee on Oversight, Investigations, and Management, Committee on Homeland Security, House of Representatives.

Why GAO Did This Study

Since 2003, GAO has designated the implementation and transformation of DHS as high-risk because, among other things, DHS had to combine 22 agencies, while ensuring no serious consequences for U.S. National and economic security. This high-risk area includes challenges in DHS's management functions—financial management, human capital, IT, and acquisitions; the effect of those challenges on implementing DHS's missions; and integrating the functions. In November 2000, GAO published criteria for removing areas from its high-risk list. In September 2010, GAO identified 31 actions and outcomes critical to addressing this high-risk area. This testimony addresses DHS's progress in: (1) Developing a strategy for addressing its high-risk designation, and (2) achieving outcomes critical to addressing this high-risk area. This statement is based on GAO products issued from June 2007 through February 2012, including selected updates. It also includes preliminary observations from GAO's on-going work reviewing DHS's IT governance. GAO reviewed documents on IT governance and interviewed officials.

What GAO Recommends

This testimony contains no new recommendations. GAO has made over 100 recommendations to DHS since 2003 to strengthen the Department's management and integration efforts. DHS has implemented many of these recommendations and is in the process of implementing others.

DEPARTMENT OF HOMELAND SECURITY.—CONTINUED PROGRESS MADE IMPROVING AND INTEGRATING MANAGEMENT AREAS, BUT MORE WORK REMAINS

What GAO Found

The Department of Homeland Security (DHS) has updated and strengthened its strategy for how it plans to address GAO's high-risk designation and resolve the Department's management challenges. In January 2011, DHS provided GAO with its *Integrated Strategy for High-Risk Management,* which summarized the Department's preliminary plans for addressing the high-risk area. GAO found that this strategy, which was later updated in June and December 2011, was generally responsive to the actions and outcomes needed to address GAO's high-risk designation. For example, the January 2011 strategy generally identified multiple, specific actions and target completion time frames consistent with the outcomes GAO identified. However, the strategy did not address the root causes of problems, among other things. In its June 2011 strategy, DHS, among other things, identified 10 root

causes that cut across the management areas and their integration. Nevertheless, GAO identified ways the strategy could be strengthened, including consistently reporting the progress of its initiatives and corrective actions. In its most recent update, DHS better positioned itself to address its management challenges. For example, for the first time, DHS included ratings of the Department's progress addressing its high-risk outcomes. However, GAO believes that DHS could more consistently report on available resources and corrective actions, establish measures and report on progress made for all initiatives, and stabilize its methodology for measuring progress. These changes, if implemented and sustained, provide a path for DHS to address GAO's high-risk designation.

DHS has made progress, but has considerable work ahead to achieve actions and outcomes critical to addressing this high-risk area. Among other accomplishments, DHS realigned its acquisition management functions within a new office to assess the health of major acquisitions and investments; conducted program and portfolio reviews of hundreds of information technology (IT) investments; and reduced the number of material weaknesses in internal controls. DHS also demonstrated top leadership commitment by identifying roles and responsibilities for its key management initiatives. However, DHS has more work ahead to fully implement its plans and address its management challenges. For example, in June 2010 GAO reported that over half of the programs reviewed awarded contracts to initiate acquisition activities without component or Department approval of essential planning documents. In addition, DHS faces challenges fully defining key system investment and acquisition management policies and procedures. Further, as of September 30, 2011, due to material weaknesses in internal controls over financial reporting, DHS was unable to provide assurance that these internal controls were operating effectively. In September 2011 we reported that DHS also continues to face challenges implementing some key human capital initiatives, such as its workforce strategy. DHS also needs to continue to demonstrate sustainable progress in integrating its management functions within and across the Department and its components, including making progress with its model for managing investments across components and management functions. GAO will continue to assess DHS's efforts to address its high-risk designation and will report its findings on the Department's progress in the high-risk update that it expects to issue in early 2013.

Chairman McCaul, Ranking Member Keating, and Members of the subcommittee: I am pleased to be here today to discuss the Department of Homeland Security's (DHS) on-going efforts to build a single, unified department. DHS now has more than 200,000 employees and almost $60 billion in budget authority, and completing its transformation into a cohesive department is critical to achieving its homeland security missions. Our prior work on mergers and organizational transformations, undertaken before the creation of DHS, found that successful transformations of large organizations, even those faced with less-strenuous reorganizations than DHS, can take years to achieve.[1] Since the Department's creation in 2003, GAO has designated the implementation and transformation of DHS as high-risk because DHS had to combine 22 agencies—several with major management challenges—into one department, and failure to effectively address DHS's management and mission risks could have serious consequences for U.S. National and economic security.[2] This high-risk area includes challenges in strengthening DHS's management functions—financial management, human capital, information technology (IT), and acquisition management—the effect of those challenges on DHS's mission implementation, and challenges in integrating management functions within and across the Department and its components.

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[1] See GAO, *Highlights of a GAO Forum: Mergers and Transformations: Lessons Learned for a Department of Homeland Security and Other Federal Agencies,* GAO–03–293SP (Washington, DC: Nov. 14, 2002) and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations,* GAO–03–669 (Washington, DC: July 2, 2003).

[2] GAO, *High-Risk Series: An Update,* GAO–03–119 (Washington, DC: January 2003). In addition to this high-risk area, DHS has responsibility for other areas we have designated as high-risk. Specifically, in 2005 we designated information sharing for homeland security as high-risk, involving a number of Federal departments to include DHS, and in 2006, we identified the National Flood Insurance Program as high-risk. Further, in 2003 we expanded the scope of the high-risk area involving Federal information security, which was initially designated as high-risk in 1997, to include the protection of the Nation's computer-reliant critical infrastructure. GAO *High-Risk Series: An Update,* GAO–09–271 (Washington, DC: January 2009); *High-Risk Series: An Update,* GAO–07–310 (Washington, DC: January 2007); and *High-Risk Series: An Update,* GAO–05–207 (Washington, DC: January 2005).

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

On the basis of our prior work, in September 2010 we identified and provided to DHS 31 actions and outcomes that are critical to addressing the challenges within the Department's management areas and in integrating those functions across the Department. These key actions and outcomes include, among others, obtaining and then sustaining unqualified audit opinions for at least 2 consecutive years on the Department-wide financial statements; validating required acquisition documents in accordance with a Department-approved, knowledge-based acquisition process; and demonstrating measurable progress in implementing its IT human capital plan and accomplishing defined outcomes.[4] DHS committed to taking actions to address all 31 of these outcomes. Achieving and sustaining progress in these areas would demonstrate the Department's ability and commitment to addressing our five criteria for removing issues from the high-risk list.

My testimony this morning will discuss our observations, based on prior and on-going work, on DHS's progress in: (1) Developing a strategy for addressing its high-risk designation for the implementation and transformation of the Department, and (2) achieving outcomes critical to addressing the high-risk designation.

This statement is based on prior reports and testimonies we issued from June 2007 through February 2012, as well as letters we submitted to DHS in March and November 2011 providing feedback on the Department's January and June 2011 versions of its *Integrated Strategy for High-Risk Management.*[5] The statement is also based on selected updates we obtained from May 2011 through February 2012. For the past products, among other things, we interviewed DHS officials; analyzed DHS strategies and other documents related to the Department's implementation and transformation high-risk area; and reviewed our past reports, issued since DHS began its operations in March 2003. All of this work was conducted in accordance with generally accepted Government auditing standards, and more-detailed information on the scope and methodology from our prior work can be found within each specific report. For the updates, we obtained information from DHS on its transformation and management integration efforts through, among other things: (1) Obtaining the December 2011 version of the *Integrated Strategy for High-Risk Management,* and (2) meeting with DHS officials, including the Under Secretary for Management and Deputy Under Secretary for Management. This statement is also based on preliminary observations from our on-going work in response to your request to review DHS's progress in implementing the new IT governance approach. For this work, among other things, we are reviewing DHS documentation on its planned IT governance process and interviewing DHS officials responsible for implementing this process. We are conducting this work in accordance with generally accepted Government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

DHS HAS UPDATED ITS STRATEGY FOR ADDRESSING ITS HIGH-RISK DESIGNATION

Since January 2011, DHS has continued to update and strengthen its strategy for how the Department plans to address our high-risk designation and resolve its management challenges. In January 2011, DHS provided us with its initial *Integrated Strategy for High-Risk Management,* which summarized the Department's preliminary plans for addressing the high-risk area. The January 2011 strategy, which DHS later updated in June 2011 and December 2011, was generally responsive to the actions and outcomes we identified for the Department to address this high-risk

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[3] GAO, *Determining Performance and Accountability Challenges and High Risks,* GAO–01–159SP (Washington, DC: November 2000).

[4] An unqualified opinion states that the financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles.

[5] See the related products list at the end of this statement.

area. Specifically, in our March 2011 written response to DHS's January 2011 update, we stated that:
- the strategy generally identified multiple, specific actions and target completion time frames consistent with the outcomes we identified;
- designated senior officials to be responsible for implementing most actions; and,
- included scorecards to depict, at a high level, the Department's views of its progress in addressing each high-risk area and a framework for monitoring implementation of corrective actions through, among other things, quarterly meetings between DHS and us.

However, the January 2011 update generally did not discuss the root causes of problems. Further, while the strategy identified whether DHS believed it had the resources available to implement planned actions, it did not identify what the specific resource needs were or what additional resources may be needed, making it difficult to assess the extent to which DHS has the capacity to implement those actions.

In June 2011, DHS updated its *Integrated Strategy for High-Risk Management.* The update demonstrated the Department's continued leadership commitment to address the high-risk designation and represented continued progress. For example:
- DHS identified 10 root causes that cut across the four management functions and management integration. By identifying these root causes, the Department better positioned itself to determine corrective actions for addressing the underlying problems that have affected its management implementation efforts, and to assess the extent to which progress made in implementing the corrective actions has mitigated those underlying problems.
- DHS organized its corrective actions into 16 key management initiatives (e.g., financial management controls, IT program governance, and procurement staffing model) to address its management challenges and the 31 actions and outcomes we identified.

Identifying key management initiatives should help DHS prioritize its efforts and resources for addressing its root causes and management challenges, and provide a useful framework for monitoring the Department's implementation of the initiatives and associated corrective actions. However, elements of the update could be strengthened or clarified to better address our high-risk criteria and the actions and outcomes we previously identified, including: (1) Better defining the root causes of its management problems; (2) clarifying the resources available to implement corrective actions; (3) consistently reporting the progress of its corrective actions; and (4) more clearly and consistently reporting the progress of its key management initiatives.

DHS provided its most recent update to its strategy in December 2011. Overall, we believe that the December update positions the Department to address its management challenges and the implementation and transformation high-risk area. For example:
- DHS updated its initiatives—removing two initiatives from the management integration area and adding four new initiatives, including human resources information technology, management health assessment, strategic sourcing, and acquisition workforce development;[6]
- DHS included, for the first time, ratings of the Department's progress addressing the 31 high-risk outcomes; and:
- DHS enhanced its reporting and rating methodology for its key management initiatives. Specifically, DHS replaced a color-coded (green, yellow, or red) rating system used in previous updates with a new system for self-reporting progress. DHS now measures and reports its progress addressing the five criteria for removal from high-risk in two ways. One way uses standard indicators for measuring progress and a pie graph for reporting such progress across all of its key management initiatives against the first four criteria—leadership commitment, capacity, corrective action plans, and monitoring. The second way uses specific performance measures unique to each initiative for measuring progress and a fuel-type gauge for reporting on the fifth criterion—demonstrated progress. According to DHS, the revised methodology, amongst other things, results in a more objective view of each initiative's progress.

However, the December 2011 update could be strengthened or clarified to better enable DHS and GAO to assess the Department's progress, in the following ways:
- *More clearly and consistently report the resources available to implement corrective actions.*—DHS identified whether it had sufficient resources to implement

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[6] DHS reported eliminating: (1) The policies, procedures, and management directive initiative because all of the actions had been completed, and (2) the Department-wide performance management initiative because it did not address the high-risk outcomes.

most of the corrective actions. However, as we also reported to DHS regarding the January and June 2011 strategies, for many corrective actions DHS did not provide information on what the specific resource needs are or what additional resources may be needed to implement the corrective actions. The absence of resource information makes it difficult to fully assess the extent to which DHS has the capacity to implement these actions, particularly within the time frames identified for the corrective actions.

- *Consistently report on corrective actions.*—DHS provided information on the Department's rationale for eliminating and adding key management initiatives, but has not consistently provided such information for the corrective actions it established for each initiative. For example, the December strategy contained three new corrective actions for the IT program-governance initiative that were not in the June 2011 strategy, but did not include three corrective actions that had been in the June 2011 strategy. The December strategy did not consistently explain the Department's rationale for eliminating or adding corrective actions from the June strategy, such as whether the corrective actions were already completed, or if the corrective actions were no longer appropriate or feasible. Without consistently providing information on the basis for DHS's decision to add or remove corrective actions, it is difficult for DHS and us to track the status and progress of the Department's efforts to fully implement its management initiatives.
- *Establish measures and report on progress for all initiatives.*—DHS established a total of 58 measures to track its demonstrated progress in implementing the 18 initiatives included in the December 2011 strategy. While these measures provide additional insight into DHS's self-reported progress and represent an important improvement from the June 2011 strategy, DHS has not yet established measures for one of its initiatives—the new management health assessment initiative—and did not report on its progress for more than 40 percent (24 of the 58) of the measures in the December 2011 strategy. Without establishing measures and consistently reporting on their progress, neither DHS nor we can fully assess the Department's progress in implementing its initiatives.
- *Stabilize its methodology for measuring progress.*—We believe that the enhanced methodology DHS established for assessing its progress in implementing its initiatives generally allows for a more objective assessment. However, the evolving nature of DHS's methodology, which the Department revised in the June 2011 strategy and again in the December strategy, makes it difficult to effectively monitor the Department's progress over time.

By strengthening these four aspects, we believe the December 2011 strategy, if implemented and sustained, provides a path for DHS to address our high-risk designation. We will continue to closely monitor and assess DHS's progress in addressing the high-risk designation and the Department's overall transformation efforts as part of our work for the 2013 high-risk update, which we plan to issue in January 2013.

DHS HAS MADE PROGRESS, BUT MORE WORK REMAINS TO ACHIEVE HIGH-RISK OUTCOMES

DHS has made progress addressing management challenges and achieving high-risk outcomes in some key areas. The Secretary and Deputy Secretary of Homeland Security, and other senior officials, have demonstrated commitment and top leadership support to address the Department's management challenges. As the following examples illustrate, DHS is making progress achieving the long-term goal of enhancing its management capabilities and building a more-integrated Department.

- In June 2011, we reported that, per Departmental acquisition guidance, DHS's Science and Technology Directorate reviewed and approved test and evaluation documents and plans for programs undergoing testing, and conducted independent assessments for the programs that completed operational testing.[7] In October 2011, to enhance the Department's ability to oversee major acquisition programs, DHS realigned the acquisition management functions previously performed by two divisions within the Office of Chief Procurement Officer to establish the Office of Program Accountability and Risk Management (PARM). PARM, which is responsible for program governance and acquisition policy, serves as the Management Directorate's executive office for program execution and works with DHS leadership to assess the health of major acquisitions and investments. To help with this effort, PARM is developing a database, known

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[7] GAO, *DHS Science and Technology: Additional Steps Needed to Ensure Test and Evaluation Requirements Are Met,* GAO–11–596 (Washington, DC: June 15, 2011).

as the Decision Support Tool, intended to improve the flow of information from component program offices to the Management Directorate to support its governance efforts. DHS also included a new management initiative in its December 2011 update (strategic sourcing) to increase savings and improve acquisition efficiency by consolidating contracts Department-wide for the same kinds of products and services, and reported awarding 14 strategically-sourced contracts in fiscal year 2011. We currently have on-going work related to both of these areas that we will report on later this year.[8]

- In February 2012, we reported that the DHS Chief Information Officer (CIO) and Chief Human Capital Officer were coordinating to streamline and consolidate the Department's human resources investments.[9] Specifically, in 2010 and 2011, the DHS CIO conducted program and portfolio reviews of hundreds of IT investments and systems. DHS evaluated portfolios of investments within its components to avoid investing in systems that are duplicative or overlapping, and to identify and leverage investments across the Department. DHS also consolidated: (1) 6 personnel security-related systems into its Department-wide Integrated Security Management System—with an additional personnel security system planned for consolidation in 2012, and (2) two components' portals into the Homeland Security Information Network, with plans to consolidate 12 additional portals before 2014.

- DHS has reduced the number of material weaknesses in internal controls from 18 since the inception of the Department in 2003 to 5 in fiscal year 2011.[10] In addition, in fiscal year 2010 DHS committed to the goal of receiving a qualified audit opinion on its consolidated balance sheet in fiscal year 2011 by, for example, remediating financial management issues at the U.S. Coast Guard (USCG).[11] In fiscal year 2011, DHS achieved this goal by moving from a disclaimer of opinion to a qualified audit opinion on its balance sheet and statement of custodial activity for the first time since the Department's creation.[12] In its December 2011 strategy, DHS reported plans to expand the audit to all financial statements in fiscal year 2012. DHS believes this will identify additional areas for corrective action and help it to obtain a clean audit opinion on all financial statements by September 2013, although there is no clear plan for how full auditability will be achieved.

- In February 2012, we reported that DHS consolidated five time-and-attendance systems into a Department-wide time-and-attendance system and plans to incorporate an additional component by June 2012.[13] This consolidation effort is part of DHS's broader human resources IT initiative. This initiative is intended to, among other things: (1) Support the development and implementation of consistent and consolidated human resources IT systems across DHS, and (2) strengthen and unify the Department's ability to collect and share human resource information. We also reported in February 2012 that DHS had initiated a Senior Executive Service Candidate Development Program in May 2011 to build its senior leadership pipeline within the Department—consolidating what had been four individual leadership programs into a single DHS-wide pro-

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[8] We are doing this work at the request of the Senate Committee on Homeland Security and Governmental Affairs. Our strategic sourcing work is also being done for the House Committee on Oversight and Government Reform.

[9] GAO, *Information Technology: Departments of Defense and Energy Need to Address Potentially Duplicative Investments,* GAO–12–241 (Washington, DC: Feb. 17, 2012).

[10] A material weakness is a significant deficiency, or a combination of significant deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

[11] A qualified opinion states that, except for the effects of the matter(s) to which the qualification relates, the audited financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles. The matter(s) to which the qualification relates could be due to a scope limitation, or the audited financial statements containing a material departure from generally accepted accounting principles, or both.

[12] A disclaimer of opinion states that the auditor does not express an opinion on the financial statements (e.g., scope limitations).

[13] GAO, *Information Technology: Department of Defense and Energy Need to Address Potentially Duplicative Investments,* GAO–12–241 (Washington, DC: Feb. 17, 2012).

gram—and lowered its senior leadership vacancy rates from a peak of 25 percent in 2006 to 10 percent at the end of fiscal year 2011.[14]
- In February 2011, we reported that the Department put in place common policies, procedures, and systems within individual management functions, such as human capital, that help to integrate its component agencies.[15] DHS has also demonstrated top leadership commitment by identifying roles and responsibilities at the departmental level for the key management initiatives it has included in the December 2011 strategy. Additionally, DHS has promoted accountability for management integration among Department and component management chiefs by, among other things, having the Department chiefs provide written objectives that explicitly reflect priorities and milestones for that management function as well as aligning the component chiefs' individual performance plans to the Department's goals and objectives.

In its December 2011 strategy, DHS presented detailed plans to address a number of management challenges. However, in many instances, DHS has considerable work ahead to fully implement these plans and address these challenges.
- Our prior work has identified challenges related to acquisition oversight, cost growth, and schedule delays, including Departmental concerns about the accuracy of cost estimates for some of DHS's major programs. For example, in June 2010 we reported that over half of the programs we reviewed awarded contracts to initiate acquisition activities without component or Department approval of documents essential to planning acquisitions, such as mission need statements outlining the specific functional capabilities required to accomplish DHS's mission and objectives; operational requirements; and acquisition program baselines.[16] Additionally, we reported that only a small number of DHS's major acquisitions had validated cost estimates. Further, DHS reported in its December 2011 strategy that senior executives are not confident enough in the data to use the Decision Support Tool developed by PARM to help make acquisition decisions. However, DHS's plans to improve the quality of the data in this database are limited. At this time, PARM only plans to check the data quality in preparation for key milestone meetings in the acquisition process. This could significantly diminish the Decision Support Tool's value because users cannot confidently identify and take action to address problems meeting cost or schedule goals prior to program review meetings.
- DHS continues to face challenges in managing its IT acquisitions, ensuring proper implementation and Department-wide coordination, and implementing information security controls. For example, as we reported in 2011, DHS faces challenges fully defining key system investment and acquisition management policies and procedures for IT.[17] Moreover, the extent to which DHS implemented these investment and acquisition management policies and practices in major IT programs has been inconsistent. We also reported that major IT acquisition programs were not subjected to executive-level acquisition and investment management reviews. As a result, major programs aimed at delivering important mission capabilities had not lived up to their capability, benefit, cost, and schedule expectations. DHS is currently pilot testing a new approach for overseeing and managing its IT acquisitions. We are currently reviewing this new governance approach and expect to report the results of our work later this year. Further, we previously reported on the need for Federal agencies, including DHS, to improve implementation of information security controls, such as those for configuring desktop computers and wireless communication devices.[18] DHS reports that, as of December 2011, it mostly addressed IT security. However, the DHS Office of Inspector General continues to report a material weakness in this area and identifies information security as a major management challenge facing the Department.
- Due to material weaknesses in internal controls over financial reporting, DHS was unable to provide assurance that internal controls over financial reporting

[14] GAO–12–264.

[15] GAO, *Department of Homeland Security: Progress Made and Work Remaining in Implementing Homeland Security Missions 10 Years after 9/11,* GAO–11–881 (Washington DC: Sept. 7, 2011); GAO, *DHS: A Comprehensive Strategy Is Still Needed to Achieve Management Integration Department-wide,* GAO–10–318T (Washington, DC: Dec. 15, 2009).

[16] GAO, *Department of Homeland Security: Assessments of Selected Complex Acquisitions,* GAO–10–588SP (Washington, DC: June 30, 2010).

[17] GAO–11–881.

[18] GAO, *Information Security: Federal Agencies Have Taken Steps to Secure Wireless Networks, but Further Actions Can Mitigate Risk,* GAO–11–43 (Washington, DC: Nov. 30, 2010); and *Information Security: Agencies Need to Implement Federal Desktop Core Configuration Requirements,* GAO–10–202 (Washington, DC: Mar. 12, 2010).

were operating effectively as of September 30, 2011. According to DHS, due to existing internal control weaknesses and focus on corrective actions, the audit opinion on internal controls over financial reporting will likely remain a disclaimer in fiscal year 2012. DHS also faces challenges in modernizing its financial systems. We previously reported that DHS twice attempted to implement an integrated Department-wide financial management system, but had not been able to consolidate its disparate systems. Specifically, in June 2007, we reported that DHS ended its Electronic Managing Enterprise Resources for Government Effectiveness and Efficiency effort after determining that the resulting financial management systems would not provide the expected system functionality and performance.[19] In December 2009, we reported that the Transformation and Systems Consolidation program had been significantly delayed by bid protests and related litigation.[20] In March 2011, DHS ended this program and reported that moving forward it would consider alternatives to meet revised requirements. In 2011, DHS decided to change its strategy for financial system modernization. Rather than implement a Department-wide integrated financial management system solution, DHS opted for a decentralized approach to financial management systems modernization at the component level. Specifically, DHS reported in its December 2011 strategy that it plans to replace financial management systems at three components it has identified as most in need, including the Federal Emergency Management Agency (FEMA), USCG, and Immigrations and Customs Enforcement (ICE). As of February 2012, DHS officials stated that they first planned to modernize FEMA's system, which would start using a Federal shared service provider at the beginning of fiscal year 2015. DHS officials told us they had not yet identified the specific approach or necessary resources and time frames for implementing new systems at USCG and ICE. It is not clear whether DHS's new, decentralized approach to financial system modernization will ensure that component's financial management systems can generate reliable, useful, timely information for day-to-day decision making; enhance the Department's ability to comprehensively view financial information across DHS; and comply with related Federal requirements at DHS and its components. We will continue to monitor DHS's actions in this area.

- DHS continues to face challenges implementing some of its key human capital initiatives and functions. For example, the DHS Chief Information Officer's (CIO) September 2011 assessment of the human resources IT program identified two risks that could have adverse effects on the cost and schedule of the program. First, if the program is unable to meet its established baseline schedules, there is a high probability of program breach and potential loss of funding due to lack of prioritization. Second, if a thorough understanding of existing legacy applications and processes across the DHS components is not achieved, the new, consolidated system will not adequately replace existing functionality nor provide the stable operational functionality needed from the program. DHS has also struggled with low job satisfaction among its employees since its inception. For the 2011 Federal Employee Viewpoint Survey, DHS scored below the Government-wide average on the Office of Personnel Management's Job Satisfaction Index and ranked 31st of 33 Federal agencies on employee satisfaction, according to the Partnership for Public Service's analysis of the survey results. At the subcommittee's request, we currently have work underway evaluating the effectiveness of DHS's plans and efforts to address its employee morale issues and expect to report our findings later this year. Further, in June 2011, DHS reported that it was developing component operational plans to implement its Department-wide workforce strategy and align the component plans with the goals, measures, and objectives of the strategy. However, in its December 2011 strategy, DHS reported that it had not finished providing feedback to components on their fiscal year 2011 plans.

- DHS needs to continue to demonstrate sustainable progress in integrating its management functions within and across the Department and its components and take additional actions to further and more effectively integrate the Department. Specifically, in its January 2011 high-risk strategy, DHS described plans to establish an Integrated Investment Life Cycle Model (IILCM) for managing investments across its components and management functions; strengthening integration within and across those functions; and ensuring mission needs drive investment decisions. This framework seeks to enhance DHS resource decision

[19] GAO, *Homeland Security: Department-wide Integrated Financial Management Systems Remain a Challenge,* GAO–07–536 (Washington, DC: June 21, 2007).
[20] GAO, *Financial Management Systems: DHS Faces Challenges to Successfully Consolidating Its Existing Disparate Systems,* GAO–10–76 (Washington, DC: Dec. 4, 2009).

making and oversight by creating new department-level councils to identify priorities and capability gaps, revising how DHS components and lines of business manage acquisition programs, and developing a common framework for monitoring and assessing implementation of investment decisions. DHS reported in December 2011 that the IILCM initiative had made little progress since January 2011 though the Department planned to begin using the IILCM by the end of September 2012. The Department also indicated it had not determined resource needs to accomplish any of the eight associated corrective actions it has identified for this initiative.

While DHS has made progress, the Department still faces considerable challenges. Going forward, DHS needs to continue implementing its *Integrated Strategy for High-Risk Management* and show measurable, sustainable progress in implementing its key management initiatives and corrective actions and achieving outcomes. We will continue to monitor and assess DHS's implementation and transformation efforts through our on-going and planned work, including the 2013 high-risk update that we expect to issue in early 2013.

Chairman McCaul, Ranking Member Keating, and Members of the subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that you may have.

Mr. MCCAUL. Thank you Mr. Maurer for your testimony.

The Chairman now recognizes Mr. Edwards for his testimony.

STATEMENT OF CHARLES K. EDWARDS, ACTING INSPECTOR GENERAL, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. EDWARDS. Good morning, Chairman McCaul, Ranking Member Keating, and distinguished Members of the subcommittee.

Thank you for inviting me today to testify about the integration of information across the Department, specifically in the areas of financial and acquisition management.

The Department achieved a significant milestone in the area of financial management in fiscal year 2011. For the first time since 2003, DHS was able to produce an auditable balance sheet and a statement of custodial activity. The independent auditors rendered a qualified opinion on those financial statements.

Nevertheless, the Department still has much work to do. The independent auditors were unable to perform procedures necessary to form an opinion on DHS internal control of financial reporting on fiscal year 2011 balance sheet and the statement of custodial activity. As part of the fiscal year 2011 audit, the independent auditors identified a pervasive financial system functionality limitation at all of the significant DHS components.

The Department's financial information technology system infrastructure is aging and has limited functionality, which is hindering the Department's ability to implement efficient corrective actions and produce reliable financial statements. The auditors noted that many of the financial systems in use at DHS components have been inherited from legacy agencies and have not been substantially updated since DHS's inception.

As a result, on-going financial system functionality limitations are contributing to the Department's challenges in addressing systemic internal control weaknesses and strengthening the overall control environment. Since 2003, the Department has made several efforts to consolidate its component financial systems.

Most recently, the Department cancelled a solicitation for the transformation and system consolidation, or TASC, program in May 2011. We have communicated with the Department regarding

its plans for the modernization of its financial systems, and we will begin a review of its new efforts later this month.

With respect to acquisition management, acquisitions consume a significant part of DHS's annual budget and are fundamental to the Department's ability to accomplish its mission. In April 2011, we published an audit report regarding DHS oversight of component acquisition programs. In that report, we found that the Department needs to provide additional guidance and improved controls in some areas. One of the areas that we targeted for improvement concerned the use of the Next Generation Periodic Reporting System, or nPRS.

nPRS is an integrated system that provides visibility to the Department to track component acquisition investments. Component personnel are responsible for entering and updating information in nPRS, including cost, budget, performance, and scheduled data. As a result of our audit, we determined that the Department has issued conflicting guidance and enforcement for reporting in nPRS since the system became operational in 2008.

For the 17 acquisition programs to be reviewed during our audit, we found that components were not completing and reporting all key information in nPRS. We found some other inconsistencies during our audit. Not all of the 86 programs identified by the Department on its list of major acquisition programs were reported in nPRS by components. When we questioned the Department personnel about the differences between the list of major acquisition programs and nPRS, they stated that the differences were due to timing issues.

However, we were not able to reconcile the differences to verify that they were timing-related. Our audit report recommended that the Department mandate the use of nPRS for all acquisition programs and issue improved guidance regarding nPRS reporting. The chief procurement officer agreed with our recommendation and stated that by April 30, 2011, it would issue guidance to components to require inclusion of all level 1, 2, and 3 acquisition programs within the nPRS tracking tool. We are continuing to monitor the implementation of this recommendation. On February 16, 2012, we received the Department's latest update. In that update, the Department stated that it was integrating its components to ensure that all acquisition programs are recorded accurately in nPRS on a monthly basis.

While we are encouraged by the Department's actions, this effort does not meet the full intent of our recommendation that the use of nPRS is mandated across the Department.

Chairman McCaul, this concludes my prepared remarks, and I would be happy to answer any questions that you or other Members may have. Thank you.

[The statement of Mr. Edwards follows:]

PREPARED STATEMENT OF CHARLES K. EDWARDS

MARCH 1, 2012

Good morning Chairman McCaul, Ranking Member Keating and distinguished Members of the subcommittee: I am Charles K. Edwards, Acting Inspector General of the Department of Homeland Security (DHS). Thank you for inviting me to testify today about the integration of information across the Department, specifically in the

areas of financial management, acquisition management, and human capital management.

As you know, the DHS Office of Inspector General (OIG) was established in January 2003 by the Homeland Security Act of 2002 by amendment to the Inspector General Act of 1978. The DHS OIG seeks to promote economy, efficiency, and effectiveness in DHS programs and operations and reports directly to both the DHS Secretary and the Congress. We fulfill our mission primarily by issuing audit, inspection, and investigative reports that include recommendations for corrective action, and by referring cases to the United States Attorney General for prosecution.

I am pleased to have the opportunity to testify about two of our audit reports today. My testimony will focus on the areas of financial management and acquisition management.

I will describe some of the challenges facing DHS, the steps DHS has taken and its progress in addressing those challenges, as well as provide details regarding further improvements the Department can make.

FINANCIAL MANAGEMENT

In an effort to reduce redundancy, weaknesses, and vulnerabilities in its financial systems, DHS has made several attempts to consolidate its financial systems since the Department's creation.

The first attempt, known as the Electronically Managing Enterprise Resources for Government Effectiveness and Efficiency project, was canceled in December 2005, due to technical challenges in the integration efforts. The second attempt, a task order issued in August 2007, for a solution architect to develop and implement a new system under the Enterprise Acquisition Gateway for Leading Edge Solutions contract ended when no bids were received. The third attempt, called Transformation and Systems Consolidation (TASC) Baseline, focused on moving DHS components to one of two financial systems platforms: SAP or Oracle. On March 17, 2008, the TASC baseline approach ended when a Federal court ruled against DHS in the court case of *Savantage Financial Services, Inc.* vs. *United States.* The court ruled that DHS' decision to use Oracle and SAP financial software systems via "Brand Name Justification" was an improper sole source procurement in violation of the Competition in Contracting Act.

In May 2008, the TASC initiative was revised to acquire an integrated financial, acquisition, and asset management solution for DHS. This approach was a larger effort than DHS had attempted previously because it attempted to not only consolidate component financial systems but also to implement DHS-wide asset management and procurement systems. TASC was a Department-wide effort co-sponsored by the DHS Under Secretary for Management (USM) and the Chief Financial Officer.

In January 2009, the TASC program issued a RFP for a vendor to integrate, test, deploy, manage, operate, and maintain the transformed business processes and services of an integrated financial acquisition and asset management solution for DHS. In July 2010, we issued an audit report, *DHS Needs to Address Challenges to Its Financial Systems Consolidation Initiative.* The objective of our audit was to determine whether DHS was making progress in developing and implementing the TASC initiative. Our audit report included five recommendations; the Department concurred or partially concurred with all five. Subsequently, in May 2011, the Department announced that it was cancelling the solicitation for the TASC program and was considering alternatives to meet revised requirements. We understand that the Department is considering options, and we will continue to be in communication with the Department regarding its plans.

Although the Department has not completed the modernization and consolidation of its financial systems, it continued to improve financial management in fiscal year 2011 and achieved a significant milestone. For the first time since 2003, the Department was able to produce an auditable balance sheet and statement of custodial activity and the independent auditors rendered a qualified opinion on those financial statements. Nevertheless, the Department still has much work to do. The independent auditor was unable to perform procedures necessary to form an opinion on DHS' internal control over financial reporting of the fiscal year 2011 balance sheet and statement of custodial activity.

The independent auditors identified pervasive financial system functionality limitation at all of the significant DHS components. The Department's financial information technology system is aging and has limited functionality, which is hindering the Department's ability to implement efficient corrective actions and produce reliable financial statements. The auditors noted that many of the financial systems in use at DHS components have been inherited from the legacy agencies and have not

been substantially updated since DHS' inception. As a result, on-going financial system functionality limitations are contributing to the Department's challenges in addressing systemic internal control weaknesses and strengthening the overall control environment.

ACQUISITION MANAGEMENT

Background

Acquisitions consume a significant part of the Department of Homeland Security's annual budget and are fundamental to the Department's ability to accomplish its mission. In fiscal year 2010, DHS awarded over $13 billion for more than 88,000 procurement actions.

The USM is responsible for the overall DHS acquisition process. As the Department's Chief Acquisition Officer, the USM is responsible for managing, administering, and overseeing the Department's acquisition policies and procedures. The USM delegates the responsibility for effective Department-wide procurement policies and procedures, including procurement integrity, to the Chief Procurement Officer (CPO). The Office of the CPO (OCPO) is responsible for oversight of most DHS acquisition activities and services, including management, administration, and strategic sourcing. OCPO responsibilities also include developing and publishing Department-wide acquisition regulations, directives, policies, and procedures.

The USM also delegates the responsibility for developing and implementing the governance processes and procedures for program management over DHS' various acquisition programs to the Acquisition Program Management Division (APMD), now called the Program Accountability and Risk Management Office. Separation of the OCPO procurement management responsibilities for acquiring goods and services and APMD's program management of the acquisition process provides a layered approach to DHS' acquisition oversight.

STEPS TAKEN BY DHS TO IMPROVE ITS ACQUISITIONS MANAGEMENT

In 2003, the Government Accountability Office (GAO) designated implementing and transforming the Department of Homeland Security as high-risk.[1] GAO stated that the Department's efforts to integrate 22 independent agencies into a single department was an "enormous undertaking," partly because many of the major components faced at least one management problem, including financial management vulnerabilities. In a 2011 update, GAO noted that acquisition management weaknesses have prevented major programs from meeting capability, benefit, cost, and schedule expectations.[2] To address management challenges, GAO recommended "validating key acquisition documents during the acquisition review process."[3]

In September 2005, we published a report identifying significant weaknesses that threatened the integrity of the Department's procurement and program management operations.[4] We made five recommendations to address the vulnerabilities in the Department's acquisition operations. DHS concurred with all five recommendations and agreed to move ahead with expanded procurement ethics training, enhancement of oversight, and establishment of a Departmental program management office to address procurement staff shortages and staff authority. Since our 2005 report, DHS has implemented management directives and organizational changes, and developed acquisition training programs intended to identify inefficiencies in the acquisition process and prevent procurement ethics violations.

In November 2008—recognizing the continued increase in the quantity and complexity of DHS acquisitions—the Chief Acquisition Officer classified acquisitions into three levels to define the extent and scope of required project and program management and the specific official who serves as the Acquisition Decision Authority. For level 1 acquisitions (greater than or equal to $1 billion), the Acquisition Decision Authority is at the Deputy Secretary level. For level 2 acquisitions, ($300 million or more, but less than $1 billion), it is the Chief Acquisition Officer. For level 3 acquisitions (less than $300 million), the Acquisition Decision Authority is at the Component Head level. Acquisition Management Directive 102–01, Revision No. 1 (Di-

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[1] GAO–03–119, *High-Risk Series: An Update* (Jan. 2003). GAO maintains a program to identify Government operations that are high-risk due to greater vulnerabilities to fraud, waste, abuse, and mismanagement or the need for transformation to address economy, efficiency, or effectiveness. Since 1990, GAO has designated over 50 areas as high-risk and subsequently removed over one-third of the areas due to progress made.

[2] GAO–11–278, *High-Risk Series: An Update* (Feb. 2011), p. 93.

[3] Id., 33–34.

[4] OIG–05–53, *Department of Homeland Security's Procurement and Program Management Operations* (Sept. 2005).

rective 102–01), also identifies specific alternate Acquisition Decision Authorities for each level.

While the Department has taken these and other significant steps to improve its acquisition oversight processes and controls, our report *OIG–11–71, DHS Oversight of Component Acquisition Programs* (April 2011) identified additional areas for improvement, including improved guidance to components regarding their use of the next Generation Periodic Reporting System (nPRS), an integrated system that provides visibility to the Department to track components' level 1, 2, and 3 acquisition investments.

ADDITIONAL GUIDANCE NEEDED FOR USE OF NPRS

In *DHS Oversight of Component Acquisition Programs,* we recognized that the Department has made improvements to its acquisition oversight processes and controls through implementation of a revised acquisition management directive. However, the Department needs to provide additional detailed guidance and improve controls in some areas. One of the areas we identified for improvement is the use of nPRS, an integrated system that provides visibility to the Department to track components' level 1, 2, and 3 acquisition investments. It can also store working and approved key acquisition documents, earned value management information, and risk identification. Component personnel are responsible for entering and updating information regarding their acquisition programs in nPRS. This information includes, but is not limited to, cost, budget, performance, and schedule data.

Since nPRS became operational in 2008, the Department has issued conflicting guidance and enforcement for reporting level 1, 2, and 3 acquisition programs. According to APMD personnel, level 1 and 2 acquisition programs are the only programs that require nPRS reporting, while reporting level 3 acquisition programs is optional. Despite APMD personnel's explanation of the nPRS reporting requirements, in November 2008 they required level 1, 2, and 3 acquisitions to follow the DHS periodic reporting process identified in the nPRS manual. Then in May 2009, the USM issued a memorandum requiring major acquisition programs, level 1 and 2, to transition to nPRS by the end of the month. In July 2009, the Office of the Chief Information Officer issued guidance that required components to report all programs to nPRS. In September 2009, the Director of APMD issued a memorandum designating nPRS as the Department's system of record for acquisition management data and official reporting system for all level 1, 2, and 3 acquisition programs. In January 2010, the APMD issued the final Directive 102–01, which required all level 1, 2, and 3 acquisition programs to comply with the DHS periodic reporting process. This conflicting verbal and written guidance confused component personnel, who were not sure whether to report all acquisition programs or only level 1 and 2 programs.

In May 2010, the USM issued a list of major acquisition programs that identified 86 level 1 and 2 acquisition programs and elevated some level 3 acquisition programs for Departmental oversight. According to APMD personnel, the Department and components jointly create the major acquisition program and project list. The APMD obtains information from nPRS and requests updated information from the components regarding their current number of acquisition programs. Once APMD personnel receive the information, they create the final list and the USM signs and issues the new list.

As of July 2010, we identified six acquisition programs listed on the USM letter, but components did not report them in nPRS. We also identified five level 1 and 2 acquisition programs reported in nPRS but not on the USM letter. When we questioned Department personnel about the differences between the USM letter and nPRS, they stated that the differences were due to timing issues. However, we were not able to reconcile the differences to verify that they were timing related. Table 1 compares the list of acquisition programs in the May 2010 USM memo with the nPRS database as of July 2010.

TABLE 1.—ACQUISITION PROGRAM REPORTING SYSTEM INCONSISTENCIES

USM Memo—May 2010	nPRS Database—July 2010
Consolidated Mail System Program	No Entry.
Electronic Records Management System	No Entry.
St. Elizabeth's	No Entry.
National Security System Program	No Entry.
Online Tracking Information System	No Entry.

TABLE 1.—ACQUISITION PROGRAM REPORTING SYSTEM
INCONSISTENCIES—Continued

USM Memo—May 2010	nPRS Database—July 2010
Federal Protective Services	No Entry.
No Entry	Critical Infrastructure Technology and Analysis.
No Entry	CBP—Infrastructure.
No Entry	FEMA—Infrastructure.
No Entry	ICE—Infrastructure.
No Entry	USSS—Infrastructure.

To identify the number of acquisition programs in the Department, we requested a list of all programs from nPRS, but the Department could provide only level 1 and 2 acquisition programs. In March 2010, we requested that the components provide us with a list of all level 1, 2, and 3 acquisition programs so we could gain a complete inventory of acquisition programs throughout the Department. Table 2 shows some inconsistencies between the Department's totals and the components' totals.

TABLE 2.—ACQUISITION PROGRAM INCONSISTENCIES

Department	Level 1	Level 2	Level 3	Total
USM Letter—Apr 23, 2009	42	25	0	67
nPRS datapull March 2010	43	20	0	63
USM Letter—May 26, 2010	46	40	0	86
nPRS datapull June 2010	49	33	0	82
nPRS datapull July 2010	50	32	70	152
COMPONENTS	48	22	152	222

We obtained the Department's totals at five different times. Though we understand that there may be differences in timing due to the intervals, the Department needs to make sure that components are consistently reporting all acquisition programs into the standard system. In July 2010, we obtained our last data from nPRS that showed progress regarding the number of level 3 acquisition programs components entered in the system. However, at the time of the publication of our report, nPRS still did not reflect half of the total number of level 3 programs components reported outside nPRS.

USE OF NPRS BY COMPONENTS

Because the Department has not ensured or mandated that components use nPRS, some components have developed systems comparable to nPRS. According to APMD personnel, nPRS allows components to create a copy of nPRS software and integrate it to meet their needs. The copy, which is called the nPRS Sandbox, allows the components to duplicate the nPRS software and to use the already developed nPRS as their oversight tool for draft documents and approval of documentation and earned value management, as well as cost and schedule status. The component's Sandbox copy of nPRS is not visible by DHS headquarters or other components because nPRS restricts access to authorized users. As of July 2010, Transportation Security Administration (TSA), the Federal Emergency Management Agency (FEMA), and the DHS Chief Financial Office had requested use of the nPRS Sandbox feature.

Component personnel have developed, or are in the process of developing, their own data-tracking systems because the Department has not consistently mandated use of nPRS or its tools. For example:

- TSA hired and spent approximately $100,000 for a contractor in 2005 to develop the TSA Acquisition Program Status Report, which served as its data-tracking system. As of June 2010, TSA had merged its acquisition program portfolio, levels 1, 2, and 3, into nPRS and will no longer use the TSA Acquisition Program Status Report. As of August 2010, nPRS is TSA's official tracking system for acquisition programs.
- FEMA, Customs and Border Protection (CBP), Immigration and Customs Enforcement, and U.S. Secret Service use internally-developed systems based on software programs such as Microsoft SharePoint.
- CBP personnel were in the process of developing an additional database to track acquisitions throughout the Acquisition Lifecycle Framework. We were

not able to determine the cost of this tracking database. According to CBP personnel, the database development was a verbal agreement between CBP personnel and the contractor. The statement of work under which the contractor was performing other work for CBP did not contain any mention of the verbal agreement.

In summary, the Department does not always know what is in its acquisition portfolio because of the conflicting written and verbal guidance provided to the components. The USM has not ensured that components report all level 1, 2, and 3 acquisition programs in nPRS, which hinders its ability to have complete visibility into component acquisition programs. By mandating use of nPRS for all acquisition programs, the USM would have visibility into components' acquisition programs and could provide better oversight for its acquisition portfolio.

We recommended that the Department direct components to report all acquisition programs (levels 1, 2, and 3) to nPRS. The Chief Procurement Officer agreed with our recommendation and stated that by April 30, 2011 it would issue guidance to components to require inclusion of all level 1, 2, and 3 acquisition programs within the nPRS tracking tool. We are continuing to monitor this recommendation and it remains resolved and open. On February 16, 2012, we received the Department's latest update. In that update the Department stated that it was encouraging its components to ensure that all acquisitions program information is reported accurately monthly. While we are encouraged by the Department's actions, this effort does not meet the full intent of our recommendation.

Chairman McCaul, this concludes my prepared remarks. I would be happy to answer any questions that you or the Members may have. Thank you.

Mr. MCCAUL. Thank you, Mr. Edwards.

I understand we will be voting probably in 15 to 20 minutes. We are going to keep the 5-minute rule very tightly. The 9/11 Commission basically said that 9/11 was a result of a failure of imagination. We can imagine many threats out there. When we have failed programs and we see taxpayer dollars wasted, that is not only a management issue; it is an issue that puts the American people more at risk. It is an issue that prohibits the Department from doing its core mission, and that is protecting the homeland.

It is not hard to imagine a nuclear threat. When we look at the situation in Iran with Israel and Iran getting closer to having a nuclear capability, when we see Iran's relationship with Venezuela and Cuba, Hezbollah in the Western Hemisphere, Hezbollah in Mexico, Hezbollah in the United States, and yet we had a program, a nuclear detection program, the ASP, that totally failed; $230 million of taxpayer dollars wasted. We had a program, SBInet, a border security program; $1 billion, nearly $1 billion, wasted. In the private sector, if that occurred, people would be held accountable. In the private sector, a business would be accountable to their shareholders. They would be accountable to the Federal regulators. They would be accountable to the Justice Department. Yet here are just two examples of tremendous failures that in my judgment put the American people more at risk to a nuclear attack across our Southwest Border and yet no one was held accountable. There was no accountability.

It is not just about management; it is about American lives at stake. So that is how I see this issue. It is an issue of integration. You have 22 different departments merged into one giant agency.

Mr. Borras, I know you have a great challenge on your hands, and you inherited a lot of this, and it is very difficult to merge 22 agencies. But when they are stovepiped by acquisition and procurement and they are not integrated, we see these failures. Again, radiation detection ASP, $230 million of taxpayer money; SBInet $1 billion. Again, it is not some glazed-over management issue. This

puts American lives at stake to a nuclear threat that exists, that is real. Not only the nuclear threat but the border, which coming from the State of Texas, I view as a tremendous threat to our security. So, with that, Mr. Borras, if you would explain to me what happened with the ASP program; what happened, and was anybody held accountable within the Department?

Mr. BORRAS. Mr. Chairman, certainly both the SBI program and the ASP, as well as other programs, were highly informative certainly to me when I came in. SBInet was initiated in 2006; ASP shortly thereafter. As we now know, the Secretary called a halt to the SBI program to take a look at the factors that went into the cost overruns and the lack of good requirements. Similarly, with ASP, in April 2011, we had an acquisition review board meeting where we reviewed the progress and the lack of success with ASP, and we directed that that program be ended, the contract not be extended.

What I am saying to you, Mr. Chairman, is that those programs in the past suffered from the lack of oversight. There was no mechanism to review, back in 2006–2007, departmental programs. What we have put in place, which I have described and my colleagues have acknowledged exist, is now we have a robust acquisition review process. We are using information-gathering tools like the DST to be able to now monitor much more closely the project process and the progress of a program. But it is not just catching programs when they fail. Because we have to manage these investments, it is very important that we maintain the sustainability of a program, so we have to increase its probability of success while reducing its risk.

So now we have a mechanism, and we have documented over the last 2 years over 70 instances where we have called programs before the Department, where they are subject to a comprehensive review, and as a result of these reviews they have been giving adjustments, modifications, in some programs like ASP, they have been told to cease. They have been told to perform other functions to modify their process to improve the success of those programs. So, Mr. Chairman, I will say to you that we are far from perfect, but we are much better stewards of the investment dollars today than we were back in 2006–2007.

Mr. MCCAUL. Well, I certainly hope so. Was anybody held accountable for these failures?

Mr. BORRAS. Both of those programs were initiated certainly before my time at the Department, so I am not aware or cognizant of any action that was taken prior to my arrival in 2010.

Mr. MCCAUL. I just think too often—you know, I was in the Justice Department for a decade, but I think too often, the Federal Government, when failures like this are made, nobody is held accountable. You know, if this was in the private sector again, a private company, corporation, heads would have rolled over this thing, and yet I don't see any accountability here. I mean, I applaud your efforts to transform the agency. You have a great task in front of you. But it is this accountability issue that seems to be lacking in my judgment.

Finally, and I have to move on very quickly, but Mr. Maurer or Mr. Edwards, do you have any thoughts on this issue in terms of

what needs to be done to prevent these failures from occurring again?

Mr. MAURER. I think the first thing the Department needs to do is execute the plans that it has already put in place. That traditionally has been a challenge DHS has faced from the time it was stood up. They have had plans to address IT and human capital and acquisition from the time it was created in 2003. They haven't always executed on those plans. So I think that is sort of the first thing going forward.

I think the second thing going forward is accountability. As you correctly point out, Mr. Chairman, it is important to have accountability and oversight of these on-going efforts, and we have been working very closely with DHS in this regard and will continue to do so.

Mr. McCAUL. Just very briefly, Mr. Edwards.

Mr. EDWARDS. The Department has matured the initiative focusing on keeping the public safe. Most of the resources were dedicated to that. Now they are focusing on improving management control standardizing policies, procedures, and developing systems to integrate. I think this is a huge monumental task, and the Department is making progress and moving in the right direction.

Mr. McCAUL. Let me just close by saying I think the Department of Defense had a lot of growing pains. The Goldwater-Nichols plan, I think, you should be looking at. Finally, I come from Austin, where there is a lot of technology. I really think technology can be your best friend in terms of integration. I do applaud your efforts to bring in the cloud, where you have the 22 different agencies integrated through technology. But with use of the cloud, I think that could really move the Department forward into the right direction. With that, I now recognize the Ranking Member.

Mr. KEATING. Thank you, Mr. Chairman.

We are running out of time, so I will go to what my prepared questions are.

Mr. Edwards, when you laid out the success of the qualified audit and you laid out what there should be done, does your review also look forward in terms of what resources are there, what the cost of those resources, what the Department doesn't have at its disposal to do it and what the cost figures were to do it, instead of just here is the Department's responsibilities, this is where they have to go? Do you also say that they don't have the resources available to do this and what the cost of that would be for the Department to do that?

Mr. EDWARDS. No, sir, we have not done that. We have just looked at because the—you know, the number of 22 agencies coming together with legacy systems.

Mr. KEATING. Okay. I just wanted to qualify this. It is great to say, here is what the Department should do. What I think we need as well is a better understanding of, where are they going to get the resources to get this done? I will turn that to Mr. Maurer, the same thing. When you are reviewing this, I know that you can turn it back and say, well, that is your job, Congressman, to give the resources. That being said, we could use a roadmap here in Congress because these are issues of security and the safety of the public.

So, Mr. Maurer, do you think that is a better approach to not only say what is not done, but to say the resources that are necessary to do it include these kind of resources? Because doing—we are all doing less—we all are trying to do more with less resources, but these are issues of National security and, in the long run, could be cost-effective if we could do a better job of providing those management resources.

Mr. MAURER. Absolutely. We certainly agree that investing in management resources is key to the Department's overall success in achieving its key missions. One of the things that we are looking at when we assess the various Department plans for addressing our high risk is their own assessment of the resources that they say they need to carry out what they plan to do. We have had some questions along those lines about whether or not they have the ability to put the resources to bear to actually execute on these plans.

Mr. KEATING. That will lead in, and I am just going to do a three-part one question because of the time. So, Mr. Borras, getting right to you, going down the line here, I think the starting point we all acknowledge for homeland security was a very difficult one. One quick question and then just react to the question I ask about resources that are necessary. I am curious, what you control for all of DHS, how much of that is under your direct budget, how much isn't?

Mr. BORRAS. Well, Congressman, the way the budget is organized the Under Secretary has authority for the good stewardship of the entire budget spent through the financial, including the way that we are organized the components have authority in the way that Congress has set up the funding for those organizations. They aren't under the control of the component heads. But as it relates to the resources, and we have put together plans that show the resource requirements needed to implement many of these initiatives, I will tell you, I have tried to be very frugal, very mindful of the financial state that we currently exist in. I have not asked for any significant increases in our budget. We are attempting to use, as the Chairman mentioned, leverage technology, our existing resources. It is often a challenge because oftentimes, we are pitted against each other; do we invest in the management backbone of the Department, or do we invest in the operations of the Department? Clearly the Secretary has made it clear she is not going to sacrifice the operations of the Department. So we are trying to do the best we can with the resources we have available and leveraging technology.

Mr. KEATING. With the focus of today's hearing and coming years ago from my MBA perspective on things, I honestly think that we should really look carefully. One of the outcomes of this hearing should be, are we investing enough in management resources, so you are not in this situation, well, here is operations, here is management; we don't have enough to do both. Well, if you don't have good tools to manage then that operational budget is not going to be used as efficiently as possible. So my thinking is, too, that all too often, we just keep looking at what we have to do to get by, and that is important in tough times. But we are losing the opportunity to save money and be more efficient in the long run and to

do a better job and to meet these requirements that Mr. Edwards talked about, Mr. Maurer talked about, and getting the job done. Sometimes not investing up front is going to cost you more down the road, and that that not only is a cost in dollars; it is a cost in safety. That is what I would like to see more of a focus upon.

Mr. MCCAUL. I thank the Ranking Member.

The Chairman now recognizes the gentleman from Pennsylvania, Mr. Marino.

Mr. MARINO. Thank you, Chairman.

Gentlemen, thank you for being here. I do not have any questions, but I do have a brief statement to make. First of all, I want to thank you for stepping up to the plate and assuming these roles and your staff as well. It is an awesome responsibility. You have thousands and thousands of people just in the agency alone for whom you are responsible and of course responsible to the citizens of the United States.

No one forced you to take these positions. What I am tired of hearing since I have been here the last year and 2 months is, I inherited a mess, okay. None of you have said that, and I applaud you for not saying that. But again, you assumed the responsibility. Now the ball is in your court. You have to make this agency the best security agency in the world and the most efficient.

You have an awesome responsibility. But we are going to be watching. We are going to assist you wherever we are able to do it, keeping in mind that we have a finite amount of dollars and an infinite amount of problems. So I leave you with good luck. If my office or any of us can be of any assistance to you, please don't hesitate to contact us.

But the next time we are talking, it is your responsibility now to get this agency where it should be. Thank you.

I yield back my time.

Mr. MCCAUL. I thank the gentleman for your comments.

I wholeheartedly agree with what you just said. I think too often, we get into gotcha politics in the Congress. Our sincere effort is to—this is too important to the American people, the mission.

So we are here really to help you. Mr. Marino served as United States attorney for many years, and I was in the Justice Department for many years. The Ranking Member was a district attorney. We certainly understand, coming from the Government's perspective, where you are, and so we do want to help you.

Mr. MARINO. Can I just——

Mr. MCCAUL. I yield to Mr. Marino.

Mr. MARINO [continuing]. Qualify it with one thing. No one forced me to run for Congress either, and I took on this responsibility. It is mine now; it is ours. So we are sort of in the same boat. We have a mission to do together.

I yield back. Thank you for yielding.

Mr. MCCAUL. Well, thanks for your comments.

The Chairman now recognizes the gentleman from Illinois, Mr. Davis.

Mr. DAVIS. Thank you.

Thank you very much, Mr. Chairman.

I would certainly echo the last comments made by yourself and the gentleman from Pennsylvania, but I also note that the failures

that you discussed earlier actually did occur during the prior administration, and notwithstanding that, it is difficult to not start where you start and to not deal with what you have inherited because you have got to deal with that.

So let me ask you Under Secretary, in his written testimony to this committee on September 8, 2011, Gene Dodaro, the Comptroller, noted that the Department, and I am quoting now, "has not yet developed an integrated financial management system, impacting its ability to have ready access to reliable information for informed decision making".

Is it your view that the Department's new approach to its financial management system will be able to promote informed decision making, despite its component-by-component approach?

Mr. BORRAS. Congressman Davis, thank you, again, for your comment and question. The Department has embarked on a series of attempts to modernize the financial systems in the Department; eMerge2 and TASC were two of the very visible ones. Both of those had as a goal to comprehensively overhaul the entire financial management apparatus of the Department and put the Department on a single financial platform. That is a very expensive, a very complicated, very resource-intensive undertaking. The approach we have taken now is much more what I would call modular, much more agile, and much more mindful of the resources that we have available.

Also, we have to recognize that in the Department, the components of the Customs and Border Protection, the Secret Service, and FLETC currently operate certified good-standing financial systems. There is no reason in my judgment to spend taxpayer money to modernize three major systems that are already producing good financial outcomes.

So our approach has been to identify those components that have the greatest need in terms of either modernizing the system or upgrading the current system. That is a much more responsible financial approach. It will take us a little bit longer, but there is no need to invest in an entire comprehensive one financial system. So we will fix those that are in need, and we will tie those systems together, which using technology is a much more cost-effective way to do it, rather than build a very big cumbersome system.

Mr. DAVIS. Thank you very much.

Will each of you quickly respond to the Under Secretary's comments?

Mr. MAURER. Absolutely. We certainly had a series of reports over the years talking about the Department's past failed efforts to modernize the financial systems. I would certainly agree with the Under Secretary's comments that it is a difficult, expensive, and complex undertaking.

Having said that, from our perspective, what we are looking for are the actual outcomes of whatever strategy DHS decides to take in modernizing its systems. We certainly understand it has taken a different approach, and we will be watching that carefully. What we are looking for are actual results and the ability to provide actionable financial information to help tie the Department together and allow senior leadership to make better-informed decisions.

Mr. DAVIS. Mr. Edwards.

Mr. EDWARDS. Thank you, Congressman.

I agree with the Under Secretary, they are making lots of progress. But the Department needs to standardize policies and procedures and definitions across the Department. It was such a huge manual lift to get the opinion last year. So as long as the Department can do this, and we are going to be doing a review later this month meeting with them on their process going forward.

Mr. DAVIS. Thank you very much.

Thank you, Mr. Chairman. I yield back.

Mr. McCAUL. I thank the gentleman.

I want to just follow up with a comment about what the Under Secretary said, and that is leveraging existing technologies. I talk about that a lot. For instance, you know, the Department of Defense has great technologies we have used in Afghanistan and Iraq in terms of sensor surveillance that we can use on the Southwest Border for instance. But that can apply to so many different other areas as well. It doesn't make any sense to have to start from scratch and build it from within the Department when you can actually leverage existing, whether it is within the Federal Government or whether it is in the private sector. The private sector has a lot of great technology out there that we can leverage. I think in the end, it is more cost-effective as well.

I appreciate your comments about being frugal because I think this is a time where we really have to tighten our belts. We don't like it. I prefer to put more money into the Department, but we are under very serious budgetary constraints.

So, with that, I want to thank the witnesses for your testimony. The hearing record will be open for 10 days. If Members have additional questions, they may send you those, and you can respond in writing.

So, with that, this hearing is adjourned.

[Whereupon, at 10:35 a.m., the subcommittee was adjourned.]

APPENDIX

Question 1. Recently the Office of Program Accountability and Risk Management (PARM) was created to implement four new core initiatives: Streamline program execution and governance processes, establish a "Centers of Excellence" to share best practices, increase visibility of the health of acquisition programs, and advance the development of the acquisition workforce. What is the status of those four initiatives and how will they further your efforts to be removed from GAO's high-risk list?

Answer. As the executive office for program execution, PARM is responsible for the principle DHS policy for acquisition management, Acquisition Management Directive (MD) 102–01. PARM is working with Component Acquisition Executives (CAEs), program managers, and other stakeholders within DHS to change the construct of MD 102–01 provide a functionally structured policy with the flexibility, through an innovative structure, that enables DHS to streamline and improve the policy based on stakeholder feedback without needing to re-open the Department's policy change process for the entire Directive. The new process will also facilitate development of new guidebooks, addressing areas such as: Portfolio governance, cost/schedule monitoring, service contracts, and Quarterly Program Accountability Reports (QPARs).

To advance Centers of Excellence (COE) for Acquisition and Program Management, PARM supported the formation of eight COEs, which have begun providing program offices best practices, guidance, and expertise in their respective disciplines. The COEs are: Cost Estimating & Analysis COE and Program Management COE (sponsored by PARM); Accessibility Compliance COE, Enterprise Architecture COE, and Requirements Engineering COE (sponsored by the Office of Chief Information Officer); Privacy COE (sponsored by the Privacy Office); and Systems Engineering COE and Test & Evaluation COE (sponsored by Science & Technology Directorate). The core team for each COE contains a dedicated Federal FTE along with voluntary subject matter expert participation from the components and DHS lines of business. PARM established a COE Council to provide strategic direction to the COEs, and a COE Coordinating Office to provide planning and communications services to the COEs. The Executive Director of PARM chairs the COE Council. The COE initiative supports the effort to remove DHS from the GAO high-risk list by building program management capabilities, sharing best practices across components, and proactively identifying and addressing program gaps before they become major problems.

DHS is driving a program management paradigm shift to emphasize the criticality of quality performance data in the decision-making process, not only during Acquisition Review Boards (ARBs), but between formal reviews as well.

In addition, PARM launched the Decision Support Tool (DST) in October 2011, which provides DHS leadership a central dashboard for assessing and tracking the health of major projects, programs, and portfolios. DHS uses the DST capability to inform ARBs with standardized information. Additionally, PARM formed an independent analytic group to translate DST data and build the knowledge needed for effective decision making. Moreover, PARM has also produced the Quarterly Program Accountability Report (QPAR), which is used to perform a high-level, "vital signs" analysis of each major departmental program (on a quarterly basis) based on 15 criteria. Like the CASR, the QPAR leverages data from DHS source systems, thus minimizing time-consuming data calls.

PARM is advancing the professional development of the workforce by building the Program Management (PM) Corps. PARM collaborates with Acquisition Workforce/ Office of Chief Procurement Officer (OCPO), Lines of Business Chiefs (CXOs), Component Acquisition Executives (CAEs), Program Management Offices (PMOs), and the Centers of Excellence (COEs) for Acquisition and Program Management. To date this has been accomplished, through the development of acquisition courses for dif-

ferent PM Corp career paths (Program Manager, Cost Estimator), certifications and analysis of workforce gaps. PARM's focus is to ensure that adequate numbers of experienced, trained, and certified professionals are positioned where they are needed most, and to raise standards of professionalism and performance.

The Under Secretary for Management's Program Management & Execution Playbook* outlines the core initiatives described above. The Playbook establishes a vision for program governance and management that emphasizes critical thinking, problem solving, and program accountability at all levels.

Question 2. You recently released an Acquisition Management Playbook to place greater emphasis on critical thinking and accountability for results, rather than merely procedural compliance. Do you as Under Secretary for Management and Chief Acquisition Officer have the proper authorities to effectively conduct oversight and manage all component acquisition programs?

Answer. Yes, the USM and CAO positions currently possess sufficient authority to oversee all investments, including acquisition programs, throughout their life cycles. I presently delegate authority to Component Acquisition Executives (CAEs), the senior-most acquisition officials within the components. Acquisition Management Directive (MD) 102–01, as well as the Acquisition Playbook, provides the necessary policy and procedural guidance to inform the acquisition workforce. Those documents provide the necessary standards to conduct proper oversight of programs.

Question 3. In order to be successful integrating management systems across the Department, there needs to be standardization of definitions and procedures. For example, different components have different definitions on what is a "cost estimate" for an acquisition program. Without standardization any integrated data would be inaccurate and useless. What actions have you taken to address these concerns?

Answer. I recently directed by LOB Chiefs to form a Business Intelligence/Dashboard Executive Steering Committee (ESC) to address business intelligence issues, including the standardization of definitions and procedures. The group's charter identifies data standardization and a common lexicon as a top priority. The ESC includes cross-functional representation from across the Department and will focus first on the Department's acquisition and program management data terms. This work will be integrated with DHS training, educational activities, and communications.

All the Acquisition and Program Management Centers of Excellence will serve as a forum for engaging the acquisition and program workforce in building a common language and discipline for managing the Department's major investment programs. An example is the Cost Estimating and Analysis Center of Excellence (CE&A COE), which is charged with building the Department's acquisition and program management capabilities related to cost estimating and analysis. The CE&A COE developed and published a standard and guidance on cost estimating for acquisition programs.

Question 4. Many acquisition programs fail as a result of not having solid and well-defined program requirements.

How will your new initiatives improve the quality of program requirements at the front end and ensure that DHS doesn't set up acquisition programs for failure?

Answer. The Department has instituted several changes to improve the quality of how program requirements are developed early in a program's life cycle. The principle changes involve the creation of eight Centers of Excellence (COE) to assist the major acquisition disciplines to in all phases of the life cycle. These COE provide the program managers with proven practices, tools, standards, and expert support to mature requirements definition and program management.

The Requirements Engineering COE, Systems Engineering COE, and Enterprise Architecture COE engage with program managers early in the life cycle to establish well-defined requirements, traceability, and configuration management processes for the programs. The Test and Evaluation COE provides expert support directly to the programs so that Key Performance Parameters are stabilized early in the life cycle. This ensures testability and improved the probability that future developmental and operational test are successful.

The Cost Estimating & Analysis COE is working to build an organic capability within program offices to develop Life Cycle Cost Estimates (LCCE). The CE&A COE is utilizing the GAO publication on cost estimating to validate program LCCE.

The Program Management COE manages the end-to-end acquisition processes and provides coaching and mentoring to programs and components. These include integrated scheduling, organizational structures, and contracting approaches.

The Privacy COE and Accessibility COE are integrated into the Systems Engineering processes to establish those requirements with programs. The technical re-

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*The document has been retained in committee files.

views described in each Systems Engineering Lifecycle Tailoring Plan ensure that programs are achieving the requirements associated with these important areas.

Fostering solid business relationships with industry is also an essential part of improving the quality of program requirements at the front end. At the DHS Industry Day held in January 2012, I emphasized the importance of forging the right kind of relationships with industry so that we get maximum benefit from the investments funded by taxpayers. All PMs will be required to conduct comprehensive market research early in the process and document their findings so future contract reviews can verify that this important step has been completed. The Senior Procurement Executive is spearheading a process to encourage early and frequent engagement with industry and sites visits. We have created Component Industry Liaison positions to respond to industry questions and facilitate more meaningful reaction between DHS and industry, and I have directed senior managers to improve the quality of feedback in debriefings, and to enter information into the Contractor Performance Assessment Reporting System (CPARS).

The Department's effort to place greater emphasis on the "front-end" strategic phase of the acquisition process will ultimately result in a more informed and accurate procurement forecast.

Question 5. One of your initiatives to better manage acquisitions is the establishment of the Investment Review Board. How is it different that the old Acquisition Review Board?

Answer. Plans are underway to expand the functions of the Acquisition Review Board (ARB) to include emphasis about non-acquisition "investments." When fully deployed toward the end of fiscal year 2012, the Investment Review Board (IRB) will focus more on investments that may include private-sector type information beyond what is traditionally associated with Government contracts. Examples might include grants, interagency agreements, leases, and human capital, which collectively represent approximately 60% of the Department's total budget. The enhanced IRB is intended to provide a more holistic view of DHS investments and resources by reviewing the entire landscape of both acquisition programs and non-acquisition investments. IRB members will also view the efficiency and effectiveness of investments and determine whether redundant or poor performing programs should be cancelled or combined with other programs to improve the Department's return on investment.

The composition of the governance boards (e.g., IRBs) consists of: The Under Secretary for Management, Under Secretary for Science and Technology, Assistant Secretary for Policy, General Counsel, Chief Financial Officer, Chief Procurement Officer, Chief Information Officer, Chief Human Capital Officer, Chief Administrative Officer, and Chief Security Officer, as well as senior component officials.

Question 6. GAO has reported that the various versions of the *Integrated Strategy for High-Risk Management* do not consistently identify the specific resources the Department needs to implement planned corrective actions, making it difficult to assess the extent to which DHS has the capacity to implement these actions.

What challenges is DHS facing in identifying the specific resources needed to implement its planned corrective actions? More specifically, what are the resources needed? How is the current budget environment affecting these needs?

Answer. As of February 2012, each LOB Chief has solidified their resource plans within each Corrective Action Plan (CAP) and identified a CAP lead to spearhead each initiative. Where practical, the goal of each Line of Business (LOB) Chief is to furnish dedicated resources, either through internal DHS employees or contractor support. As programs mature, LOBs are able to integrate their teams with resources from other organizations.

Question 7. What are DHS's challenges with integrating its financial information and systems, what are the plans for overcoming these challenges, and what are the time frames for achieving reliable, useful, and timely financial information for Department-wide decision making on a day-to-day basis?

Answer. One of the most significant challenges faced by DHS is multiple, disparate financial management systems. Many of the existing systems are outdated, expensive to maintain and present significant obstacles to the Department's ability to provide timely, accurate enterprise-level information. Recognizing this challenge, DHS has unsuccessfully pursued implementation of a seamlessly integrated Department-wide financial management system. After several attempts to acquire a centralized financial information system, the Department has changed course to focus on a decentralized approach to financial system modernization while improving Department-wide business process standardization, implementing a common accounting line, and building enterprise-wide business intelligence capabilities.

These business intelligence capabilities will provide accurate, timely, and reliable financial management reporting across the Department. The approach includes con-

solidating component financial data, using data checks and analytics to improve data quality and better understand trends to improve decision making, and enhancing and automating financial reporting for the Department, Congress, OMB, and other key stakeholders.

Business intelligence tools and data standardization will enable DHS to collect and map data from component systems to report Department-wide information and decrease our reliance on stand-alone data calls and data-entry spreadsheets. DHS plans to begin incrementally building business intelligence capability to report Department-wide financial information consolidated from component core financial systems in fiscal year 2012 and plans to continue to develop, expand, and refine this during fiscal year 2013 and fiscal year 2014.

Question 8. GAO has reported that: (1) Few acquisitions have life-cycle cost estimates, (2) DHS lacks a sufficient financial management system, and (3) DHS senior executives are not confident in using acquisitions' and investments' performance data captured by the Decision Support Tool.

What is the percentage of DHS acquisitions and investments that have a validated and DHS-approved life-cycle cost estimate?

Given that DHS cannot document how much it is spending or how much it actually needs to acquire and maintain its current acquisitions and investments, how does DHS determine that it can afford the acquisitions needed to secure the homeland?

What steps is DHS taking to ensure that the Decision Support Tool accurately captures program performance on a consistent basis?

Answer. I created a Cost Estimating & Analysis Center of Excellence (CE&A COE) to build the Department's cost estimation capabilities and to mature the cost estimates of major DHS acquisitions and investments. The CE&A COE, which is led by the Office of Program Accountability and Risk Management (PARM), is tasked with providing components and major program offices best practices, processes, guidance, tools, operating models, and expert counsel in cost estimating and analysis.

DHS can document how much it is spending. After years of being on the high-risk list maintained by the Government Accountability Office, the Department of Homeland Security received its first qualified opinion on its fiscal year 2011 balance sheet and statement of custodial activities. Obtaining a qualified opinion is a pivotal step in increasing transparency and accountability, as well as accurately accounting for the Department's resources. Moreover, it is a significant milestone that highlights how significantly financial management has improved at DHS. This year's audit results provide clear evidence of continued management improvements at DHS.

In order to make informed investment decisions, DHS directs components to provide life-cycle cost estimates (LCCEs) in support of their acquisition programs. A LCCE attempts to identify all the costs of an acquisition program, from its initiation through disposal of the resulting system at the end of its useful life. LCCEs are used to assess whether the investment is affordable within DHS's long-term funding profile. This affordability is a key consideration during Investment Review Board deliberations at milestones in the investment life cycle, and annually as part of Department resource allocation decision making.

Based on these initiatives, DHS has made progress in getting life cycle cost estimates approved. We are on track, at a minimum, to double the number approved life-cycle cost estimates in fiscal year 2012 over prior years. DHS currently has 13.3% level 1 LCCEs acquisitions approved with an anticipation of that to grow to 20% by the end of fiscal year 2012. We expect to see this incremental progress to continue as the cost estimating community of practice matures within DHS.

The Department is taking a number of steps to ensure that program performance data used in the Decision Support Tool (DST) is complete, accurate, and valid. The DST, which is managed by PARM, pulls data from existing source systems of record, which are populated directly by the program offices.

On February 13, 2012, I signed a memorandum on business intelligence, emphasizing DHS reporting requirements. The memorandum reminds Component Acquisition Executives (CAEs) and major programs offices of their responsibility to report accurate and complete acquisition program information in DHS systems of record. To further encourage accountability, DHS added performance objectives on data management and reporting to CAE performance plans.

In addition, PARM is creating DST reports to identify any programs that are not compliant with the reporting requirements. These reports will document incomplete data fields for each major investment. PARM is also conducting manual data deficiency reviews on major investments, as well as continued outreach to DHS stakeholders (workshops, briefings, and one-on-one communications) to underscore the

importance of reporting compliance. PARM's outreach serves to set expectations that the Department is using reported performance data to inform Acquisition Review Boards (ARB), annual and quarterly Comprehensive Acquisition Status Reports (CASR), Quarterly Program Accountability Reports (QPAR), as well as day-to-day decisions between formal program reviews.

Question 9. DHS plans to establish a new framework (the Integrated Investment Life Cycle Model) for managing investments across its components and management functions. This framework includes creating new department-level councils to identify priorities and capability gaps, make resource decisions, and monitor and assess the implementation of investment decisions.

DHS has had previous department-level resource decision-making bodies, such as the Joint Requirements Council. What were the roadblocks for previous department-level resource decision-making bodies?

What steps is DHS taking to ensure that these new councils are successful in managing a broad portfolio of mission needs, acquisitions, and investments?

What is the status of standing up these new decision-making bodies, specifically the Department Strategy Council, Functional Coordination Offices, and Capabilities and Requirements Council?

Answer. Since its inception in 2001, the Department has continuously worked to improve how it manages its multi-billion dollar investment portfolio. Creating a Joint Requirements Council (JRC) in 2003 was an important achievement to identify cross-cutting opportunities and leverage common requirements. According to GAO, the JRC lacked adequate oversight and accountability. I was mindful of this information when I directed my staff to develop the IILCM, which is designed to consider a broader range of investment factors.

For example, since my arrival to the Department nearly 2 years ago, I committed to strengthen all phases of acquisition management. This includes better cost estimating, deploying business intelligence to inform key strategy decisions and expanding the responsibilities of the ARB to have a more holistic view of DHS resources by reviewing both acquisition programs and non-acquisition investments.

However, before any substantive changes could be made, I concluded that key structural changes to the way decisions are evaluated and concluded had to be one of my first steps. While the JRC was an important forum, it was just one part of the overall landscape. Working with my counterparts in the components, as well as my direct reports (e.g., LOB Chiefs), we developed the IILCM. The IILCM is a conceptual framework to consider the viability of investment decisions, from the time it is first conceptualized through execution.

In general terms, the IILCM has already been initiated, albeit in a phased approach given the need to pilot/test the concepts and account for the challenges of an incrementally funded budget process through the use of continuing resolutions.

The IILCM concept is multi-dimensional, not linear. Each phase requires testing and coordination at both the Department and component levels. Rather than adopting a single, "big bang" approach, each function (e.g., Board/Council) is being "initiated" in phases or segments. Some phases have matured faster than others, especially those functions that fall within the domain of the Management Directorate lines of business.

Figure 1 displays the key tenets of the IILCM and provides a multi-dimensional, inter-related process that ties investments to mission goals. This model integrates the top mission objectives identified by the Secretary with the long-standing Planning, Programming, Budgeting, and Execution process. In addition, it identifies participants and decision makers from key organizations whose involvement is based, in part, on their functional responsibility.
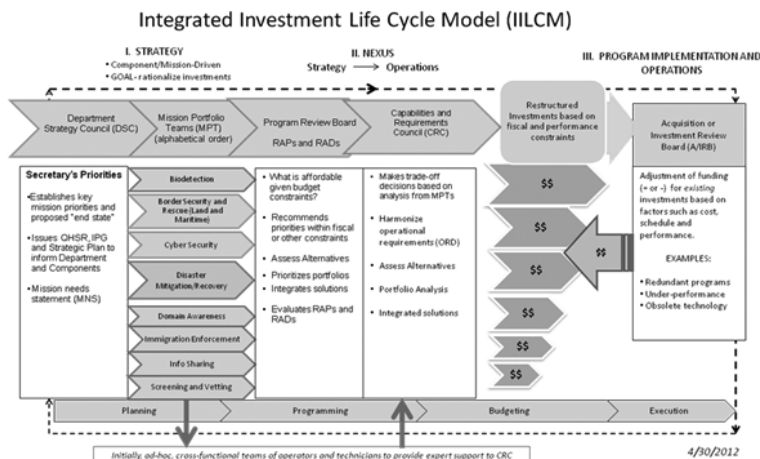
Integrated Investment Life Cycle Model (IILCM)

In general terms, the IILCM has already been initiated, albeit in a phased approach, given the need to pilot/test mission-related concepts and the challenges posed by an incrementally-funded budget process. The IILCM is multi-dimensional, not linear. This means that changes or decisions made by an ARB could, and likely will, have a ripple effect on earlier stages (e.g., DSC, CRC). For example, Program A may be determined at the ARB to be underperforming or possess obsolete technology. As such, the CRC may determine during a trade-off exercise that to improve the quality and viability of investment decisions.

QUESTIONS SUBMITTED BY CHAIRMAN MICHAEL T. MCCAUL FOR DAVID C. MAURER [1]

Question 1. Do you believe the President's fiscal year 2013 budget proposal provides DHS the resources and capacity to make greater progress removing them from the high-risk list?

Answer. The absence of resource information for many of the corrective actions DHS identified in its strategy for addressing our high-risk designation makes it difficult to fully assess the extent to which the Department has the resources and capacity to implement its strategy. Without this information, neither DHS nor we can fully assess the extent to which the Department has the capacity to implement these actions. Specifically, in its December 2011 *Integrated Strategy for High-Risk Management,* DHS did not consistently provide information on what the specific resource needs are or what additional resources may be needed to implement the corrective actions—actions intended to move the Department toward removal from our high-risk list.

Question 2a. For nearly a decade DHS has attempted to modernize and integrate its financial management systems. As of May 2011, DHS canceled the Transformation and Systems Consolidation (TASC) program, its third attempt to integrate financial systems. Now DHS is attempting to move forward with a new Financial Modernization effort.

Do you have any reservations with their new strategy to enhance its integration of financial management systems?

Answer. It is too soon to assess DHS's new, decentralized approach for modernizing its financial management systems because this approach is in its early stages

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[1] [. . .]The responses are based on previously issued GAO products.[. . .]See GAO, *Department of Homeland Security: Continued Progress Made Improving and Integrating Management Areas, but More Work Remains,* GAO–12–365T (Washington, DC: Mar. 1, 2012); GAO, *Information Technology: Department of Defense and Energy Need to Address Potentially Duplicative Investments,* GAO–12–241 (Washington, DC: Feb. 17, 2012); GAO, *Financial Management Systems: DHS Faces Challenges to Successfully Consolidating Its Existing Disparate Systems,* GAO–10–76 (Washington, DC: Dec. 4, 2009); GAO, *Department of Homeland Security: Billions Invested in Major Programs Lack Appropriate Oversight,* GAO–09–29 (Washington, DC: Nov. 18, 2008); and GAO, *Financial Management: Long-standing Financial Systems Weaknesses Present a Formidable Challenge,* GAO–07–914 (Washington, DC: Aug. 3, 2007).

with many pieces still being defined by the Department. However, we have previously reported that agencies that do not have integrated systems, such as DHS, are likely to expend more time, effort, and resources in compiling routine financial information and periodic financial statements.[2] Without any definitive information on DHS's new approach, it is not clear whether the approach will result in systems that generate reliable, useful, timely financial information for day-to-day decision making and agency oversight. Specifically, as of February 2012, DHS had not identified the Federal service provider that will be used by the Federal Emergency Management Agency's financial management system—the first system scheduled for modernization. Additionally, DHS has not yet identified the specific approach or necessary resources and time frames for implementing new systems at U.S. Coast Guard and Immigration and Customs Enforcement—the next two components identified for modernization.

Further, agencies that embark on financial system modernization projects without having a clear road map increase the risk of cost overruns, schedule delays, and other project failures. We have consistently reported that agencies should develop planning documents that describe, at a high level: (1) How all agency financial systems would relate to each other, (2) how information would flow from and through these systems, and (3) which system would be considered the official system of record for master data.[3] Further, planning documents provide a useful tool to explain how financial management systems at the component and department levels would operate cohesively. The planning documents should be geared to an agency-wide solution rather than individual component, stove-piped efforts and establish mechanisms to monitor program cost, schedule, and performance. We will continue to monitor DHS's financial management system modernization efforts.

QUESTIONS SUBMITTED BY RANKING MEMBER WILLIAM R. KEATING FOR DAVID C. MAURER

Question 1a. GAO first designated DHS's implementation and transformation as high-risk in 2003 because of the difficulty of transforming 22 disparate agencies into one department. In addition, many of these individual agencies were facing their own management and mission challenges. But most importantly, the failure to effectively address DHS's management challenges and program risks could have serious consequences for our homeland security as well as our economy. DHS transformation remained on the high-risk list in 2005, 2007, 2009, and 2011 and GAO is preparing to issue its next high-risk update in January 2013.

What actions has the Department taken since GAO's 2011 high-risk update to transform and integrate the Department?

Answer. DHS has taken several actions to implement and transform the Department in each of the management areas—human capital, financial management, information technology, and acquisition management—and management integration as illustrated in the examples below.

- DHS initiated a Senior Executive Service Candidate Development Program in May 2011 to build its senior leadership pipeline within the Department.
- DHS achieved its goal of receiving a qualified audit opinion on its consolidated balance sheet in fiscal year 2011 by moving from a disclaimer of opinion to a qualified audit opinion on its balance sheet and statement of custodial activity for the first time since the Department's creation.[4]
- DHS consolidated six personnel security-related systems into its Department-wide Integrated Security Management System as part of its efforts to streamline and consolidate the Department's human resources investments.[5]
- In October 2011, DHS established the Office of Program Accountability and Risk Management (PARM) to enhance its ability to oversee major acquisition programs—realigning the acquisition management functions previously performed by two divisions within the Office of Chief Procurement Officer and elevating PARM to report directly to the Under Secretary for Management.

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[2] GAO–07–914.

[3] GAO–10–76.

[4] A qualified opinion states that, except for the effects of the matter(s) to which the qualification relates, the audited financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows of the entity in conformity with generally accepted accounting principles. The matter(s) to which the qualification relates could be due to a scope limitation, or the audited financial statements containing a material departure from generally accepted accounting principles, or both. A disclaimer of opinion states that the auditor does not express an opinion on the financial statements (e.g., of scope limitations).

[5] GAO–12–241.

- In the management integration area, DHS has promoted accountability for management integration among Department and component management chiefs by, among other things, having the Department chiefs provide written objectives that explicitly reflect priorities and milestones for that management function as well as aligning the component chiefs' individual performance plans to the Department's goals and objectives.

In addition, DHS has continued to update and strengthen its strategy for addressing our high-risk designation for implementing and transforming the Department. Specifically, DHS provided updates to its *Integrated Strategy for High-Risk Management* in June and December 2011. These updates identify, among other things, the Department's management initiatives and corrective actions for addressing its management challenges. The Department is working on another update to the strategy, which it expects to provide us in June 2012.

Question 1b. What should be the Department's focus going forward?

Answer. DHS needs to focus on executing its *Integrated Strategy for High-Risk Management* and show measurable, sustainable progress in implementing its management initiatives and corrective actions and achieving outcomes.

Question 2a. In February 2012, GAO reported that DHS had developed and started to implement an *Integrated Strategy for High-Risk Management* and corrective action plans for acquisition, information technology, financial, and human capital management functions.

What is GAO's assessment of the plan?

Answer. Overall, we believe that the December 2011 *Integrated Strategy for High-Risk Management* positions DHS to address its management challenges and the implementation and transformation high-risk area. We identified four areas in which the Department could strengthen or clarify the strategy to better enable DHS and GAO to assess the Department's progress: (1) More clearly and consistently report the resources available to implement corrective actions; (2) consistently report on DHS's rationale for adding or removing corrective actions; (3) establish measures and report on progress for all initiatives; and (4) stabilize the methodology for measuring progress. By strengthening these four aspects, we believe the December 2011 strategy, if implemented and sustained, provides a path for DHS to address our high-risk designation.

Question 2b. What actions is DHS taking to implement the Integrated Strategy?

Answer. DHS is taking actions to implement its Integrated Strategy in each of the management areas—human capital, financial management, information technology, acquisition management, and management integration—as illustrated in our response to question 3a.

Question 2c. Is DHS committed to implementing this strategy, including dedicating the resources required to fully implement the corrective actions set forth in the strategy?

Answer. DHS's Secretary and Deputy Secretary and other senior officials have demonstrated commitment and top leadership support to implementing the Department's *Integrated Strategy for High-Risk Management*. However, it is not always clear whether DHS is dedicating the resources required to fully implement the corrective actions set forth in the strategy because the Department has not consistently identified the resources it needs or met its target completion dates.

Question 3. GAO reported that its prior work has identified challenges related to acquisition oversight, cost growth, and schedule delays, including Departmental concerns about the accuracy of cost estimates for some of DHS's major programs.

What progress has DHS made in establishing an oversight body to inform high-level trade-off decisions about its acquisition programs?

Answer. DHS has made some progress overseeing individual acquisition programs, but does not have a high-level, decision-making body for considering trade-offs across its entire portfolio of investments. In 2003, DHS established the Joint Requirements Council (JRC) to identify cross-cutting opportunities and common requirements among DHS components, and help determine how DHS should use its resources. When it met regularly, the JRC played a key role in identifying several examples of overlapping investments, including passenger screening programs. During 2006, the JRC stopped meeting after the chair was assigned to other duties within the Department. In 2008, DHS representatives recognized that strengthening the JRC was a top priority, and we recommended that DHS reinstate it or establish another joint requirements oversight board.[6]

In September 2010 we identified and provided to DHS 31 actions and outcomes that are critical to addressing the challenges within the Department's management areas and in integrating those functions across the Department. Among these ac-

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[6] GAO–09–29.

tions and outcomes, we reiterated the need to create a joint requirements oversight board, and in response, DHS stated that it would establish an executive decision structure—presented as the Integrated Investment Life Cycle Model (IILCM)—to prioritize capabilities and requirements across components by the end of fiscal year 2011. As part of this proposed structure, a "Capabilities and Requirements Council" would consider trade-off decisions across DHS's portfolio of investments. However, in the December 2011 version of the Department's *Integrated Strategy for High-Risk Management,* DHS reported that the IILCM will not begin operations until the end of fiscal year 2012.

DHS has operated an Acquisition Review Board—recently renamed the Investment Review Board—since 2008, and this board has instructed individual programs to identify alternative acquisition approaches, reconsider requirements, and pursue cost-saving efforts. The board has also instructed individual programs to produce summaries of related activities within DHS and the Department of Defense. However, DHS continues to operate without an oversight board, similar to the JRC, responsible for considering trade-offs across its entire portfolio of investments.

QUESTIONS SUBMITTED BY CHAIRMAN MICHAEL T. MCCAUL FOR CHARLES K. EDWARDS

Question 1a. DHS has stated, "The Department has not ensured or mandated that components use all available acquisition tools and best practices guidance to provide transparency and efficiency."

Do components knowingly choose not to use these "best practice" acquisition tools for support? Or, are they not aware that these tools even exist?

Answer. The Department has generally made progress in its acquisition oversight processes and controls through implementation of a revised acquisition management directive. However, the Department did not ensure that components were using all acquisition tools available and that all components had adequate policies and procedures in place to manage acquisition programs. As we reported this past year, the Department had not ensured or mandated that components use all available tools and supporting programs, including the next-generation Periodic Reporting System (nPRS) and the Department's Strategic Sourcing Program Office (SSPO), to provide transparency and efficiency of component acquisition programs. Some components developed systems comparable to nPRS and may have awarded contracts without consideration of the SSPO. As a result, the Department did not have complete visibility of all programs within its acquisition portfolio.

Question 1b. What needs to be done to ensure that these new Centers of Excellence to share tools and best practices will be successful?

Answer. The Department's Acquisition Program Management Division recently reorganized to become the Office of Program Accountability and Risk Management (PARM) on October 1, 2011 under a Centers of Excellence model. The Department has not taken steps to ensure that all components have developed prescribed policies and procedures for oversight of acquisition programs. Directive 102–01 states that components retain the authority to set internal acquisition processes and procedures, as long as they are consistent with the spirit and intent of the directive. However, not all components have created such policies and procedures, and the Department has not taken steps to ensure the adequacy of the processes and procedures that components developed. We recommended that DHS implement a plan of action for Department-wide finalization of acquisition management policies and procedures. The DHS Under Secretary for Management addressed the desire for each component to have a Component Acquisition Executive to lead a process and staff to provide acquisition and procurement oversight, policy, and guidance to ensure that statutory, regulatory, and higher-level policy requirements are fulfilled. This is a good start. However, PARM needs to effectively implement their Centers of Excellence model, and aggressively work with Component Acquisition Executives if they are to ensure their Centers of Excellence model successfully shares tools and best practices.

QUESTIONS SUBMITTED BY RANKING MEMBER WILLIAM R. KEATING FOR CHARLES K. EDWARDS

Question 1. The latest version of the OIG's annual report on major management challenges facing the Department states that it's Department's financial management reporting "has achieved a significant milestone. For fiscal year 2011, the Department was able to produce an auditable balance sheet and statement of custodial activity; and the independent auditors rendered a qualified opinion on those statements."

Please discuss the importance of this achievement by the Department relative to the scope of the financial management challenges it faces?

Answer. DHS' achievement of a qualified opinion on its balance sheet and statement of custodial activity in fiscal year 2011 is important because it shows that DHS is improving controls over the financial administration of its programs and operations.

However, the independent auditor noted that DHS' financial information technology (IT) infrastructure is aging and found financial system functionality limitations at all of the significant DHS components. As a result, some components are forced to use extensive inefficient manual processes and workarounds to process reports and report financial data. In addition, weaknesses in the general control environment are interfering with more extensive use of IT application controls needed to improve efficiencies in operations and reliability of financial information. Until DHS modernizes its aging financial systems and IT controls and systems, functionality limitations will continue to be a major factor contributing to DHS financial management challenges.

Question 2a. Improving the acquisition workforce has been noted as a key acquisition management priority at the Department. Recently, the Department added acquisition workforce development as a management initiative.

What progress has the Department made in building and sustaining a sufficient, capable, and properly trained workforce to support its acquisition portfolio?

Answer. DHS made progress in the recruitment and retention of a workforce capable of managing a complex acquisition program. The number of procurement staff has more than doubled since 2005. In addition, participation in the Acquisition Professional Career Program, which seeks to develop acquisition leaders, increased 62% from 2008 to 2010. Nevertheless, DHS continues to face acquisition workforce challenges across DHS. For example:
- GAO reported that the United States Coast Guard (Coast Guard) reduced its acquisition workforce vacancies from approximately 20 percent to 13 percent. According to its August 2010 human-capital staffing study, program managers reported concerns with staffing adequacy in program management and technical areas. To make up for shortfalls in hiring systems engineers and other acquisition workforce positions for its major programs, the Coast Guard uses support contractors, which constituted 25 percent of its acquisition workforce as of November 2010.
- Acquisition staff turnover in FEMA has exacerbated file maintenance problems and resulted in multimillion-dollar contracts not being managed effectively or consistently. One of FEMA's challenges is hiring experienced contracting officers to work at disasters. The majority of FEMA staff at a disaster site work on an on-call, intermittent basis.

Question 2b. Please explain the current shortfalls of the Department's acquisition workforce and how the Office of Program Accountability and Risk Management is addressing these shortfalls.

Answer. In its March 2010 *Acquisition Human Capital Plan,* DHS defined acquisition workforce as "contracting specialists/officers, program managers, and contracting officer's technical representatives." The Plan says that one of the hardest-to-fill occupational series within the Federal Government is the 1102 contracting series (contract specialist) and focuses on attracting and maintaining 1102s.

The Plan projected that DHS needed to annually increase the number of 1102s by 5% each year to maintain a workforce that keeps pace with projected workload. From a presumed adequate base of 1,326 at the end of fiscal year 2009, DHS estimated that it will need 299 more 1102s by the end of fiscal year 2014. In the March 2011 Plan update, DHS reported that it will continue to expand the acquisition workforce through the acquisition certification programs, acquisition professional career program, and centralized acquisition training program. The Plan update also indentified new initiatives that will allow DHS to capture certification and training records of the acquisition workforce and develop a staffing tool to determine optimal 1102 staffing levels relative to workload volume and complexity.

In response to OIG and GAO recommendations, the DHS Under Secretary for Management restructured oversight of all major acquisition programs in fiscal year 2011. A key part of this restructuring was the elevation of the Program Accountability and Risk Management (PARM) Office to be a direct report to him. The PARM Office was designed to: (1) Manage, implement, and guide DHS managers of major investments through the acquisition governance process, (2) provide independent assessments of major investment programs, (3) work with DHS partners to enhance business intelligence to inform Acquisition Review Board decisions, and (4) monitor programs between formal reviews to identify any emerging issues that DHS needs to address to keep the programs on track.

We have not yet reviewed the new PARM initiative and what effect it may have on the acquisition workforce. However, if fully implemented and sustained, we believe this program is a good approach toward more effective acquisition management at DHS.

Question 3. In the current fiscal environment of doing more with less, are the Department's efforts to develop a better acquisition workforce reasonable (i.e., affordable and practical)?

Answer. DHS has taken action to implement and transform its acquisition workforce, but like many Federal agencies it still faces challenges recruiting and retaining quality staff. Rebuilding the Federal acquisition capability represents a sensible investment where money spent on hiring and training should pay off in terms of improved contracting and a reduction in waste and fraud. While progress is being made, much remains to be accomplished before procurements are managed effectively. Almost every contracting challenge facing DHS—in particular, poor acquisition planning, unjustified sole-source contracts and inadequate oversight of contractors—can be traced back to the Federal Government's failure, beginning in the early 1990's, to invest in the Federal acquisition workforce.

While the size of the acquisition staff is important, ultimately, it is the quality of the workforce that determines the quality of acquisition outcomes. To be successful, as DHS finishes their capacity-building initiative, it will need to focus attention on:
- developing ways to deal with the acquisition "sustainability question" to retain interns and new hires for more than just a few years;
- improving the capability of the acquisition workforce that they currently have, which includes training, right-sizing, and right-shaping the workforce;
- becoming "One DHS" focused on establishing a cohesive, efficient, and effective organization; and
- enhancing and integrating acquisition processes and technology.

Question 4a. The DHS OIG continues to report a material weakness related to information technology security and has identified information security as a major management challenge. In the December 2011 *Integrated Strategy for High-Risk Management,* the Department reports that it mostly addressed information technology security.

What specific steps is the Department taking to strengthen its information technology security and to address the weakness identified by the Office of Inspector General?

Answer. For the DHS Annual Financial Statement, KPMG continues to identify a material weakness in the area of Information Security. During the fiscal year 2011 financial statement audit, DHS did show some improvements toward strengthening its information technology security. The drivers for the material weakness in information technology during fiscal year 2011 were the Coast Guard and FEMA. Specific steps that the Coast Guard, FEMA, and the remainder of the Department have taken to strengthen information technology are:

For Coast Guard:
- During fiscal year 2011 audit, Coast Guard took corrective action to address nearly half of the prior year IT control weaknesses. Coast Guard made improvements by strengthening its system security settings over some of its systems located at the Operations Systems Center (OSC), Aviation Logistics Center (ALC), and USCG Finance Center; strengthening controls over audit log reviews at ALC; and improving data center controls at OSC and ALC.
- Coast Guard took actions to improve aspects of its system password settings, data center physical security, and scanning for system vulnerabilities.

For FEMA:
- FEMA made improvements over implementing certain logical controls over FEMA and National Flood Insurance Program information systems, as well as development and implementation of controls around patch management and vulnerability management.
- FEMA made improvements in IT entity-level controls, including those related to incident response and handling, contractor management, and IT investment life-cycle management.

Question 4b. What are some key indicators of success that weaknesses have either been mitigated or corrected by the Department?

Answer. Key indicators that we feel show that the Department is successfully mitigating or correcting the material weakness:
- The number of prior-year IT audit findings for the Department as a whole has decreased.
- There have been fewer new IT issues identified at the Department this past audit year. This is due to the increased focus of the components on remediating

the prior-year issues and beginning to identify the root causes of the system-related issues.

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