

**DHS ACQUISITION PRACTICES: IMPROVING OUT-  
COMES FOR TAXPAYERS USING DEFENSE AND  
PRIVATE-SECTOR LESSONS LEARNED**

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**HEARING**  
BEFORE THE  
**SUBCOMMITTEE ON OVERSIGHT  
AND MANAGEMENT EFFICIENCY**  
OF THE  
**COMMITTEE ON HOMELAND SECURITY**  
**HOUSE OF REPRESENTATIVES**  
**ONE HUNDRED THIRTEENTH CONGRESS**  
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## **DHS ACQUISITION PRACTICES: IMPROVING OUTCOMES FOR TAXPAYERS USING DE- FENSE AND PRIVATE-SECTOR LESSONS LEARNED**

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**Thursday, September 19, 2013**

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

The subcommittee met, pursuant to call, at 2:03 p.m., in Room 311, Cannon House Office Building, Hon. Jeff Duncan [Chairman of the subcommittee] presiding.

Present: Representatives Duncan, McCaul, Barletta, Hudson, Daines, Barber, and O'Rourke.

Mr. DUNCAN. The Committee on Homeland Security, Subcommittee on Oversight and Management Efficiency will come to order.

The purpose of this hearing is to examine the DHS's acquisition practices to determine if the Department is effectively implementing its policies and to assess whether DHS could better leverage best practices and lessons learned from DoD and the private sector.

Before we begin, I would like to express my sincere sympathy and prayers for the victims and families of those involved at the shooting here in Washington down at the Navy Yard. Our hearts go out to those who lost loved ones and those who were injured.

I now recognize myself for an opening statement.

The Department of Homeland Security's acquisitions programs have major implications for the American taxpayer, as they represent hundreds of billions of dollars in current and future cost. As DHS looks to improve acquisition outcomes, it is critical to examine lessons learned from the Department of Defense and the private sector.

Although DoD is by no means perfect, the Government Accountability Office has found that more DoD programs are meeting cost and performance metrics, and 90 percent of major defense acquisition programs have conducted analyses that have resulted in cost savings.

The private sector also knows how to create successful acquisition strategies through innovation and leadership. DHS could use many of these principles. The Department plans to spend about \$170 billion on major acquisition programs to develop new systems

to protect the United States border and critical infrastructure, improve disaster response, and secure cyber infrastructure, among other important issues.

Since 2005, the GAO has placed DHS acquisition management activities on its high-risk list for poor management that results in programs coming in late, costing more, and doing less than originally envisioned. Programs such as the Secure Border Initiative Network, or SBInet, and the Coast Guard's Deepwater program continue to haunt DHS leaders as examples of colossal acquisition failures.

DHS has taken several positive steps since these failures to improve. Instituting the Office of Program Accountability and Risk Management, or PARM, issuing an acquisition policy with several key program management practices, and developing a way to synthesize cost, schedule and performance data for senior decision-makers are all positive steps forward by DHS. These initiatives have taken a great deal of effort by DHS, and I commend them for their hard work.

Nevertheless, while it is important to have the right policies and processes in place, those alone are not enough to ensure good program management. Policies and processes mean nothing if they are not followed.

Unfortunately, GAO has found that DHS routinely violated its own policies. Specifically, DHS often allowed acquisition programs to move forward without DHS approval of essential planning documents. More than half of DHS acquisition programs which GAO reviewed awarded contracts without DHS or component approval for key planning documents.

How can DHS plan effectively if it does not know how much programs cost, when they will be completed, or what they will do? Out of 77 major acquisition programs—those costing taxpayers more than \$300 million—GAO found that only 12 had met most of DHS's criteria for reliable cost estimates in 2011. Thirty-two programs had none of their required documentation to measure cost, schedule, and performance. The result in 2012 was that 42 programs that experienced cost growth, schedule delays, or both. From 2008, the cost of 16 of these 42 programs grew almost \$20 billion to over \$50 billion in 2011.

Think about that. From 2008, the cost of 16 of the 42 programs grew from \$20 billion to over \$50 billion. That is fairly significant. That is an aggregate increase of 166 percent. What business in America could manage its finances that way and survive?

During August, I toured factories for BMW, Electrolux, and Michelin, in my district, among others, and met with numerous small-business owners back home in South Carolina. You don't produce the "ultimate driving machine" or survive as a small business by mismanagement. You don't become successful in the private sector by gambling away investor dollars. DHS needs to learn from private-sector best practices rather than ignore them.

DHS often states these challenges are behind them, but these are not just old problems. Within this year alone, Congressional watchdogs have documented significant acquisitions problems. In March, GAO found 21 IT programs experiencing cost or schedule shortfalls. These programs are estimated to cost over \$1 billion.

In May, the Office of Inspector General released a report on DHS's H-60 helicopter fleet. The report described how CBP and Coast Guard failed to coordinate and found that DHS-level oversight of aviation assets was sporadic, and in some cases ineffective. Although the Coast Guard successfully converted 27 helicopters at a cost of about \$190 million, CBP converted only 2 in 4 years at a cost of \$44.5 million.

Also in May, GAO found that TSA did not fully follow DHS acquisition policies when acquiring its body scanners. In August, the IG released another scathing report with acquisition failures, this time on DHS radio communications. The report found DHS has mismanaged a \$3 billion effort to improve the Department's radio systems. This was first brought to my attention as I visited the CBP down in Mr. Barber's district in Arizona.

The report described how DHS lacked information on radio systems in its inventory. Over 8,000 radio items collected dust in warehouses over a year despite radio shortages in some locations.

Thank you.

Beyond an apathetic management approach to its radios, these examples show a total disrespect to taxpayers. At a time when we are over \$17 trillion in debt, it is unacceptable for DHS to continue to allow such mismanagement. Yet, DHS management recently absolved numerous programs from past acquisition malpractice.

In May 2013, Under Secretary Borrás directed the component acquisition executives to waive the acquisition documentation requirements for the 42 major acquisition programs that were in the sustainment phase prior to 2008, when DHS's acquisition policy was issued. The 42 programs listed in this memorandum have been allowed to proceed, despite the fact that most program costs can occur during this phase, thereby increasing risks to taxpayer dollars.

The memorandum includes several programs that have been highlighted by Congressional watchdogs for past failures, such as TSA's Transportation Worker Identification Credential, or TWIC, and Secure Flight programs, as well as efforts where much more work remains until completion, including TSA and U.S. Secret Service's IT modernization efforts.

By condoning past mismanagement, I believe this decision allows taxpayer dollars to be put at high risk in the future. I am deeply concerned at this message this sends to program managers throughout DHS. The American people deserve better. This hearing will examine these issues in-depth today.

[The statement of Chairman Duncan follows:]

STATEMENT OF CHAIRMAN JEFF DUNCAN

SEPTEMBER 19, 2013

The purpose of this hearing is to examine DHS's acquisition practices to determine if the Department is effectively implementing its policies and to assess whether DHS could better leverage best practices and lessons learned from DoD and the private sector. Before we begin, I'd like to express my sincere sympathy and prayers for the victims and families of those involved at the shooting at the Washington Navy Yard. Our hearts go out to those who lost loved ones and those injured. I now recognize myself for an opening statement.

The Department of Homeland Security's acquisitions programs have major implications for the American taxpayer as they represent hundreds of billions of dollars

in current and future costs. As DHS looks to improve acquisition outcomes, it's critical to examine lessons learned from the Department of Defense (DoD) and the private sector. Although DoD is by no means perfect, the Government Accountability Office (GAO) has found more DoD programs are meeting cost and performance metrics and 90% of major defense acquisition programs have conducted analyses that have resulted in cost savings. The private sector also knows how to create successful acquisition strategies through innovation and leadership.

DHS could use many of these principles. The Department plans to spend about \$170 billion on major acquisition programs to develop new systems to protect the U.S. border and critical infrastructure, improve disaster response, and secure cyber infrastructure, among other important missions. Since 2005, however, GAO has placed DHS Acquisition Management activities on its "High-Risk List" for poor management that results in programs coming in late, costing more, and doing less than envisioned.

Programs such as the Secure Border Initiative Network and the Coast Guard's Deepwater program continue to haunt DHS leaders as examples of colossal acquisition failures. DHS has taken several positive steps since these failures to improve. Instituting the Office of Program Accountability and Risk Management (PARM), issuing an acquisition policy with several key program management practices, and developing a way to synthesize cost, schedule, and performance data for senior decision makers are all positive steps forward by DHS. These initiatives have taken a great deal of effort by DHS; I commend them for their hard work.

Nevertheless, while it is important to have the right policies and processes in place, those alone are not enough to ensure good program management. Policies and processes mean nothing if they are not followed. Unfortunately, GAO has found that DHS routinely violated its own policies. Specifically, DHS often allowed acquisition programs to move forward without DHS approval of essential planning documents. More than half of the DHS acquisition programs GAO reviewed awarded contracts without DHS or component approval for key planning documents. How can DHS plan effectively if it does not know how much programs cost, when they will be completed, or what they will do?

Out of 77 major acquisition programs (those costing taxpayers more than \$300 million), GAO found that only 12 had met most of DHS's criteria for reliable cost estimates in 2011. Thirty-two programs had none of the required documentation to measure cost, schedule, and performance. The result in 2012 was 42 programs that experienced cost growth, schedule delays, or both. From 2008, the cost of 16 of these 42 programs grew from almost \$20 billion to over \$50 billion in 2011. This was an aggregate increase of 166%. What business in America could manage its finances that way and survive?

During August, I toured factories for BMW, Electrolux, and Michelin, among others, and met with numerous small business owners back home in South Carolina. You don't produce "the ultimate driving machine" or survive as a small business by mismanagement. You don't become successful in the private sector by gambling away investor dollars. DHS needs to learn from private-sector best practices rather than ignore them. DHS often states these challenges are behind them, but these are not just old problems. Within this year alone, Congressional watchdogs have documented significant acquisitions problems. In March, GAO found 21 IT programs experiencing cost or schedule shortfalls. These programs are estimated to cost over \$1 billion.

In May, the Office of Inspector General released a report on DHS's H-60 helicopter fleet. The report described how CBP and Coast Guard failed to coordinate and found DHS-level oversight of aviation assets was "sporadic," and in some cases was "ineffective." Although the Coast Guard successfully converted 27 helicopters at a cost of about \$190 million, CBP converted only 2 in 4 years at a cost of \$44.5 million.

Also in May, GAO found that TSA did not fully follow DHS acquisition policies when acquiring its "body scanners". In August, the Inspector General released another scathing report with acquisition failures, this time on DHS radio communications. The report found DHS has mismanaged a \$3 billion dollar effort to improve the Department's radio systems. The report described how DHS lacked information on radio systems in its inventory. Over 8,000 radio items collected dust in warehouses for over a year despite radio shortages in some locations. Beyond an apathetic management approach to its radios, these examples show a total disrespect to taxpayers.

At a time when we are over \$17 trillion in debt, it is unacceptable for DHS to continue to allow such mismanagement. And yet, DHS management recently absolved numerous programs from past acquisition malpractice. In May 2013, Under Secretary Borras directed the Component Acquisition Executives to waive the acqui-



sition documentation requirements for the 42 major acquisition programs that were in the sustainment phase prior to 2008 when DHS's acquisition policy was issued. The 42 programs listed in this memorandum have been allowed to proceed despite the fact that most program costs can occur during this phase thereby increasing risks to taxpayer dollars.

The memorandum includes several programs that have been highlighted by Congressional watchdogs for past failures, such as TSA's Transportation Worker Identification Credential (TWIC) and Secure Flight programs, as well as, efforts where much more work remains until completion including TSA and U.S. Secret Service's IT modernization efforts. By condoning past mismanagement, I believe this decision allows taxpayer dollars to be put at high risk in the future. I am deeply concerned at the message this sends to program managers throughout DHS. The American people deserve better. This hearing will examine these issues in-depth.

Mr. DUNCAN. So the Chairman will now recognize the Ranking Minority Member of the subcommittee, the gentleman from Arizona, my friend, Mr. Barber, for any statement he may have.

Mr. BARBER. Thank you, Mr. Chairman. Thank you for holding this hearing.

Before we begin, though, I, too, would like to join with you in extending our condolences to the families who lost loved ones on Monday. To those survivors, you know, as a person who has been through a mass shooting myself and see the impact it can have on everyone, whether you are injured or not, I know what those families are dealing with right now, and I just think all of us should be extending our good wishes, our prayers and thoughts to them as they deal with this terrible, shocking tragedy. So let's remember them always as we think about how this situation is going to unfold.

Now, let me go to the point of today's hearing. I think it is important that we have this discussion about how it is that the Department of Homeland Security manages its acquisitions so that we can find solutions to improve the Department's ability to carry out its mission and, I think very importantly, that it do so in a cost-effective and highly accountable manner.

When the Department was stood up almost—a little over 10 years ago, it was understood that combining 22 different agencies into one department could be very challenging and that we might, in fact, see 22 silos emerge within a department. I think we have certainly seen evidence that that has been an on-going challenge for the Department.

In 11 years and later almost, we are still trying to create one cohesive Department of Homeland Security. Over the past 3 years, I do believe the Department has worked to improve its acquisition practices and policies and create a more streamlined framework aimed at saving costs and requiring each component to operate by the same set of rules. While the framework may be in place, it is clear that there remain many challenges and that we must make sure that these—the framework, this framework is fully implemented.

Without an acquisition strategy that is adhered to by all DHS components, the Department simply is not able to achieve the economies of scale that help reduce costs and ultimately make effective use of our resources and save the taxpayer money.

Now, this is a bit of dated example, but I will—I remember early on, when I was working for Congresswoman Giffords, we learned that one of the most effective tools that the Border Patrol had was

the mobile surveillance systems. Yet when we looked into it further, we found that 50 percent of them in Arizona were out of commission. Why? Because they weren't tough enough to withstand the environmental conditions in the harsh desert climate.

It seems to me that at that time—and even still today—we could learn a lot about the technology that we intend to use in those kinds of environments by looking at what is going on, for example, in Afghanistan, where similar conditions in terms of the climate exist, and be able to replicate the right kind of technology for a desert environment. We didn't do it then, but we must continue to try to do better.

In a recent Office of Inspector General report, it was revealed that two components had purchased the same radio equipment that was sitting idly in a storage facility, while a third component needed the same equipment. The end result was one of the components could not get the resources they needed, even though they were obviously available. This is just unacceptable. When the Department and the Federal Government has limited resources, and the taxpayer is watching every penny we spend—as they should—we cannot afford to waste these resources.

But while the Department has made some strides in saving taxpayer funds through economies of scale, as indicated in this OIG report, there is still a long way to go. The most effective way to achieve uniformity is to ensure that the Department headquarters has the authority to enforce Department-wide policies that are aimed at improving governance and efficiency.

Moreover, it is clear that in order for the Department to mature into a gold standard among Federal agencies, its acquisition problems must be addressed top-down from headquarters and to each component. Additionally, in addressing these concerns, I believe it is important for the Department to search for best practices, both inside the Government, but also in the private sector.

When working with the private sector, the Department should be transparent and user-friendly by making its procurement processes clear and easy to follow. This is a key to good governance. I can tell you countless times when I have been approached by contractors and providers or potential providers who have said over and over again how difficult it is to access the Department's procurement process.

For this to work, there must be a buying-in at the component level. There must be Department-wide understanding that each component is a part of the overall mission to use resources efficiently in order to be effectively secure—to effectively secure the homeland. I think it is important that as we look at using the Department of Defense as a model for DHS, as suggested by the title of today's hearing, we must also recognize that both the mission and structure of the agencies are somewhat different.

In many cases, the Department of Homeland Security has implemented procurement practices that have been successful in DoD. But given the differences between these two departments, it is also important that DHS examine its current framework and system and develop a process that takes best practices from both Government and private entities into account. DHS must have a system

that works for its specific needs and mission and one that improves upon its flaws and implements OIG and GAO recommendations.

As a representative of a district that shares over 80 miles of border with Mexico, I am very familiar with the amount of money that has been spent by the Department on technologies and assets that have been procured in an effort to secure the border. I am also aware of some of the waste that has gone on through those purchases.

We must ensure that these assets are used to best fulfill their mission. We must do this as responsible stewards of the American taxpayer. The Department cannot continue to stick the American people with the bill for failed technologies and poorly-distributed resources.

The Department should develop, I believe, a central acquisition process that fits the needs and mission of the Department and its components, one that incorporates the best practices both from industry and Government, and the Department's acquisition and procurement system should be tailored to meet the Department's unique mission, should enable the Department to take advantage of economies of scale, to ensure that the Department pays a reasonable price and should allow us to be responsible, all of us, stewards of taxpayer dollars.

I look forward to hearing from our witnesses and thank them for being here today. I look forward to hearing your statements and then to have questions.

Thank you, Mr. Chairman. I yield back the balance of my time.  
[The statement of Ranking Member Barber follows:]

#### STATEMENT OF RANKING MEMBER RON BARBER

SEPTEMBER 19, 2013

Thank you for holding this very important hearing to discuss the manner in which the Department of Homeland Security manages its acquisitions and to find solutions that can improve the Department's ability to carry out its mission.

When the Department was stood up more than a decade ago, it was understood that combining 22 different agencies into one department could create stovepipes and silos.

Some 11 years later, we are still trying to create one cohesive Department of Homeland Security.

Over the last 3 years, the Department has worked to improve its acquisition policies and create a more streamlined framework aimed at saving costs and requiring each component to operate by the same rules.

While the framework may be in place, there remain challenges that exist in making sure it is implemented.

Without an acquisition strategy that is adhered to by all DHS components, the Department is not able to achieve economies of scale that help reduce costs and, ultimately, make effective use of our resources and save the taxpayers' money.

In a recent Office of Inspector General (OIG) report, it was revealed that two components had purchased the same radio equipment that was sitting idly in a storage facility while a third component needed that same equipment. The end result, one of your components couldn't get the resources it needed even though they were available.

This is unacceptable. When the Department has limited resources we cannot afford to waste them.

While the Department has made some strides in saving taxpayer funds through economies of scale, as indicated by this OIG report, they still have a ways to go.

The most effective way to achieve uniformity is to ensure that Department headquarters has the authority to enforce Department-wide policies that are aimed at improving governance and efficiency.

Moreover, it is clear that in order for the Department to mature into a gold standard among Federal agencies, its acquisition challenges should be addressed top-down from headquarters to each component.

Additionally, in addressing these challenges, I believe it is important that the Department search for best practices, both inside the Government but also in the private sector.

And when working with the private sector, the Department should be transparent and “user-friendly,” by making its procurement processes clear and easy to follow. This is key to good governance.

For this to work, there must be “buy-in” at the component level. There must be Department-wide understanding that each component is part of the overall mission to use resources efficiently in order to effectively secure the homeland.

I think it’s important that as we look at using the Department of Defense (DoD) as a model for DHS—as suggested by the title of today’s hearing—we must recognize that both the mission and structure of the agencies are different.

In many instances the Department has implemented procurement practices that have been successful at DoD.

But given the differences between these two departments, it is also important that DHS examine its current framework and system and develop a process that takes best practices that make sense for DHS from both Government and private entities into account. DHS must have a system that works for its specific needs and mission, one that improves upon its flaws and implements OIG and GAO recommendations.

As a Representative of a District that shares over 80 miles of border with Mexico, I am familiar with the amount of money that has been spent by the Department on technologies and assets that have been procured in an effort to secure border.

We must ensure that these assets are used to best to fulfill their mission. We must do this to be responsible stewards of the American taxpayer. The Department cannot continue to stick the American people with the bill for failed technologies and poorly-distributed resources.

I would argue that the Department should develop a central acquisition process that fits the needs and mission of the Department and its components, one that incorporates best practices from both industry and Government.

The Department’s acquisition and procurement system should be tailored to meet the Department’s unique mission, should enable the Department to take advantage of economies of scale to ensure the Department pays a reasonable price, and should allow us to be responsible stewards of taxpayer dollars.

I look forward to hearing from our witnesses on these and other issues as we discuss the Department’s challenges in fully implementing its acquisition management initiatives.

Mr. DUNCAN. I thank the gentleman from Arizona.

The Chairman will now welcome and recognize the Chairman of the full committee, gentleman from Texas, Chairman McCaul, for any statement he may have.

Mr. MCCAUL. I thank the Chairman for having this hearing, Ranking Member Barber. Let me say, also, I join with the Chairman—our thoughts and prayers are with the victims of the Navy Yard tragedy. I have talked to Chairman Duncan about holding hearings on the issue of clearances within the Federal Government, and the idea that somebody of that caliber could hold a clearance and infiltrate our military installations is certainly a homeland security issue, as well.

One of the top priorities I had coming in as the new Chairman was management reform. I believe we can do better. I believe we can save money. This hearing also fits nicely with the work of the Subcommittee on Transportation Security that Chairman Hudson has done. Before the August recess, they marked up the Transportation Security Acquisition Reform Act that will reform the TSA to develop a long-term acquisition plan to better deploy proven technology and encourage innovation. I expect the full committee to mark up that bill and that legislation soon.

DHS acquisition programs play a critical role in protecting the homeland. They include surveillance systems, watching terrorists,

drug traffickers along our borders, machines screening airport passengers for potential threats. These programs represent a significant investment for the American taxpayer.

To its credit, DHS has issued a number of directives intended to ensure acquisition programs demonstrate critical knowledge and documentation at key points in the life cycle of a program. However, time and again, we hear that billions of taxpayer dollars have been put at high risk, and multiple key programs do not fully meet the Department's needs. This must stop.

The GAO has found that DHS has often not followed its own policies. The policy, even a good one, that incorporates best practices isn't effective if people are not held accountable and that doesn't lead to positive outcomes. Overcoming this challenge takes strong leadership, something that, in short, is in short supply, unfortunately, at times at DHS.

Eighteen out of the top 44 positions at DHS are vacant or are under some sort of temporary leadership. Not included in that count, but relevant for purposes of today's hearing is the status of the executive director of the Office of Programs Accountability and Risk Management. For as often as we are likely to hear about that office today, what message does it send to the rest of DHS and Congress when it has been under acting leadership for nearly a year-and-a-half?

People are the Department's greatest resource. An insightful report released last week by the Professional Services Council on Government-wide acquisitions stresses the importance of a quality acquisition workforce. So I am looking forward to hearing more from the Professional Services Council and the testimony here today, and I appreciate you being here.

I believe it is important for DHS to get beyond viewing acquisition as a series of procurement transactions to be managed, but rather as investments in capabilities that align with the strategic plan that builds capabilities to mitigate risk to the homeland.

I understand that DHS is beginning to bring this approach to cybersecurity, biodefense, and screening, but more should be done across the board. DHS will always need to procure goods and services to achieve their mission, and we need a strong and effective department doing what it was created and intended to do.

With that, I yield back.

Mr. DUNCAN. I thank the Chairman for being here. I understand he had to interrupt a lunch with his beautiful wife in order to make it in time, so we are glad he is interested in the topic enough to come. If other Members of the—

Mr. MCCAUL. That is how important this hearing is to me.

Mr. DUNCAN. That is right. We understand that. So, thank you, sir.

Other Members of the subcommittee are reminded that opening statements may be submitted for the record.

[The statement of Ranking Member Thompson follows:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

SEPTEMBER 19, 2013

Each year, the Department of Homeland Security spends approximately one-fourth of its entire budget on procuring goods and services.

Last fiscal year, the Department spent over \$12 billion on almost 100,000 transactions.

Although they are on track to spend slightly less this fiscal year, the manner in which the Department utilized taxpayer funds to procure goods and services are of utmost concern.

Since its inception, acquisition management has been a challenge for the Department.

It has come a long way but until its systems become more integrated, stronger line authority exists between headquarters and the components, and planning on the front end is improved, the Department will continue to face challenges and impede its ability to be removed from the Government Accountability Office (GAO) High-Risk List.

There are approximately 135 programs that are defined by the Department as “major acquisitions.”

Of these 135 programs, 75% have an estimated life-cycle cost of more than \$300 million each.

Moreover, 37 of its major acquisitions are estimated to incur over \$1 billion each over the course of its life cycle.

Given these high costs, particular attention must be paid to the success of these programs and, where problems exist—and it appears as if the Department is continuing to throw good money after bad—programs should be immediately stopped to determine the best path forward.

As we are all aware, the homeland security budget is scarce, and with the ongoing sequester, the Federal Government has been required to do more with less.

As a result, we must ensure that each dollar is spent wisely, can be accounted for, and advances the homeland security mission.

While I understand that acquisition challenges exist, I do believe that for the first time a framework for improvement is in place.

Yet, this framework will only yield success if silos are eliminated and the enforcement mechanisms are in place.

In 2011, the Department created a new office, the Office of Program Accountability and Risk Management (PARM) to ensure that the Department does just that.

The rules and policies created by this new office, however, are only as good as the paper they are written on if they are not fully implemented throughout the Department and if there are no repercussions in place for those offices and components that fail to fall in line.

According to the Department’s Office of Inspector General (OIG), PARM has not effectively overseen and managed each acquisition under its purview and in some instances when it did, PARM was simply ignored.

Moreover, for the past 18 months PARM has operated without a permanent Executive Director.

As a result, based on its date of creation, it has functioned without permanent leadership guiding its path for longer than it did with an Executive Director in place.

I would urge the Under Secretary to move quickly in filling this vacancy.

As suggested by the hearing title, the Majority has advanced the notion that if the Department would follow Department of Defense (DoD) and private-sector practices, it could improve the effectiveness of its acquisitions practices.

I disagree that DoD and the private sector are the appropriate models.

While there may be some Government-wide procurement practices that DoD has successfully deployed that the Department could benefit from, given the differences in both mission and structure, I do not believe that DoD is the gold standard.

Likewise, outsourcing and privatizing Government functions could lead to further dysfunction, and even higher costs.

Both GAO and the OIG have provided the Department with sound recommendations for moving forward and building upon its recent efforts. I look forward to hearing from them on what the Department has achieved and where it should focus its attention.

Mr. DUNCAN. We are pleased today to have two distinguished panels of witnesses on this important topic. Let me remind the witnesses that their entire written statement will appear in the record, and I will introduce each of you first and then recognize you for your testimony.

So for the first panel, we have the honorable Rafael Borrás. He is the under secretary for management at the U.S. Department of

Homeland Security. He joined the Department in April of 2010. Mr. Borrás exercises leadership authority over all aspects of the Department's management programs and serves as the chief management officer and chief acquisition officer.

As the chief management officer, Mr. Borrás oversees management of DHS's nearly \$60 billion budget. As chief acquisition officer, he administers control over approximately \$19 billion in procurement. Mr. Borrás has more than 30 years' management experience, including over 20 years on Federal and city government and 10 years in the private sector.

Ms. Michele Mackin is the director of the U.S. Government Accountability Office, GAO, and acquisition and sourcing management team. Ms. Mackin joined the GAO in 1988 as an evaluator in the National security and international affairs division, focusing largely on military airlift issues. She has led complex reviews of Federal contracting issues, including high-risk contract types, the Coast Guard's Deepwater recapitalization project, and Navy ship-building programs.

Ms. Anne Richards is the assistant inspector general for the Office of Audits in the Office of Inspector General at the U.S. Department of Homeland Security. Ms. Richards focuses on promoting effectiveness, efficiency, and economy in DHS's programs and operations. She joined the Office of Inspector General in 2007 after serving as assistant inspector general for audits at the U.S. Department of Interior from 2005 through 2007, regional audit manager for the central region office in Denver, Colorado. She also served in a number of positions with the United States Army Audit Agency.

So I want to thank each of you for being here. I will now recognize Mr. Borrás to testify, and thank you, and the time is yours, sir.

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

Mr. BORRAS. Thank you, Chairman Duncan, Ranking Member Barber, and other distinguished Members of the committee.

I thank you for the opportunity to appear here today before you to discuss how the Department identifies, evaluates, and adopts best practices in acquisition. I am pleased to be joined by my colleagues from the Government Accountability Office and the Office of Inspector General. We continue to meet regularly with both the GAO and the IG to better understand how we are methodically making positive changes to improve acquisition management at DHS. I am gratified by their recent comments and actions that we have made progress and that we expect to sustain progress, given the changes, to make a solid management infrastructure, which includes policies, delegations, business intelligence, and governance.

Last year, in fiscal year 2012, the Department procured over \$12.4 billion in goods and services directly linked to the DHS mission to prevent terrorism and enhance security, secure and manage our borders, enforce and administer our new immigration laws, and many others, to provide essential support to the National and economic security of this country.

I will be talking about some of the best practices that we have adopted from private sector and from other Government agencies as I proceed. Regarding competition, it is very important. I am pleased to report that last year over 72 percent of our eligible contracts were awarded competitively, which far exceeded the Government-wide average of 63 percent.

We continue to award many of our contracts to small and minority businesses. The Small Business Administration recently announced that DHS earned its fourth consecutive A rating, which makes DHS the only agency among the top 7 Federal spenders to achieve that feat.

Another best practice we have institutionalized is strategic sourcing, which improves efficiency by standardizing purchases for common goods and services. We are recognized as a leader in Federal strategic sourcing by the GAO, OMB, and Congress. We have achieved over \$1.7 billion of savings from strategically sourcing products and services all across DHS.

Now, over the past 4 years, DHS has adopted many best management practices. From the private sector, we have institutionalized principles like risk-based oversight, evaluation of major investments through portfolio management, and access to reliable data from mature business intelligence to track the performance and the progress of our investments through the life cycle.

We have a unified acquisition structure for all of our major programs, which includes PARM, as well as the CIO and the Office of Science and Technology's Office of Test and Evaluation. Together, we provide independent assessments and monitoring of programs between formal reviews of major acquisition programs to identify issues that emerge and be able to address them at our acquisition review boards.

To date, this enhanced oversight has resulted in 136 acquisition review boards, 250 acquisition decision memorandums—these are specific decisions that are a result of those acquisition review board meetings, which result in specific actions that the programs and the components must take in order to proceed. We have canceled three major programs and have paused eight. We have also required a change in leadership in many programs, as well.

Since 2011, we have tracked approximately 88 major programs at any given time, and I am pleased to report that nearly 42 percent of those once-troubled programs are now operating within an acceptable cost and schedule variance. With regard to the 21 IT programs referenced by GAO in their 2012 audit, we have worked very closely to address that. Nearly 30 percent of these programs are now operating within the acceptable cost and variance schedule. Each of the remaining programs has a specific comprehensive action plan to reach the acceptable targets and goals. We will continue to monitor that through the ARB process.

Regarding best practices from DoD, we have a long history of partnering with DoD to leverage best practices and methodologies. I have outlined in my written testimony about 15 or so specific examples. I won't go into them now. But there are cases where technology from DoD and other materials have proved quite useful to DHS, but not all assets are deemed suitable, given the costs and the time it takes to customize it for non-combat use.



I look forward to answering your questions. I think the Department has made continued progress in the acquisition management discipline. We do have more work to do, but we feel that the infrastructure enhancements that we have made to date have resulted in considerable progress and have laid a foundation which will allow us to continue to improve and provide a better return on behalf of the taxpayers.

So once again, I thank you for the opportunity to be here for you today. I, too, have a cold. I actually have bronchitis, Mr. Chairman. I look forward to answering your questions.

[The prepared statement of Mr. Borrás follows:]

PREPARED STATEMENT OF RAFAEL BORRAS

SEPTEMBER 19, 2013

Chairman Duncan, Ranking Member Barber, and other distinguished Members of the committee, I thank you for the opportunity to appear before you today to discuss how the Department identifies, evaluates, and adopts acquisition best practices.

I wish to express appreciation to my colleagues from the Government Accountability Office (GAO) for their work to support the transformation of the Department of Homeland Security (DHS). Over the past 4 years, we have forged good working relationships and reached common ground on many issues. We continue to meet regularly to provide GAO officials with a better understanding of how we are methodically making positive change to improve acquisition management at DHS. I am gratified by their recent comments and actions that recognized the substantial progress made and we expect to sustain that progress given the changes made to solidify our management infrastructure, which includes policies, delegations, business intelligence, and governance.

To best illustrate the significant progress made in the past 4 years, the GAO in its 2009 High-Risk report cited the Department as High-Risk because it had not developed a "comprehensive plan to address the transformation, integration, management, and mission challenges GAO identified in 2003." Since 2009, not only have we forged a comprehensive integration strategy, we have also demonstrated substantial progress, which led GAO to acknowledge in their 2013 High-Risk report that, "Significant progress has been made to transform and integrate the Department into a more cohesive unit." As such, GAO decided to narrow the scope of the Department's High-Risk designation. In fact, they stated in December 2012 that, "the Department has made substantial progress in many areas and if their Integrated Strategy is fully implemented, they are on a path to be removed from the High-Risk List." Any progress we have made is the direct result of an across-the-board commitment by Operational Components and Headquarters offices to follow a clear and logical strategy. This progress has been reinforced by the willingness of our components and Line-of-Business Chiefs to leverage best practices in both the procurement and program management disciplines.

OVERVIEW OF DHS PROCUREMENT PORTFOLIO

In fiscal year 2012, the Department procured over \$12.4 billion in goods and services directly linked to the DHS mission—to prevent terrorism and enhance security, secure and manage our borders, enforce and administer our immigration laws, safeguard and secure cyberspace, and ensure resilience to disasters—all of which provide essential support to National and economic security. Among the best acquisition practices we have adopted from world-class organizations include: Increasing the competition rate, enhancing the Nation's industrial base by investing in small businesses, and finally, standardizing our commodities and services through strategic sourcing.

*Competition*

I am pleased to report that in fiscal year 2012 over 72 percent of our eligible contracts were awarded competitively, which far exceeded the Government-wide average of 63 percent. We were able to do this by strengthening the Competition Advocacy structure across the Department, establishing annual component goals for increased use of competitive processes, carefully monitoring progress against those goals, and expanding communications with industry to ensure thorough market research is accomplished.

### *Awards to Small Businesses*

We also continue to award many of our contracts to small and minority-owned businesses. The Small Business Administration (SBA) recently announced that DHS earned its fourth consecutive “A” rating, which makes DHS the only agency among the top 7 Federal spenders to achieve that feat. In fiscal year 2012 alone, DHS awarded \$3.94 billion in small business contracts. This included \$880 million in contracts to veteran-owned small businesses, including \$684 million to service disabled veteran-owned businesses. DHS also has a strong record of supporting small disadvantaged businesses. In fiscal year 2012 alone, the Department awarded \$1.7 billion in contracts to African American, Hispanic, Native American, Asian Pacific, and Subcontinent Asian-owned small businesses, including \$762 million in awards under the 8(a) Business Development Program.

### *Strategic Sourcing*

Another best practice we have institutionalized is strategic sourcing, which improves efficiency by standardizing purchases for common goods and services. I recognize that in this budget constrained environment, it is increasingly important that agencies focus on fiscal responsibility and ensure the Federal Government utilizes taxpayer dollars in the most efficient manner possible. Strategic sourcing enables this goal and saves the Federal Government money by leveraging purchasing volume and focusing on reducing the total cost of ownership.

The administrator of the Office of Management and Budget’s (OMB) Office of Federal Procurement Policy recently stated that strategic sourcing is the administration’s top priority for procurement. DHS is recognized as a leader in the Federal strategic sourcing space by GAO, OMB, and Congress. DHS has achieved savings of over \$1.7 billion from strategically sourcing products and services across all DHS components. DHS has implemented 56 strategic sourcing initiatives, covering over 450 separate contracts. Fourteen of these initiatives were awarded in fiscal year 2012. This year, DHS has awarded another 12 new initiatives. Our strategic sourcing program also benefits small business. In fiscal year 2012, over 3,000 strategic sourcing contracts were awarded to small businesses, totaling \$381 million. This dollar value represents 34 percent of the total strategic sourcing dollars awarded by DHS, which exceeds the goal established by the SBA.

DHS shares the strategic sourcing concept of operations, reporting and analysis methodologies, and templates, tools, techniques, and other best practices learned from our many years of experience and strategic sourcing successes. This serves not only as a savings multiplier, but it also grows the strategic sourcing capability and knowledge base across the entire Federal Government.

### ACQUISITION PROGRAM MANAGEMENT

Over the past 4 years, DHS has adopted many program management best practices. From the private sector, we’ve institutionalized principles like risk-based oversight, evaluation of major investments through portfolio management, and access to reliable data from matured business intelligence to track the progress of investments throughout their life cycle.

Each of these principles has resulted in the advancement of Integrated Investment Life Cycle Management (IILCM). IILCM is a transformational concept to integrate all phases of the Department’s multi-billion-dollar budget and investment/acquisition management process. The framework provides critical linkages between Strategy, Capabilities and Requirements, Programming and Budgeting, and Investment Oversight phases to ensure the effective execution of Federal funds to support strategic priorities.

IILCM was signed into policy by Secretary Napolitano in February 2013 and the framework is being piloted through March 2014 using the cybersecurity, biodefense, and common vetting portfolios. The best practices gained from the pilot experience will inform the Management Directives and Instructions that will institutionalize IILCM across the Department for the future.

In order to strengthen Department-wide program management, the Office of Program Accountability and Risk Management (PARM) was created in 2011 and modeled after best practices in the private sector. It continues to provide centralized oversight for all major acquisition programs. To date, this oversight has resulted in:

- 136 Acquisition Review Boards (ARB);
- 249 Acquisition Decision Memoranda (ADM);
- Three (3) cancelled major acquisition programs and eight (8) paused programs.

PARM also provides independent assessments and monitoring of programs between formal reviews of major acquisition programs to identify any emerging issues that the ARB needs to address to keep the programs on track. Finally, PARM works

with the Business Intelligence program management office to enhance business intelligence and improve ARB decision making.

Management Directive (MD) 102-01 has been institutionalized and is recognized by all component executives as the standard acquisition policy roadmap to manage their programs. The ARB has a broad span-of-control and has authorized low-risk/high-impact programs the authority to proceed. The ARB has institutionalized an effective Component Acquisition Executive (CAE) structure that serves as the single point of accountability for programs within the components and also guides managers of major investments through the acquisition governance process.

One of the top priorities during my tenure is to ensure best practices are properly evaluated and tested, but only adopted if they prove to be cost-effective and contribute to improved efficiency. The Department has a long history of partnering with DoD to leverage best practices and methodologies to help guide the development of our policies, processes, and structures. Further, we have also established mechanisms to evaluate the effectiveness of assets and technologies that were deemed by DoD to be obsolete or excess for complex military usage. In fact, while many DoD processes, assets, and technologies have proven quite useful to DHS, in some cases, not all assets and technologies are deemed suitable given the cost and time it takes to customize it for non-combat use. Before committing to a technology exchange or asset transfer, DHS conducts detailed operational assessments and cost analyses to understand the cost and technical impact(s) these technologies would have on the DHS operations and support chain.

Another aspect of assessing cost impact is to fully understand the total cost of ownership, which includes maintenance, operations, and upgrades during the remaining operational life of the asset. For example, evaluation teams at U.S. Customs and Border Protection (CBP) revealed additional unfunded costs associated with recoding software, modifying technology, and retrofitting certain assets before deploying border sensor equipment. Accordingly, DHS determined the exchange from DoD would not be cost-efficient given the externalities involved.

While DHS and DoD have many similarities, there are key mission-related differences. For example, DoD's mission is designed to operate in hostile combat theaters around the world and, therefore, their standards, processes, hardware, and systems often require a more rigorous "military hardening" standard. Researchers and analysts from the Science and Technology (S&T) Directorate have discovered that the "military hardening" standard inherent for the designs and tolerances for military ships, aircraft, unmanned aerial systems (UAS), and border sensor equipment, sometimes makes what appears to be a simple transfer of these assets extremely complex and inordinately expensive.

Another example of a key difference with DoD is the way people are trained and assigned to operate systems. DHS uses front-line Border Patrol Agents to operate systems because they know the operational environment and can best communicate with the agents responding in the field. DHS finds it most effective to have agents who can go back and forth between typical agent duties in the field and technology operator duties at a station. For high-technology systems, DoD often creates specialty codes with specialist training that can last several months. This approach does not align with the Department's needs. As a result, a part of the DHS evaluation involves determining how operational components can adapt the systems so that agents can operate them without extensive specialization and training. The following list identifies the best practices adopted from DoD by DHS:

- (1) The Chief Acquisition Executive (CAE) model comes directly from DoD's Service Acquisition Executive (SAE) concept.
- (2) The MD-102-01 is modeled after DoD's 5000 series publication.
- (3) DHS' governance structure (ARB/IRB) is modeled directly after DoD's Defense Acquisition Board (DAB) process.
- (4) DHS' acquisition documents (Operational Requirements Document (ORD), Integrated Logistics Support Plan (ILSP), Test and Evaluation Master Plan (TEMP), Analysis of Alternatives (AoAs), Life Cycle Cost Estimates (LCCes), etc.) come directly from DoD best practices and document the planning and analysis that is required.
- (5) DHS' requirements approval process is modeled directly after DoD practices. For example, ORDs go to our equivalent of DoD's Joint Requirements Oversight Council (JROC). As IILCM is deployed, investment management will expand beyond acquisitions to include; people, structures, systems, and all capital assets.
- (6) The Department's requirement for independent oversight of the Office of Test and Evaluation (OT&E) comes directly from DoD best practices.
- (7) CBP created an operational requirements and OT&E staff organization, modeled after joint staff processes, and interacted directly with DoD personnel to help design the organization and processes.

(8) CBP participated with DoD in a variety of technology demonstrations to help identify potential systems and assess their effectiveness. One example of this is DoD's Thunderstorm Program. Most recently, joint DHS/DoD demonstrations of various surveillance and C2 technologies were conducted in and around the coast off of the Rio Grande Valley in south Texas.

(9) The USM, DHS Under Secretary for Science and Technology, and DoD's USD Acquisition Technology and Logistics (AT&L) co-chair the Capability Development Working Group (CDWG), which provides oversight and strategic direction for joint DoD/DHS R&D and acquisition activities. It also allows for sharing and collaboration on best practices—which is a two-way exchange. For example, DHS is providing enhanced capability related to cost-estimating practices to DoD.

(10) CBP modeled initial Analysis of Alternatives (AoA) activities (especially for SBInet and the successor Arizona Technology Plan) on DoD practices, and had the U.S. Air Force's (USAF's) AoA center of excellence review and assess the completeness and effectiveness of our process and results.

(11) U.S. Coast Guard (USCG) procures C-130Js through the USAF and equips them with communications and sensor packages that are suitable for the USCG mission set. This enables the USCG to achieve economies of scale with the airframe and follow-on logistics support and parts, while achieving the required capability.

(12) Acquisition workforce training is an area where implementing DoD models can be a challenge. While DoD has access to the defense acquisition workforce development funds (DWDF) and is subject to DAWIA, civilian agencies have not been resourced at the same level. Additionally, the acquisition certification requirements are diverging between defense and civilian employees.

(13) The USCG MSAM, DHS D102, Systems Engineering Life Cycle (SELC), Workforce Certification processes are derived from DoD model and tailored to USCG/DHS-specific needs. In addition, USCG leverages DoD best practices for guides and processes, including CG Risk Management (DoD RM guide) and Systems Safety (MIL-STD 882).

(14) USCG Project Resident Offices (on-site contract oversight) are based on similar Defense Contract Management Agency (DCMA) offices.

(15) In addition, USCG uses formal agreements (MOAs/MOUs) to obtain U.S. Navy, USAF, U.S. Army (USA), and Defense Agency expertise, practices, and capabilities.

Examples of these include:

- C-130 contracting for new and upgraded HC-130s with the Air Force.
- NSC Weapons Systems certification from Naval Sea Systems Command (NAVSEA).
- FRC and HC-144A OT&E with Navy Commander Operational Test and Evaluation Force (COMOPTEVFOR).
- RB-M/RB-S & Cutter Boats T&E with Naval Surface Warfare Center, Carderock Division.
- H-60/H-65 Avionics expertise and contracts for equipment purchases from the USA.
- NSC, FRC & OPC life-cycle cost estimates from NAVSEA.
- C4ISR<sup>1</sup> expertise from the Navy Space and Naval Warfare Systems Command.
- Unmanned Aircraft Systems (UAS) development, and aircraft certification from Naval Air Systems Command (NAVAIR).

#### CONCLUSION

The Department has made steady progress to improve the acquisition management discipline. While there is still additional work to do, we feel that the infrastructure enhancements position the Department to sustain the significant progress made over the past 4 years. As indicated by GAO in the February 2013 report, the Department is clearly more integrated and operating as a single unit. We will continue to focus on reducing risk, building quality controls into our oversight function, and leveraging business intelligence to identify problem areas before they reach a critical state.

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

Mr. DUNCAN. Thank you so much, Mr. Borrás.

<sup>1</sup> C4ISR—Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance.

The Chairman will now recognize Ms. Mackin for her testimony.

**STATEMENT OF MICHELE MACKIN, DIRECTOR, ACQUISITION  
AND SOURCING MANAGEMENT, U.S. GOVERNMENT  
ACCOUNTABILITY OFFICE**

Ms. MACKIN. Mr. Chairman, Ranking Member Barber, and Members of the subcommittee, good afternoon. I am pleased to be here today to discuss the Department of Homeland Security's acquisition management. As was mentioned earlier, DHS plans to invest almost \$170 billion in major programs, and almost every component in the Department has at least some of these major acquisitions underway.

Along the lines of the subject of today's hearings, in conjunction with our reviews at the Defense Department, we have identified best practices of leading commercial firms with regard to their acquisition management. The critical component is, really, knowledge. By knowledge, I am talking about having clear and well-defined requirements up front and a solid understanding of anticipated costs, the capabilities to be delivered to the end-user, and the time frame it will take to get there. For these leading firms, if programs don't demonstrate these key knowledge points, they don't proceed.

Now, we have reported since 2005 that DHS's acquisition policy does, in fact, reflect this knowledge-based approach, so the programs really do stem from execution. For example, one of the most critical acquisition documents is the acquisition program baseline. This represents the program manager's agreement with the Department about the cost, schedule, and performance parameters of a program, and this is important, because it allows DHS and Congress to track progress and hold programs accountable for outcomes.

We reported, however, that many of the major programs lacked approved baselines. Last year, we reported only about a third of 63 major programs had approved acquisition baselines. This situation doesn't put the Department in a good position to effectively manage its acquisitions. It also complicates efforts to track cost and schedule growth.

As was mentioned, we reported last year that 16 major programs had 166 percent cost increase over 3 years. That equates to about \$30 billion. But perhaps more important was that we couldn't make such an assessment of many more programs because the underlying data wasn't valid.

Now, DHS is taking steps to increase the number of approved acquisition baselines, and we will continue to work with them to assess their progress. In addition, DHS in May of this year waived the requirement for acquisition documents for 42 major programs that are in the sustainment phase, meaning the systems have been fielded for operational use. I would note, however, that 60 percent to 70 percent of a program's total costs can be in the sustainment phase. So to the extent that those programs didn't have these, for example, validated cost estimates or approved sustainment plans, they run the risk of running into trouble down the road.

DHS also faces a strategic challenge. Last December, the chief financial officer identified a 30 percent gap between the money DHS

needs to carry out its major acquisitions and the funding it expects to receive. I view this acknowledgement as positive, and DHS initiated some actions to help mitigate that gap.

For example, it is piloting an overarching model intended to help match resource requirements with the Department's missions. It is establishing a requirements oversight council, intended to make trade-off decisions among individual programs. The Defense Department has a similar requirements body in place. In fact, we have recommended for several years that DHS reinstitute such a body. It could help align the Department's portfolio of major investments with its available funding.

In fact, the focus of our on-going work for this subcommittee is to assess DHS's management of its portfolio of investments and to determine how individual programs might be affected by funding instability that could be caused, at least in part, from this 30 percent funding gap the CFO identified.

In conclusion, DHS has made progress in managing its major acquisitions, but we believe they still have a long way to go in gaining a clear understanding in practice and on an on-going basis of basic costs, schedule, and performance information of its major acquisitions. Without this knowledge, DHS's efforts to effectively manage its portfolio of investments may be impeded.

Mr. Chairman, this concludes my statement. I would be happy to answer any questions.

[The prepared statement of Ms. Mackin follows:]

PREPARED STATEMENT OF MICHELE MACKIN

SEPTEMBER 19, 2013

GAO HIGHLIGHTS

Highlights of GAO-13-846T, a testimony before the Subcommittee on Oversight and Management Efficiency, Committee on Homeland Security, House of Representatives.

*Why GAO Did This Study*

GAO has highlighted DHS acquisition management issues on its high-risk list, and over the past several years, GAO's work has identified significant shortcomings in the Department's ability to manage an expanding portfolio of major acquisitions. It is important for DHS to address these shortcomings because the Department invests extensively in acquisition programs to help it execute its many critical missions. DHS is acquiring systems to help secure the border, increase marine safety, enhance cybersecurity, and execute a wide variety of other operations. In 2011, DHS reported to Congress that it planned to ultimately invest \$167 billion in its major acquisition programs. In fiscal year 2013 alone, DHS reported it was investing more than \$9.6 billion.

This statement discusses: (1) DHS's acquisition policy and how it has been implemented; and (2) DHS's mechanisms for managing emerging affordability issues. The statement is based on GAO's prior work on DHS acquisition management and leading commercial companies' knowledge-based approach to managing their large investments. It also reflects observations from on-going work for this subcommittee. For that work, GAO is reviewing key documentation, and interviewing headquarters and component-level acquisition and financial management officials.

*What GAO Recommends*

GAO is not making any new recommendations in this statement. It has made numerous recommendations in its prior work to strengthen acquisition management, and DHS is taking steps to address them.

HOMELAND SECURITY.—OBSERVATIONS ON DHS'S OVERSIGHT OF MAJOR ACQUISITIONS  
AND EFFORTS TO MATCH RESOURCES TO NEEDS

*What GAO Found*

GAO has previously established that the Department of Homeland Security's (DHS) acquisition policy reflects many sound program management practices intended to mitigate the risks of cost growth and schedule slips. The policy largely reflects the knowledge-based approach used by leading commercial firms, which do not pursue major investments without demonstrating, at critical milestones, that their products are likely to meet cost, schedule, and performance objectives. DHS policy requires that important acquisition documents be in place and approved before programs are executed. For example, one key document is an acquisition program baseline, which outlines a program's expected cost, schedule, and the capabilities to be delivered to the end-user. However, in September 2012, GAO found that the Department did not implement the policy consistently, and that only 4 of 66 programs had all of the required documents approved in accordance with DHS's policy. GAO made five recommendations, which DHS concurred with, identifying actions DHS should take to mitigate the risk of poor acquisition outcomes and strengthen management activities. Further, GAO reported that the lack of reliable performance data hindered DHS and Congressional oversight of the Department's major programs. Officials explained that DHS's culture had emphasized the need to rapidly execute missions more than sound acquisition management practices. GAO also reported that most of the Department's major programs cost more than expected, took longer to deploy than planned, or delivered less capability than promised. DHS has taken steps to improve acquisition management, but as part of its on-going work, GAO found that DHS recently waived documentation requirements for 42 programs fielded for operational use since 2008. DHS explained it would be cost-prohibitive and inefficient to recreate documentation for previous acquisition phases. GAO plans to obtain more information on this decision and its effect on the management of DHS's major acquisitions. DHS's July 2013 status assessment indicated that, as of the end of fiscal year 2012, many major programs still face cost and schedule shortfalls. DHS expects to provide another update in the near future.

In December 2012, DHS's Chief Financial Officer reported that the Department faced a 30 percent gap between expected funding requirements for major acquisition programs and available resources. DHS has efforts underway to develop a more disciplined and strategic approach to managing its portfolio of major investments, but the Department has not yet developed certain policies and processes that could help address its affordability issues. In September 2012, GAO reported that DHS largely made investment decisions on a program-by-program and component-by-component basis and did not have a process to systematically prioritize its major investments. In GAO's work at the Department of Defense, it has found this approach hinders efforts to achieve a balanced mix of programs that are affordable and feasible and that provide the greatest return on investment. DHS's proposed Integrated Investment Life Cycle Model (IILCM) is intended to improve portfolio management by ensuring mission needs drive investment decisions. For example, a high-level oversight body would identify potential trade-offs among DHS's component agencies. GAO has recommended such an oversight body for several years. Full implementation of the IILCM may be several years away. GAO will continue to assess the Department's progress in its on-going work.

Chairman Duncan, Ranking Member Barber, and Members of the subcommittee: Thank you for the opportunity to discuss acquisition management at the Department of Homeland Security (DHS), as well as to discuss some lessons learned from our prior work comparing the Department of Defense's (DoD) acquisition practices to those of leading commercial companies. As you know, we have highlighted DHS acquisition management issues in our high-risk list since 2005.<sup>1</sup> Over the past several years, our work has identified significant shortcomings in the Department's ability to manage an expanding portfolio of major acquisitions, and in response to our recommendations, DHS has taken steps to improve acquisition management.<sup>2</sup> We believe it is important for DHS to continue to address these shortcomings because the Department invests extensively in acquisition programs to help it execute its many critical missions. DHS and its underlying components are acquiring sys-

<sup>1</sup> GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, DC: January 2005).

<sup>2</sup> For examples, see GAO, *Department of Homeland Security: Billions Invested in Major Programs Lack Appropriate Oversight*, GAO-09-29 (Washington, DC: Nov. 18, 2008); *Department of Homeland Security: Assessments of Selected Complex Acquisitions*, GAO-10-588SP (Washington, DC: June 30, 2010); *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs*, GAO-12-833 (Washington, DC: Sept. 18, 2012).

tems to help secure the border, increase marine safety, screen travelers, enhance cybersecurity, improve disaster response, and execute a wide variety of other operations. In 2011, DHS reported to Congress that it planned to ultimately invest \$167 billion in its major acquisition programs. In fiscal year 2013 alone, DHS reported it planned to spend more than \$9.6 billion on these programs.

My statement today draws from our prior work on DHS acquisition management and leading commercial companies' approach to managing their large investments, work we have done in the context of DoD's approach to managing its large acquisitions.<sup>3</sup> The statement also includes observations from our on-going review of DHS's acquisition funding process, which we are conducting at the request of this subcommittee. This statement discusses: (1) DHS's acquisition policy and how it has been implemented; and (2) DHS's mechanisms for managing emerging affordability issues. For our prior work, we surveyed all 77 major acquisition program offices that DHS identified in 2011 and achieved a 92 percent response rate.<sup>4</sup> We also reviewed all available Department-level acquisition decisions from November 2008 to April 2012 and interviewed acquisition officials at DHS headquarters and components. To determine the extent to which DHS has policies in place to effectively manage individual acquisition programs, as well as the Department's acquisition portfolio as a whole, we compared our key acquisition management practices to DHS acquisition policy, and identified the extent to which DHS has implemented its policy.<sup>5</sup> More detailed information on our scope and methodology for our prior work can be found in the relevant reports. To support our on-going audit, from March to September 2013, we reviewed key documentation and interviewed acquisition and financial management officials at DHS headquarters and components to understand DHS's affordability issues and the Department's plans to address these issues. We are also following up on prior recommendations.

The work underlying this statement was conducted 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.

#### BACKGROUND

DHS Acquisition Management Directive 102-01 (MD 102) and an accompanying instruction manual establish the Department's policies and processes for managing major acquisition programs. While DHS has had an acquisition management policy in place since October 2004, the Department issued the initial version of MD 102 in 2008.<sup>6</sup> Further, senior leaders in the Department are responsible for acquisition management functions, including managing the resources needed to fund major programs.

- DHS's Chief Acquisition Officer—currently the Under Secretary for Management (USM)—is responsible for the management and oversight of the Department's acquisition policies and procedures.<sup>7</sup>
- The Acquisition Decision Authority is responsible for approving the movement of programs through the acquisition life cycle at key milestone events.<sup>8</sup> The USM or Deputy Secretary serve as the decision authority for programs with life-cycle cost estimates of \$1 billion or greater, while the cognizant component ac-

<sup>3</sup>GAO, *Best Practices: An Integrated Portfolio Management Approach to Weapon System Investments Could Improve DoD's Acquisition Outcomes*, GAO-07-388, (Washington, DC: March 30, 2007); GAO-09-29; GAO-10-588SP; *Defense Acquisitions: Assessments of Selected Weapon Programs*, GAO-11-233SP (Washington, DC: March 29, 2011); GAO-12-833.

<sup>4</sup>DHS originally identified 82 major acquisition programs in the 2011 major acquisition oversight list, but five of those programs were subsequently canceled in 2011. Seventy-one program managers responded to the survey.

<sup>5</sup>Appendix II of GAO-12-833 identifies key acquisition management practices established in our previous reports examining DHS, the Department of Defense, National Aeronautics and Space Administration, and private-sector organizations.

<sup>6</sup>The interim version of MD 102 replaced Management Directive 1400, which had governed major acquisition programs since 2006. DHS originally established an investment review process in 2003 to provide Departmental oversight of major investments throughout their life cycles, and to help ensure that funds allocated for investments through the budget process are well-spent. DHS issued an updated version of MD 102 in January 2010 and subsequently updated the guidebook and appendices.

<sup>7</sup>The Secretary of DHS designated the USM the Department's Chief Acquisition Officer in April 2011.

<sup>8</sup>See GAO-12-833 for descriptions of the four phases of the acquisition life cycle and the documents requiring Department-level approval at Acquisition Decision Events.



quisition executive may serve as the decision authority for a program with a lower-cost estimate.

- The DHS Acquisition Review Board (ARB) supports the Acquisition Decision Authority by reviewing major acquisition programs for proper management, oversight, accountability, and alignment with the Department's strategic functions at the key acquisition milestones and other meetings as needed.
- The ARB is supported by the Office of Program Accountability and Risk Management (PARM), which reports to the USM and is responsible for DHS's overall acquisition governance process. In March 2012, PARM issued its first Quarterly Program Accountability Report (QPAR), which provided an independent evaluation of major programs' health and risks. Since that time, PARM has issued two additional QPARs, most recently in July 2013, and plans to issue a fourth by the end of September 2013. PARM also prepares the Comprehensive Acquisition Status Reports, which are to be submitted to the appropriations committees with the President's budget proposal and updated quarterly.<sup>9</sup>
- The Office of Program Analysis and Evaluation (PA&E), within the Office of the Chief Financial Officer, is responsible for advising the USM, among others, on resource allocation issues. PA&E also oversees the development of the Future Years Homeland Security Program (FYHSP). The FYHSP is DHS's 5-year funding plan for programs approved by the Secretary that are to support the Department's strategic plan.<sup>10</sup>

SOUND ACQUISITION MANAGEMENT POLICY HAS NOT BEEN IMPLEMENTED  
CONSISTENTLY AND MANY PROGRAMS HAVE PERFORMED POORLY

DHS acquisition policy reflects many key program management practices intended to mitigate the risks of cost growth and schedule slips.<sup>11</sup> However, we previously found that the Department did not implement the policy consistently. Officials explained that DHS's culture emphasized the need to rapidly execute missions more than sound acquisition management practices, and we found that senior leaders did not bring to bear the critical knowledge needed to accurately track program performance. Most notably, we found that most programs lacked approved acquisition program baselines, which are critical management tools that establish how systems will perform, when they will be delivered, and what they will cost. We also reported that most of the Department's major programs were at risk of cost growth and schedule slips as a result.

DHS ACQUISITION POLICY GENERALLY REFLECTS KEY PROGRAM MANAGEMENT  
PRACTICES IDENTIFIED AT COMMERCIAL ORGANIZATIONS

In our past work examining DoD weapon acquisition issues and best practices for product development, we have found that leading commercial firms pursue an acquisition approach that is anchored in knowledge, whereby high levels of product knowledge are demonstrated by critical points in the acquisition process.<sup>12</sup> While DoD's major acquisitions have unique aspects, our large body of work in this area has established knowledge-based principles that can be applied to Government agencies and can lead to more effective use of taxpayer dollars.

A knowledge-based approach to capability development allows developers to be reasonably certain, at critical points in the acquisition life cycle, that their products are likely to meet established cost, schedule, and performance objectives. This knowledge provides them with information needed to make sound investment decisions. Over the past several years, our work has emphasized the importance of obtaining key knowledge at critical points in major system acquisitions and, based on this work, we have identified eight key practice areas for program management. These key practice areas are summarized in table 1, along with our assessment of DHS's acquisition policy.

<sup>9</sup> Consolidated and Further Continuing Appropriations Act, 2013, Pub. L. No. 113–6, 127 Stat. 198, 343.

<sup>10</sup> 6 U.S.C. § 454.

<sup>11</sup> The reference to DHS acquisition policy, for purposes of this testimony, consists of MD 102–01, and an associated guidebook.

<sup>12</sup> GAO–11–233SP.

TABLE 1.—GAO ASSESSMENT OF DHS'S ACQUISITION POLICY COMPARED TO KEY PROGRAM-MANAGEMENT PRACTICES

GAO Key Practice Area	Summary of Key Practices	GAO Assessment of DHS's Acquisition Policy
Identify and validate needs .....	Current capabilities should be identified to determine if there is a gap between the current and needed capabilities. A need statement should be informed by a comprehensive assessment that considers the organization's overall mission.	DHS policy reflects key practices.
Assess alternatives to select most appropriate solution.	Analyses of Alternatives should be conducted early in the acquisition process to compare key elements of competing solutions, including performance, costs, and risks. Moreover, these analyses should assess many alternatives across multiple concepts.	DHS policy reflects key practices.
Clearly establish well-defined requirements.	Requirements should be well-defined and include input from operators and stakeholders. Programs should be grounded in well-understood concepts of how systems would be used and likely requirements costs.	DHS policy reflects key practices.
Develop realistic cost estimates and schedules.	A cost estimate should be well-documented, comprehensive, accurate, and credible. A schedule should identify resources needed to do the work and account for how long all activities will take. Additionally, a schedule should identify relationships between sequenced activities.	DHS policy reflects key practices.
Secure stable funding that matches resources to requirements.	Programs should make trade-offs as necessary when working in a constrained budget environment.	DHS policy reflects key practices.
Demonstrate technology, design, and manufacturing maturity. Utilize milestones and exit criteria.	Capabilities should be demonstrated and tested prior to system development, making a production decision, and formal operator acceptance. Milestones and exit criteria—specific accomplishments that demonstrate progress—should be used to determine that a program has developed required and appropriate knowledge prior to a program moving forward to the next acquisition phase.	DHS policy partially reflects key practices. DHS policy substantially reflects key practices.
Establish an adequate workforce	Acquisition personnel should have appropriate qualifications and experience. Program managers should stay on until the end of an acquisition life-cycle phase to assure accountability. Government and contractor staff should also remain consistent.	DHS policy partially reflects key practices.

Source: GAO analysis of DHS acquisition policy.

As indicated in table 1, DHS acquisition policy establishes several key program-management practices through document requirements. MD 102 requires that major acquisition programs provide the ARB documents demonstrating the critical knowledge needed to support effective decision making before progressing through the acquisition life cycle. Figure 1 identifies acquisition documents that must be approved at the Department-level and their corresponding key practice areas.

FIGURE 1.—DHS ACQUISITION DOCUMENTS REQUIRING DEPARTMENT-LEVEL APPROVAL

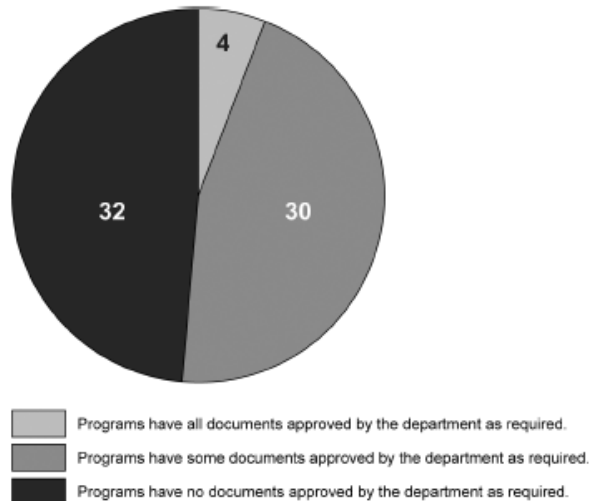
GAO Key Practice Area	Key Acquisition Documents Required by DHS Acquisition Policy	Phase For Which Document Is Required
Identify and Validate Needs.	Mission Need Statement	Analyze/Select.
Clearly established well-defined requirements.	Operational Requirements Document.	Obtain.
Secure stable funding that matches resources to requirements.	Acquisition Program Baseline.	Obtain.
Develop realistic cost estimates and schedules.	Integrated Logistics Support Plan.	Obtain.
Demonstrate technology, design, and manufacturing maturity.	Test and Evaluation Master Plan.	Produce/Deploy/Support.

Source.—GAO analysis of DHS acquisition policy.

*DHS Has Not Consistently Implemented Its Acquisition Policy*

DHS acquisition policy has required these documents since November 2008, but in September 2012, we reported that the Department generally had not implemented this policy as intended, and had not adhered to key program management practices. For example, we reported that DHS had only approved 4 of 66 major programs' required documents in accordance with the policy. See figure 2.

**Figure 2: Programs That Had Key Acquisition Documents Approved in Accordance with MD 102**



Source: GAO analysis of survey data, DHS acquisition decision memoranda, and DHS acquisition policy.

**Note:** When we issued our September 2012 report, PARM officials told us that 10 of the 32 programs with no documents approved were in sustainment at the time MD 102 was signed, and so was 1 of the 30 programs with some documents approved—the Application Support Center. DHS approved the Application Support Center's Mission Need Statement and Acquisition Program Baseline in March 2011.

In September 2012, we reported that DHS leadership had, since 2008, formally reviewed 49 of the 71 major programs for which officials had responded to our survey. Of those 49 programs, DHS permitted 43 programs to proceed with acquisition activities without verifying the programs had developed the knowledge required under MD 102. Additionally, we reported that most of DHS's major acquisition programs lacked approved acquisition program baselines, as required. These baselines are critical tools for managing acquisition programs, as they are the agreement between program-, component-, and Department-level officials, establishing how systems will perform, when they will be delivered, and what they will cost.<sup>13</sup> Officials from half of the eight components' acquisition offices we spoke with, as well as PARM officials, noted that DHS's culture had emphasized the need to rapidly execute missions more than sound acquisition management practices. PARM officials explained that, in certain instances, programs were not capable of documenting knowledge, while in others, PARM lacked the capacity to validate that the documented knowledge was adequate.

As a result, we reported that senior leaders lacked the critical knowledge needed to accurately track program performance, and that most of the Department's major programs were at risk of cost growth and schedule slips. We also reported that DHS's lack of reliable performance data not only hindered its internal acquisition management efforts, but also limited Congressional oversight. We made five recommendations to the Secretary of Homeland Security at that time, identifying specific actions DHS should take to mitigate the risk of poor acquisition outcomes and strengthen the Department's investment management activities. DHS concurred with all five recommendations, and is taking steps to address them, most notably through policy updates.

Since that time, we have continued to assess DHS's acquisition management activities and the reliability of the Department's performance data. We currently have a review underway for this subcommittee assessing the extent to which DHS is executing effective executive oversight and governance (including the quality of the

<sup>13</sup>DHS Acquisition Instruction/Guidebook 102-01-001: Appendix K, Acquisition Program Baseline; October 1, 2011.

data used) of a major effort to modernize an information technology system, TECS. TECS is a major border enforcement system used for preventing terrorism, providing border security and law enforcement information about people who are inadmissible or may pose a threat to the security of the United States. We are: (1) Determining the status of the modernization effort, including what has been deployed and implemented to date, as well as the extent to which the modernization is meeting its cost and schedule commitments, including the quality of schedule estimates; and (2) assessing requirements management and risk management practices. We plan to issue our report in early November.

According to DHS officials, its efforts to implement the Department's acquisition policy were complicated by the large number of programs initiated before the Department was created, including 11 programs that PARM officials told us in 2012 had been fielded and were in the sustainment phase when MD 102 was signed.<sup>14</sup> As part of our on-going work, we found that, in May 2013, the USM waived the acquisition documentation requirements for 42 major acquisition programs that he identified as having been already fielded for operational use when MD 102 was issued in 2008. In a memo implementing the waiver, the USM explained that it would be cost-prohibitive and inefficient to recreate documentation for previous acquisition phases. However, he stated that the programs will continue to be monitored, and that they must comply with MD 102 if any action is taken that materially impacts the scope of the current program, such as a major modernization or new acquisition. We plan to obtain more information on this decision and its effect on the Department's management of its major acquisitions.

*Most DHS Major Acquisition Programs Have Experienced Cost Overruns or Schedule Delays*

In September 2012, we reported that most of DHS's major acquisition programs cost more than expected, took longer to deploy than planned, or delivered less capability than promised. We reported that these outcomes were largely the result of DHS's lack of adherence to key knowledge-based program management practices. As part of our on-going work, we analyzed a recent PARM assessment that suggests many of the Department's major acquisition programs are continuing to struggle. In its July 2013 quarterly program assessment, PARM reported that it had assessed 112 major acquisition programs. PARM reported that 37 percent of the programs experienced no cost variance at the end of fiscal year 2012, but it also reported that a large percentage of the programs were experiencing cost or schedule variances at that time. See table 2.

TABLE 2.—PARM'S ASSESSMENT OF 112 MAJOR ACQUISITION PROGRAMS AS OF THE END OF FISCAL YEAR 2012

	Percentage of Programs With Cost Variance	Percentage of Programs With Schedule Variance
None .....	37	21
Minimal (1–3 percent) .....	12	9
Moderate (3–8 percent) .....	14	21
High (8–10 percent) .....	2	2
Significant (over 10 percent) .....	36	47

Source.—GAO analysis of PARM data.

Note.—Percentages do not add to 100 due to rounding. PARM established the variance categories in the July 2013 QPAR.

However, as we reported in September 2012, DHS acquisition programs generally did not have the reliable cost estimates and realistic schedules needed to accurately assess program performance. We will continue to track DHS's efforts to improve the quality of its program assessments moving forward.

<sup>14</sup> Sustainment begins when a capability has been fielded for operational use, and it involves the supportability of fielded systems through disposal, including maintenance and the identification of cost reduction opportunities. System operations, support, and sustainment costs tend to approach up to 70 percent of life-cycle costs.

DHS IS IN EARLY STAGES OF DEVELOPING A PORTFOLIO MANAGEMENT APPROACH TO  
MITIGATE GAP BETWEEN RESOURCES AND NEEDS

We have previously reported that cost growth and schedule slips at the individual program level complicated DHS's efforts to manage its investment portfolio as a whole. When programs encountered setbacks, the Department often redirected funding to troubled programs at the expense of others, which in turn were more likely to struggle. DHS's Chief Financial Officer recently issued a memo stating that DHS faced a 30 percent gap between funding requirements for major acquisition programs and available resources. DHS has efforts underway to develop a more disciplined and strategic portfolio management approach, but the Department has not yet developed key portfolio management policies and processes that could help the Department address its affordability issues, and DHS's primary portfolio management initiative may not be fully implemented for several years.

*The DHS Major Acquisition Portfolio Is Unaffordable*

In September 2012, we noted that DHS's acquisition portfolio may not be affordable. That is, the Department may have to pay more than expected for less capability than promised, and this could ultimately hinder DHS's day-to-day operations.<sup>15</sup> As part of our on-going work, we learned that DHS's Chief Financial Officer issued an internal memo in December 2012, shortly after our report was issued, stating that the aggregate 5-year funding requirements for major acquisitions would likely exceed available resources by approximately 30 percent. This acknowledgment was a positive step toward addressing the Department's challenges, in that it clearly identified the need to improve the affordability of the Department's major acquisition portfolio. Additionally, the Chief Financial Officer has required component senior financial officers to certify that they have reviewed and validated all current, prior, and future-year funding information presented in ARB materials, and ensure it is consistent with the FYHSP. Additionally, through our on-going work, PA&E officials told us that the magnitude of the actual funding gap may be even greater than suggested because only a small portion of the cost estimates that informed the Chief Financial Officer's analysis had been approved at the Department level, and expected costs may increase as DHS improves the quality of the estimates. This is a concern we share. While holding components accountable is important, without validated and Department-approved documents—such as acquisition program baselines and life-cycle cost estimates—efforts to fully understand and address the Department's overall funding gap will be hindered.

*DHS Policy and Process Initiatives Are Intended to Improve Portfolio Management Efforts and Help Address Affordability Issues*

In September 2012, we reported that DHS largely made investment decisions on a program-by-program and component-by-component basis. DHS did not have a process to systematically prioritize its major investments to ensure that the Department's acquisition portfolio was consistent with anticipated resource constraints. In our work at DoD, we have found this approach hinders efforts to achieve a balanced mix of programs that are affordable and feasible and that provide the greatest return on investment.<sup>16</sup>

In our past work focused on improving weapon system acquisitions, we found that successful commercial companies use a disciplined and integrated approach to prioritize needs and allocate resources.<sup>17</sup> As a result, they can avoid pursuing more projects than their resources can support, and better optimize the return on their investment. This approach, known as portfolio management, requires companies to view each of their investments as contributing to a collective whole, rather than as independent and unrelated.

With an enterprise perspective, companies can effectively: (1) Identify and prioritize opportunities, and (2) allocate available resources to support the highest priority—or most promising—investment opportunities. Over the past several years, we have examined the practices that private and public-sector entities use to achieve a balanced mix of new projects, and based on this work, we have identified key practice areas for portfolio management. One I would like to highlight today is that investments should be ranked and selected using a disciplined process to assess the costs, benefits, and risks of alternative products to ensure transparency and comparability across alternatives.

In this regard, DHS established the Joint Requirements Council (JRC) in 2003, to identify cross-cutting opportunities and common requirements among DHS com-

<sup>15</sup> GAO-12-833.

<sup>16</sup> GAO-07-388.

<sup>17</sup> GAO-07-388.

ponents and help determine how DHS should use its resources. But the JRC stopped meeting in 2006 after the chair was assigned to other duties within the Department.<sup>18</sup> In 2008, we recommended that it be reinstated, or that DHS establish another joint requirements oversight board, and DHS officials recognized that strengthening the JRC was a top priority. Through our on-going work, we have identified that DHS recently piloted a Capabilities and Requirements Council (CRC) to serve in a similar role as the JRC. The CRC began reviewing a portfolio of cyber capabilities in the summer of 2013. The pilot is intended to inform the Department's fiscal year 2015 budget request; therefore, it is too soon to assess the outcomes of this new oversight body. It is also unknown at this time how DHS will sustain the CRC over time or what its outcomes will be.

In addition to private and public-sector practices, which we discuss above, our prior work at DoD has identified an oversight body similar to the CRC's expected function. The Joint Requirements Oversight Council (JROC) has a number of statutory responsibilities related to the identification, validation, and prioritization of joint military requirements. This body, which has been required by law since 1997, and its supporting organizations review requirements documents several times per year, prior to major defense acquisition programs' key milestones. Through these reviews, proposed acquisition programs are scrutinized prior to their initiation and before decisions are made to begin production. The JROC also takes measures to help ensure the programs are affordable. In 2011, we reported that the JROC required the military services to show that their proposed programs were fully funded before it validated requirements for 5 of the 7 proposed programs we reviewed.<sup>19</sup> The two other proposed programs were funded at more than 97 and 99 percent, respectively.<sup>20</sup> This full funding requirement is similar to the funding certification requirement DHS's CFO established in December 2012. While some DoD acquisition programs continue to experience cost growth and schedule delays, as identified in our annual report on weapon systems acquisitions, the Department does have in place mechanisms that DHS could adopt to improve the affordability of its acquisition portfolio, and put its acquisition programs in a better position to achieve successful outcomes.<sup>21</sup>

In September 2012, we reported that the CRC is one of several new councils and offices that DHS would establish as part of its Integrated Investment Life Cycle Model (IILCM), which is intended to improve portfolio management at DHS through the identification of priorities and capability gaps. This model, which the Department proposed in January 2011, would provide a framework for information to flow between councils and offices responsible for strategic direction, requirements development, resource allocation, and program governance. DHS explained that the IILCM would ensure that mission needs drive investment decisions.

While the IILCM, as envisioned, could improve DHS management decisions by better linking missions to acquisition outcomes, our on-going work indicates that its full implementation may be several years away. From January 2011 to June 2012, the schedule for initiating IILCM operations slipped by a year, and in May 2013, a DHS official responsible for the IILCM told us he was unsure when the IILCM would be fully operational. We also found that some component acquisition officials are not aware of how the IILCM would apply to their own acquisition portfolios. Some of the officials we interviewed told us that DHS leadership needs to conduct more outreach and training about the IILCM and how it is expected to work, and a DHS headquarters official told us that the Department is in the process of implementing an initial Department-wide IILCM communications strategy. We will continue to assess the Department's progress in implementing what it views as a very important management model.

Chairman Duncan, Ranking Member Barber, and Members of the subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

Mr. DUNCAN. Well, thank you so much for that.

The Chairman will now recognize Ms. Richards for her testimony. Then we will begin our line of questioning. Ms. Richards.

<sup>18</sup> GAO-09-29.

<sup>19</sup> GAO, *DoD Weapon Systems: Missed Trade-off Opportunities During Requirements Reviews*, GAO-11-502, (Washington, DC: June 16, 2011).

<sup>20</sup> In this context, full funding referred to a budgetary allocation in the future-years defense program.

<sup>21</sup> GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, GAO-13-249SP, (Washington, DC: March 28, 2013).

**STATEMENT OF ANNE L. RICHARDS, ASSISTANT INSPECTOR  
GENERAL FOR AUDITS, OFFICE OF INSPECTOR GENERAL,  
U.S. DEPARTMENT OF HOMELAND SECURITY**

Ms. RICHARDS. Good afternoon, Chairman Duncan, Ranking Member Barber, and Members of the subcommittee. Thank you for inviting me here today to discuss the Department of Homeland Security's acquisition practices.

Acquisition management is a complex, but critical, process made more challenging by the magnitude and diversity of the Department's procurements. Effective acquisition management requires careful planning and oversight. DHS is making progress creating a comprehensive acquisition framework to ensure that procured goods and services are cost-efficient and meet mission needs. Nevertheless, the Department continues to be challenged in implementing sound acquisition practices.

DHS has issued an acquisition management policy and has established the Office of Program Accountability and Risk Management, called PARM, to oversee all major acquisitions. PARM is also responsible for guiding managers and major investments through key acquisition decision points.

Today, I will focus on two recent audits that highlight two persistent challenges DHS faces in acquisition management, establishing an effective, high-level governing structure that can identify mission needs, coordinate assets, and guide investment decisions, and gathering reliable data to develop acquisition strategies and plans.

To review acquisitions, the Department has designed a process with a governance structure, but this process is not always followed. In our audit of the H-60 helicopter program, we found that DHS did not ensure CBP addressed concerns about its acquisition plans or comply with acquisition guidance. Specifically, CBP continued with its acquisition without addressing the concerns of the office of the chief procurement officer on the areas of noncompliance that PARM had identified in a draft acquisition decision memo. Had PARM issued a final acquisition decision memo, CBP might have been required to address those areas of noncompliance.

Further, we found that CBP disregarded direction from the Department to coordinate its helicopter program with the Coast Guard. We estimated that CBP might have saved as much as \$126 million and would finish the modernization of its helicopters 7 years soon if it coordinated with the Coast Guard to complete the project.

We also recently audited management of radio communication programs at four DHS components: CBP, ICE, the Secret Service, and the Coast Guard. We determined that DHS cannot make sound investment and management decisions on radios and support infrastructure because it doesn't have reliable, Department-wide inventory data or an effective governance structure to guide decisions.

This is due in part to the difficulty of coordinating the legacy radio systems brought into the Department when it was created. DHS does not have Department-wide policies to identify common data elements to standardize definitions and radio inventory management requirements, which would allow them compare radio equipment across component lines.



Components use different systems to record and manage inventory, and they do not consistently record radio inventory, which results in inaccurate and incomplete data.

Unreliable radio inventory data makes it difficult to plan, budget, schedule, and acquire upgrades and replacements, as well as identify resources that could be shared to save costs or address critical shortages. For example, we found that two components purchased radio equipment that was never used, while a third component needed that very same equipment.

Reliable Department-wide data would help DHS prioritize its needs, plan cost-efficient investments, and assist in planning for future acquisitions. This is a critical issue right now, as the Department works to modernize its radio communication equipment through a contract that could cost as much as \$3 billion.

Effective acquisition management requires that the Department develop specific, well-defined strategies to identify mission needs, gather reliable data on its current assets, and coordinate assets where possible to find cost efficiencies. DHS must also oversee and review component acquisitions to make certain that they are thoroughly planned and comply with established processes.

A strong, centralized governing structure is essential to accomplishing these tasks. These are difficult challenges, but they are not insurmountable, and DHS has already begun taking the steps to implement the recommendations from these two audits. We are continuing our efforts to help the Department identify ways to improve its acquisition management.

Mr. Chairman, this concludes my prepared statement. I welcome any questions you or the Members of the subcommittee may have. [The prepared statement of Ms. Richards follows:]

PREPARED STATEMENT OF ANNE L. RICHARDS

SEPTEMBER 19, 2013

Good afternoon Chairman Duncan, Ranking Member Barber, and Members of the subcommittee. Thank you for inviting me here today to discuss the Department of Homeland Security's (DHS) acquisition practices.

Acquisition management is a complex, but critical, process made more challenging by the magnitude and diversity of the Department's procurements. Effective acquisition management requires careful planning and oversight of processes, solid internal controls, and compliance with laws and regulations. DHS is making progress in creating a comprehensive acquisition framework of policies, procedures, and entities to streamline its acquisition practices and ensure that procured goods and services meet mission needs cost-efficiently. Nevertheless, the Department continues to be challenged in implementing sound acquisition practices.

In my testimony today, I will provide some background information on DHS' acquisition management and then focus on two recent audits that illustrate challenges facing DHS' acquisition management, that is, the Department's ability to establish an effective, high-level governing structure to coordinate Department-wide assets and guide investment decisions, gather reliable inventory data, develop acquisition strategies and plans, and oversee the acquisition process to ensure compliance with established policies. Such a governing structure would assist DHS in identifying efficiencies, preventing waste, and allocating resources across the Department.

#### DHS' ACQUISITION MANAGEMENT POLICIES AND ENTITIES

Acquisition management is a complex process that goes beyond simply awarding a contract. It begins with the identification of a mission need and continues with the development of a strategy to fulfill that need while balancing cost, schedule, and performance. Acquisition management also entails managing operational and life-cycle requirements—from formulating concepts of operations, developing sound busi-

ness strategies, and exercising prudent financial management to assessing trade-offs and managing program risks.

DHS has issued policies and procedures and established various entities to oversee its components' acquisitions. Specifically, *Acquisition Management Directive 102-01* (MD 102-01) provides overall policy and structure for acquisition management in the Department.

In fiscal year 2011, the Department created the Office of Program Accountability and Risk Management (PARM), which is responsible for overseeing all of DHS' major acquisitions. PARM reports directly to the Under Secretary for Management, manages and implements MD 102-01, serves as the Executive Secretariat to the Acquisition Review Board (ARB) and the Component Acquisition Executive 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 emerging issues that DHS needs to address. DHS has established a Joint Requirements Council to review high-dollar acquisitions, that is, Level 1 acquisitions that exceed \$1 billion and Level 2 acquisitions of \$300 million to \$1 billion, and to make recommendations to the ARB on cross-cutting savings opportunities. DHS also created Centers of Excellence to assist in improving performance.

The Department has also developed the Decision Support Tool to aid in monitoring and oversight. This web-enabled tool provides DHS leaders, governance boards, and program managers with a central dashboard to assess and track the health of major acquisition projects, programs, and portfolios. The Department's goal is to improve program accountability and to strengthen the ability to make sound strategic decisions throughout the life cycle of major acquisitions. On October 1, 2011, the Decision Support Tool became the official source of Acquisition Decision Event (ADE) information and data; it is used to provide ARBs with standardized information.

On February 13, 2012, DHS issued a memorandum to all components and programs to ensure that, on a monthly basis, all acquisition program information reported in the Department's existing data systems is complete, accurate, and valid.

DHS envisions becoming more data-driven, with emphasis on the criticality of maintaining quality data in its source systems. The Department created the Comprehensive Acquisition Status Report (CASR), which provides the status of DHS major acquisitions listed in the *Department of Homeland Security Major Acquisition Oversight List*. The new CASR format increases the quality of information and can be produced more quickly. As the Department's business intelligence capability and data fidelity efforts continue to mature, the condensed time line will leverage Decision Support Tool automation data to feed the CASR in real time.

#### ACQUISITION LIFE CYCLE FRAMEWORK

The Department classifies 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. The Department oversees level 1 and level 2 acquisition programs. For level 1 acquisitions, those that equal or exceed \$1 billion, the Acquisition Decision Authority is the Deputy Secretary. For level 2 acquisitions of \$300 million to \$1 billion, the Acquisition Decision Authority is the Chief Acquisition Officer. Components are responsible for the oversight and controls for acquisition programs below the \$300 million threshold.

DHS adopted the acquisition life-cycle framework (ALF) to assure consistent and efficient acquisition management, support, review, and approval throughout the Department. The framework is designed to ensure that acquisitions are stable and well-managed; that the program manager has the tools, resources, and flexibility to execute the acquisition; that the product meets user requirements; and that the acquisition complies with applicable statutes, regulations, and policies.

The DHS ALF is a four-phase process that DHS uses to determine whether to proceed with an acquisition:

- (1) *Need*.—Identify the need that the acquisition will address;
- (2) *Analyze/Select*.—Analyze the alternatives to satisfy the need and select the best option;
- (3) *Obtain*.—Develop, test, and evaluate the selected option and determine whether to approve production; and
- (4) *Product/Deploy/Support*.—Produce and deploy the selected option and support it throughout the operational life cycle.

Each phase leads to an ADE, a predetermined point within an acquisition phase at which the acquisition will undergo a review prior to commencing the next phase.

The review is designed to ensure that needs are aligned with DHS' strategic direction, and that upcoming phases are adequately planned.

Prior to every ADE, components are required to submit acquisition documents to the ARB for review, including:

- *Mission Needs Statement*.—Synopsizes specific functional capabilities required to accomplish the Department's mission and objectives, along with deficiencies and gaps in these capabilities.
- *Capability Development Plan*.—Defines how critical knowledge to inform decisions will be obtained, defines the objectives, activities, schedule, and resources for the next phase.
- *Acquisition Plan*.—Provides a top-level strategy for future sustainment and support and a recommendation for the acquisition approach and types of acquisition.

Each phase ends with a presentation to the ARB, the cross-component board in the Department composed of senior-level decision makers. The ARB determines whether a proposed acquisition meets the requirements of key phases in the ALF and is able to proceed to the next phase and eventual full production and deployment.

The Acquisition Review Process is followed to prepare for an ARB and to ensure appropriate implementation of the ARB's decisions.

#### DHS' MANAGEMENT OF ITS AVIATION ASSETS AND CBP'S H-60 ACQUISITION

In our May 2013 report, *DHS' H-60 Helicopter Programs* (OIG-13-89, Revised), we noted that the United States Coast Guard (USCG) properly managed its H-60 helicopter program, but the Department and U.S. Customs and Border Protection (CBP) did not effectively oversee or manage the acquisition, conversion, and modification of CBP's H-60 helicopters.

DHS established processes and procedures to govern its aviation assets and provide acquisition oversight. However, these efforts did not fully coordinate the acquisition, conversion, and modification of DHS aviation assets, and did not control acquisition costs, schedules, or performance. Department governance of aviation assets has been sporadic, and acquisition oversight in some components has been ineffective. As a result, DHS has not implemented a comprehensive aviation strategy and did not properly oversee CBP's acquisition of the H-60s.

#### DHS GOVERNANCE OF AVIATION ASSETS

DHS has no formal structure to govern the Department's aviation assets and no specific senior official to provide expert independent guidance on aviation issues to DHS senior management. Over the past 9 years, DHS issued policies and established various entities to oversee its aviation assets and operations, but it did not sustain these efforts.

Since 2003, senior managers realized the need for a high-level structure to integrate the Department's components and help link cross-component aviation missions and capabilities. Over time, this oversight structure included Department-level management, with an Aviation Management Council started in 2005. Oversight was inconsistent, and the Aviation Management Council stopped meeting in 2007.

In 2009, Department-level oversight of DHS' aviation assets resumed. DHS' Office of Program Analysis and Evaluation (PA&E) ensures that components' operational plans align with the Department's needs and resources. A PA&E-led Aviation Issue Team reviewed potentially collocating component aviation facilities, finding commonality in component aviation assets, and combining component aviation-related information technology systems. The Under Secretary for Management recommended re-establishing the Aviation Management Council to lead DHS' efforts to strategically align aviation assets across the Department's components to improve effectiveness, efficiency, and interoperability.

In 2011, the Deputy Secretary established an Aviation Working Group, but the group did not have a charter, defined roles and responsibilities, or an independent aviation expert. It collected data on CBP and USCG missions, aircraft inventories, flight hours, and aviation resources; reviewed components' funding plans and opportunities for joint acquisitions beginning in fiscal year 2019; and considered an organizational structure for a Department-wide aviation office. However, according to senior PA&E officials, without a dedicated, independent aviation expert to lead an authoritative, decision-making entity, the Department was relying on unverified, component-provided information to make aviation-related decisions.

## DHS OVERSIGHT OF CBP'S H-60 ACQUISITION PROGRAM

DHS did not properly oversee CBP's acquisition of its H-60s. CBP did not take into account guidance from DHS' Office of the Chief Procurement Officer (OCPO) on its H-60 acquisition plan. In addition, PARM did not conduct a complete review of CBP's H-60 program because the Department did not ensure that CBP followed Departmental acquisition guidance and properly participated in the ARB process or coordinated with the ARB.

In 2007, CBP's Office of Air and Marine submitted its Congressionally-mandated acquisition plan, the *CBP Air and Marine National Strategic Plan 2007-2012*, which outlined how its aviation assets and acquisitions would support its mission. CBP approved its plan for acquiring 38 new and converted medium-lift helicopters on February 7, 2008, and submitted the plan to the OCPO.

In a March 3, 2008, memorandum to CBP, the OCPO noted that the acquisition plan included substantive issues that needed to be addressed. According to the OCPO, CBP should have had two separate H-60 plans, and both plans should independently go through the acquisition review process, which includes ARB review. The OCPO was also concerned that CBP—

- Had not clearly defined the period of performance for the acquisition;
- Did not have a complete life-cycle cost estimate;
- Had not completed a cost-benefit analysis to compare upgrading its existing fleet to purchasing new helicopters; and
- Had not used various contracting best practices.

Although they were aware of these concerns, CBP officials continued with the acquisition, signing an Interagency Agreement with the Army 3 days after receiving the OCPO memo.

According to a PARM official, CBP officials did not consider its Strategic Air and Marine Plan (StAMP) to be subject to the acquisition review process because the plan existed before the current acquisition review process had been established. However, according to MD 102-01, dated January 2010, the directive was to apply to all existing acquisition programs "to the maximum extent possible."

In addition, in a September 2011 StAMP briefing, CBP acknowledged that the conversion and modification of its 16 H-60 Alphas to Limas was still in the acquisition phase. Therefore, CBP's StAMP acquisition programs were subject to the acquisition review process, and CBP's H-60 acquisition, conversion, and modification programs should have participated more transparently in the ARB process.

In a March 11, 2010, Acquisition Decision Memorandum (ADM), the ARB concluded that CBP and the USCG were both pursuing H-60 conversions, and that it was important to understand whether the USCG H-60 conversion programs were compatible with CBP's prospective conversions and modifications. The ARB directed the USCG to collaborate with CBP and report on possible helicopter program synergies and present a joint review within 75 days.

The USCG hosted CBP officials at its Aviation Logistics Center, but both USCG and CBP officials said that a senior CBP executive canceled any reciprocal visits by USCG officials to CBP sites and instructed CBP H-60 program personnel not to have any further contact with USCG H-60 officials. Without CBP's cooperation, the USCG was unable to complete the joint review. PARM did not provide any further official direction to the components on the incomplete review, and the ARB did not determine why the joint review was not presented within the 75 days.

In a June 17, 2011, ADM, the ARB directed CBP to prepare for a program review. The ARB intended for CBP to document its acquisition program baselines, as well as present program acquisition documentation, to comply with MD 102-01. CBP provided its response to the June 17, 2011, ADM on September 23, 2011, and the official ARB review was cancelled.

As a result, PARM sent a draft ADM to CBP that "found the StAMP program to be non-compliant" for the following reasons:

- CBP's "inability to submit an acquisition program baseline for approval";
- CBP's "failure to submit other acquisition documentation in accordance with MD 102-01 for review and adjudication"; and,
- CBP's "inability to provide authoritative life cycle costs with supporting documentation for review and adjudication."

PARM did not issue a final signed ADM and acknowledged the limited effectiveness of providing a draft ADM to CBP. If PARM had issued a signed ADM documenting CBP's noncompliance, CBP would have been required to respond with an action plan addressing the identified issues.

In July 2012, a PARM official confirmed the need to divide CBP's StAMP into separate programs so the Department would have greater visibility into the numerous acquisition programs and projects included in the plan.

## CONCLUSION AND RECOMMENDATIONS

The Department could better govern its aviation assets under a formal entity led by a senior-level DHS employee with appropriate authority. In addition, CBP's H-60 programs remain subject to review and should participate in the ARB process. Therefore, we recommended that the Deputy Secretary direct CBP to apply all the requirements of the Acquisition Life Cycle Framework in MD 102-01 to each individual program or project within StAMP. DHS concurred with this recommendation, and CBP was directed to submit StAMP to PARM, which will oversee the plan in accordance with MD 102-01. Certain existing projects and new acquisition programs or projects that are currently part of StAMP will be required to progress through the acquisition life cycle. The ARB will make an acquisition decision as the programs and projects progress through the acquisition life cycle.

## DHS' MANAGEMENT OF ITS RADIO COMMUNICATION PROGRAM

In our August 2013 report, *DHS Needs to Manage Its Radio Communication Program Better* (OIG-13-113), we noted that DHS is unable to make sound investment decisions for radio equipment and supporting infrastructure because it is not effectively managing its radio communication program. DHS does not have reliable Department-wide inventory data or an effective governance structure to guide investment decision-making. As a result, DHS risks wasting taxpayer funds on equipment purchases and radio system investments that are not needed, sustainable, supportable, or affordable. Two DHS components we visited stored more than 8,000 radio equipment items valued at \$28 million for a year or longer at their maintenance and warehouse facilities, while some programs faced critical equipment shortages.

DHS components use different systems to record and manage personal property inventory data, including radio equipment. Components' inventory data indicates they do not record radio equipment consistently into their respective personal property systems. Our analysis and on-site testing of CBP, U.S. Immigration and Customs Enforcement (ICE), the United States Secret Service (USSS), and the USCG radio equipment inventories at technical maintenance facilities and warehouses indicated the inventories were inaccurate or incomplete. USSS and CBP also did not record new radio equipment in their inventory systems.

The four DHS components we reviewed did not report infrastructure real property inventory data consistently in the Real Property Inventory System (RPIS), and they also reported incomplete and inaccurate infrastructure real property data. The data the system captures is not sufficient to manage the radio communication program. Although it contains basic data fields for capturing elements needed to manage real property, RPIS does not capture the comprehensive data needed to manage radio programs. Managing radio programs and infrastructure is not limited to real property information, but also includes knowing the network, the backhaul (how the signal is transmitted), operating frequencies, and the type of equipment installed at each radio site. The DHS Office of Emergency Communications' *System Lifecycle Planning Guide*, dated August 2011, points out the importance of capturing this type of information in managing a radio system.

DHS does not have an effective governance structure over its radio communication program. Specifically, DHS has not implemented a governance structure with authority to establish policy, budget and allocate resources, and hold components accountable for managing radio programs and related inventory. During a prior audit of oversight of radio communication interoperability, DHS said that it established a structure with authority to ensure components achieve radio communications interoperability. However, that authority is limited to the acquisition and management of future communication networks. Components are independently managing their current radio programs with no formal coordination with the Department. As a result, management and investment decisions for the current DHS radio communication program are made using inconsistent, incomplete, and inaccurate real and personal property data.

Unreliable Department-wide radio inventory data has made it difficult for DHS officials to identify radio infrastructure and other resources that components could share to achieve cost savings or address critical shortages. DHS also risks wasting taxpayer dollars because of its ineffective management of radio equipment. For example, CBP and ICE stored 8,046 radio equipment items valued at \$28 million at maintenance facility warehouses for a year or longer, while some CBP program offices faced critical equipment shortages. In addition, two components purchased radio equipment that was never used in operations, while a third component needed the same equipment.

DHS is managing radio equipment and systems separately as personal property and real property rather than as a portfolio. A portfolio management approach is

key to achieving a balanced mix of executable programs and ensuring a good return on investments when determining needs and allocating fiscal resources. Portfolio management is also central to making informed decisions about the best way to allocate available equipment to ensure the right equipment is at the right locations and in the quantities needed to conduct mission operations.

#### CONCLUSION AND RECOMMENDATIONS

DHS needs a reliable Department-wide inventory to help it plan, budget, schedule, and acquire upgrades and replacements of its radio systems and equipment. A Department-wide inventory will help DHS prioritize its needs and plan its investments to make the most efficient use of available resources. It will also assist with planning for the acquisition and management of future communication networks. DHS also needs a strong governance structure over its radio communication program with adequate authority and resources to establish policy, make resource allocation and investment decisions, and hold components accountable for managing radio programs and related inventories. A portfolio management approach to the DHS radio communication program would help ensure DHS receives a good return on investment when determining needs and allocating fiscal resources.

DHS estimated that it would need \$3.2 billion to modernize its radio systems to meet its needs, and awarded a \$3 billion Department-wide strategic sourcing contract in March 2012 for this purpose. However, the cost efficiencies that DHS seeks to achieve from a strategic sourcing contract for radio equipment may potentially be negatively affected by poor procurement or inventory management practices.

DHS concurred with both of our recommendations and began taking corrective actions to develop and implement Department-level portfolio management of tactical communications. The Joint Wireless Program Management Office has also made significant progress in collecting the data necessary to develop a single profile of DHS assets, infrastructure, and services across components. DHS also said it will complete a review of existing policies and procedures and will revise, as necessary, its personal property manual to align with the findings.

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

Mr. DUNCAN. Thank you so much, witnesses.

Let me just remind the Members that votes are expected, according to the Whip update, sometime around 3:05, so we will work through it and maybe go past 3:05 a little bit and see how far we get and make a decision about finishing the hearing after votes at that point in time.

So the Chairman will now recognize myself for 5 minutes of questioning. First off, let me just say that I think Americans really are beginning to expect more and more for Government agencies to start treating the money that you are given under your charge as you would treat your own money, or if you were running a business, how you would spend that money within your own company.

The DHS acquisition decision memorandum of May 9, 2013, where Under Secretary Borrás directs the component acquisition executives to waive the acquisition documentation requirements for the 42 Level 1 and 2 acquisition programs that were in the sustainment phase prior to 2008, when that acquisition decision 102-01 was issued. The 42 programs listed in this memorandum have been allowed to proceed without assurance that they have had the appropriate levels of knowledge to be successful.

So, Mr. Borrás, I am going to ask, this memo also stated that you planned to monitor the program, and the document requirements will be reinstated if the program initiates a major modernization or new acquisition. What sort of message do you think this memo sends to program and project managers about DHS's willingness to ignore accountability and transparency?

Mr. BORRAS. Well, Mr. Chairman, I certainly don't view the direction that we provided the components as providing for license to

ignore any of our acquisition policies or procedures. Quite frankly, it was made on an assessment, which I would be happy to share with the committee.

We looked at, in this case, those 42 programs—these are 42 legacy programs, programs that predate when the Department had established acquisition policies. Quite simply, most of the documentation required to adequately develop acquisition program baselines and many of the other official documentation that we require programs since 2010 simply do not exist.

We would be making it up if we tried to recreate—take for example a program like ACE, Automated Commercial Environment program. That program is probably nearly 20 years old, and it has changed so many times, we made a calculated judgment that it would be much better to put the effort into rebaselining programs as they exist today, rather than have our limited resources—and, you know, this committee very well knows we don't have a lot of resources—to go back and try to recreate documentation where simply the data does not exist.

Mr. DUNCAN. Okay. So what unintended consequences do you think this memo would have for the remaining 88 major acquisition programs that DHS is currently managing?

Mr. BORRAS. Well, clearly, I don't believe it has any impact. As I have said, we continue to—we have had well over 100 acquisition review board meetings with 250 acquisition decision memorandums. Let me just share very, very briefly with the committee what these decision memorandums document.

So this is where a program will come up for a review. If we find deficiencies that have—they have either not complied with our governance policies or practices or their cost estimates are no longer valid or determined as not valid, that acquisition decision memorandum provides specific direction to a component program that says, in order to proceed, you must do the following.

We will say, you must submit a validated cost estimate, for example, within the next 30 days or 60 days, depending on the complexity of the program, in order to proceed. So we put gates on the programs now—

Mr. DUNCAN. Then that is reviewed by a committee or—

Mr. BORRAS. That is reviewed. It is an integrated process, so the CFO, the CIO, the chief procurement officer, all of those officers participate in the review. Then when I am notified and it has been certified to be that, that program has met the requirements of the acquisition decision memorandum, the ADM, we allow them to proceed. That is taking place every day.

Mr. DUNCAN. Well, that is encouraging. That is how it should happen, but—

Mr. BORRAS. We have provided copies of these acquisition decision memorandums to the staff when asked.

Mr. DUNCAN. Okay, well, thank you so much. We had a joint hearing recently, and it comes to mind about TSA, and just because they had the policies in place, they weren't actually following the policy—that was a disciplinary issue, but it—if you have the policies in place, you need to follow the policies. From what I am hearing from you, you are trying to do that, and so I applaud you for that.

Mr. BORRAS. We have canceled programs. We have suspended programs. We have directed—I do mean directed—leadership of programs to be changed, program managers and their staff.

Mr. DUNCAN. Let me just shift gears a minute, because something that is interesting to me—when I was out in Arizona, understanding from CBP guys out there—that sometimes officers were having to trade radios at a shift change. They were actually handing radios from one truck to another from the truck window.

So I shared that with Ms. Richards when she was in the office, and she lit up, because she was really chasing a whole different rabbit, but along the same lines about radio communication and the fact that there were a lot of—as we heard today, there were a lot of radios in a warehouse, other components in a warehouse that were gathering dust.

So DHS really didn't have a good idea of what was in the inventory, how they were dispersed across the agency, and, you know, if you are in private sector, you just don't do those sort of things or you can't really be effective in your business if you do those sort of things.

So I might ask that we talk a little bit more about that. Has DHS taken any steps to hold the program accountable and improve its stewardship of taxpayer dollars with regard to radios, Ms. Richards? Where are you—where do you stand on that investigation?

Ms. RICHARDS. We published the audit report in August, and we are waiting for the 90-day reply letter to get their full corrective action plan. We did agree to our recommendations and planning on taking action to address it.

It is a fundamental issue that happens—I have seen it in DoD, and I see it in DHS—where the folks on the line don't always feel that the paperwork is as important. It is a cultural shift that needs to happen to get the data accurate so that these decisions can be made so that information can be shared so that CBP in Arizona can know that CBP in Maryland has those radios, and I am using fictitious locations, had those radios in an inventory.

So it is the fundamentals that they need to take a step back and get right, setting up the records so that like radios can be identified across components and between components.

Mr. DUNCAN. Let me ask you this: Did anybody in the field—let's say in Arizona and that Tucson sector, who were having trouble with radios and having the right kind of equipment—they may even be radios today and some other components tomorrow—but did anybody in the field call back up the chain and say, you know what, we need some radios here, we need more equipment in order to effectively do our job? Then did you discover anybody in the middle or higher level saying, wait a minute, we just did an acquisition, we are supposed to have plenty of radios to meet all of our officers' needs, and start the investigation of where those radios may have been, to discover that they were sitting in a warehouse somewhere? Did you discover any of that in your investigation?

Ms. RICHARDS. We did see communications from the field back to headquarters requesting radios. We didn't see communication between the acquisition groups and the people in the field to discuss whether the radios were in the warehouse or not. We also very specifically did not see information or even requests going across compo-



nent lines, for example, to see CBP ask Secret Service, hey, we really need this kind of repeater. Do you have one we can use? That is something that has not been built into DHS yet. It is something that the Department-level is really working to address.

Mr. DUNCAN. Okay, well, my time is expired, so I am going to recognize the Ranking Member for 5 minutes. We may revisit this issue in just a minute. I recognize Mr. Barber for 5 minutes.

Mr. BARBER. Well, thank you, Mr. Chairman. I want to ask, first, a series of questions, Mr. Borrás, and see where we go with the improvements that apparently have been made and some still need to be made. I guess I am going to ask, first of all, what specific steps is the Department currently taking to ensure that its procurement process within each of its components is effective and efficient and that it complies with Department regulations?

We have heard testimony today and we have had reports, of course, that suggest that the components basically do their own thing. What is being done to bring some control to that kind of—what I would call renegade kind of activity or rogue activity at the component level?

Mr. BORRAS. Mr. Ranking Member, thank you for the question, and I appreciate it. I am glad to answer that question, because I think it is very important to note that the oversight of acquisition can't be done solely by headquarters, not just a corporate responsibility. Every single component has to share in that responsibility. We simply don't have the people or the personnel in the headquarters environment to provide oversight for every single transaction in the Department. We have over 90,000 transactions on average in a year.

So what have I done to address that? We have created the position of what we call component acquisition executive. These are individuals that now sit in the components, that are assigned by me, or, I should say, by the under secretary for management, whoever that person may be, and they sit there, and that is now our eyes and ears. They are responsible now. They have the responsibilities in delegations to perform component-level acquisition oversight. It is in their performance plans that they are responsible for doing that.

Let me say something very quickly, because I know time is precious and you have votes, about the cooperation of the components. I am going to give you two very, very quick examples. Recently, we have had a number of acquisition review meetings with TSA. At every one of those acquisition review board meetings, the deputy administrator, John Halinski, has personally attended and sat there and made sure that his folks were being responsive. If he didn't feel that the Department was getting the right answer, he would chastise his own folks.

When former deputy commissioner of CPB David Aguilar was in place, he attended every single acquisition review board meeting, once again, to reinforce the notion that there is one acquisition framework in the Department, and the components will follow that. I am very, very encouraged by the senior leadership commitment to support the acquisition review process.

Mr. BARBER. Well, I appreciate that. I think more of that is necessary. I think we have to—when we set policies, we have to hold people accountable for them.

But I want to turn to the topic that has been discussed here this afternoon a couple of times. As we know, the purchase of the helicopters, the H-60 helicopters, the Department's OIG found that the DHS Acquisition Review Board did not approve the CPB plan, the CPB proceeded with its procurement despite the fact that it had a different directive.

The report further found that DHS Office of Program Accountability and Risk Management did not conduct a full review of the program as required by the acquisition management directive. So what happened here? What was the accountability for this kind of, I would say, blatant disregard for the policy of the Department?

Mr. BORRAS. I would agree. We have had our challenges with the Office of Air and Marine and Customs and Border Protection. Part of the issue that we have had to deal with is that that program, their Air and Marine program, procurement program, had never been organized into a comprehensive procurement program like, for example, in the Coast Guard, which has a complete, organized acquisition program for the identification, for the development of requirements for their ships and their aviation.

So we are dealing again here with a legacy issue. Also, the Air and Marine organization has a hybrid program where they acquire certain assets and then they acquire hand-me-downs, if you will, from the Department of Defense. So it is a very fractured, unorganized program.

So what I have done is I have directed the Office of Air and Marine to appear before the Acquisition Review Board to—before the acquisition review process and structure its program to meet our requirements. So you are absolutely right. They have not in the past done that. That is a fact. I acknowledge that. That is why we have now required them to come before and not proceed with any additional acquisitions at all until that is done.

We have put together now an aviation management council in the Department, so now there is one council that overlooks, for example, at all aviation-required assets acquirement, whether it be Coast Guard or Customs and Border Protection.

Mr. BARBER. Were there any consequences taken or actions taken against the personnel who basically blew off the requirements?

Mr. BORRAS. There have been leadership changes in the Office of Air and Marine in the past year. I can't tell you specifically if personnel actions were taken specifically for that, but there is a new leadership team at the Office of Air and Marine.

Mr. BARBER. Let me move quickly, because I know I am actually over time, but I just want to ask this one question, Mr. Chairman, if I could, of Ms. Mackin. As the GAO has found components do not always comply—we have been talking about this—with the acquisition management directives or the recommendations made by the Program Accountability and Risk Management, in your view, does the under secretary for management possess the appropriate authority to ensure compliance with acquisition decisions made at headquarters level?

So what do you—what is your take on this?

Ms. MACKIN. I don't think it is a matter of the authority not being in the right place. As he mentioned, the component acquisition executives at the components are in place, and that is an area we have seen some improvement. It really does get to the underlying data in the base lines and other documents, for example, life-cycle cost estimates, and that gets down to the individual program offices who need to have the capability to construct a valid cost estimate and revisit it as needed.

Even PARM recently reported that about 75 percent of the life-cycle cost estimates that reviewed weren't adequate. So if I had to hone in on one thing that the Department still faces a big challenge with, it is that fundamental cost-estimating capability.

Mr. BARBER. Thank you, Ms. Mackin.

Mr. Chairman, I yield back.

Mr. DUNCAN. Thank you for that.

The Chairman now recognizes the gentleman from Pennsylvania, Mr. Barletta, for 5 minutes.

Mr. BARLETTA. Thank you, Mr. Chairman.

Mr. Borrás, the 9/11 Commission identified our lack of a biometric exit system as a major National security threat. Over 40 percent of illegal immigrants are people who came here legally and overstayed their visas. Why is DHS not moving faster to implement this system?

Mr. BORRAS. I am not in a position to specifically answer that question regarding that particular program. That is an operational question. I would be happy to provide you a detailed answer to that.

Mr. BARLETTA. Is it true that they are actually waiting on a cost estimate of such a system? Would that come through the acquisition process? I know they maintain that they have their planning efforts underway and they are going to report to Congress in 2016 on the cost of a system like this. My question is: Congress passed the law back in 1996 requiring us to do that. Why would it take us 20 years to get that information, the cost benefits, to Congress so that we could purchase a system that is so critical to our National security?

Mr. BORRAS. Again, I don't know the specific answer to that issue dating back to 1996. I can tell you that the Office of Biometric Identity Management, which is now the new name of that office, is doing the work right now. I am not an expert in that field, but clearly the technology since 1996 has changed significantly.

I am not expert enough to tell you whether or not we have identified, and perhaps our folks in the science and technology area can address that, whether or not we have identified, quite frankly, the right technology that will give us the level of assurance that when somebody says they are who they are, that they, in fact, are, and that we can have the proper tools to do that.

That program ultimately will come before our review, when it is fully organized into a set of requirements that requires approval to move forward through the acquisition process, but it is not to us yet.

Mr. BARLETTA. Well, technology moves so quickly, in 20 years, I don't know, you know, how are you—if it is taking that long just

to come up with a cost-benefit, technology is kind of constantly changing, so I don't know if you will ever be able to report to Congress, because I think it is critical. If the hold-up is just getting the cost-benefit ratio and we want to move this to acquisition, how do we ever get ahead of that? If it is taking 20 years to come up with a plan and technology, obviously, is moving much quicker.

Mr. BORRAS. Well, again, it is a very complex issue. I don't know the specifics about biometric tools or technology. At such point that it comes before the Department for review for a specific acquisition, we will thoroughly review that, including its cost estimate, and determine whether or not it is valid.

Mr. BARLETTA. All right. Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you. The Chairman will now recognize the gentleman from Texas, Mr. O'Rourke, for 5 minutes.

Mr. O'ROURKE. Thank you, Mr. Chairman, and thank you for calling this hearing today. In anticipation of potential major acquisition related to immigration reform, as you know, the Senate bill calls for something like \$46 billion in additional acquisitions and personnel growth, mainly among the Border Patrol.

I want to revisit a decision that preceded your tenure. In 2006, the SBInet program, also known as the virtual fence, which was billions of dollars' worth of surveillance and communications equipment, that was ultimately canceled in 2011, because it was costly, it was proven to be ineffective, and it essentially allowed the private contractor to oversee basic homeland security functions.

I would add to that, after meeting with Border Patrol agents in the El Paso sector this last weekend, I don't think those agents were consulted in the development of this plan. It was a contract that was let on an indefinite delivery and indefinite quantity basis, which in my opinion basically left it up to the contractor, which was Boeing in this case, to really decide the scope and oversee its implementation.

The inspector general and the GAO both looked at this, and so I would wonder if each of you could perhaps take a minute to talk about lessons learned from SBInet and how you will apply them to the next major round of purchasing when it comes to border security.

Mr. Borrás, why don't we begin with you?

Mr. BORRAS. Thank you for the question, Congressman. I will be as quick as I can. Certainly, the major lesson that we have taken from SBInet and others, Deepwater and others from that era, is the absence of an acquisition framework, policies and procedures, and directives in the Department allow initiatives to go from what I call from concept to procurement without a thorough, robust requirements development and cost development.

It is—I am not going to say it is impossible for it to happen today. It would be very, very difficult for something like that to happen today, because it would have to pass through our acquisition gates to get approval before it happened. There was no such approval mechanism in place using SBInet as a specific example.

Mr. O'ROURKE. Ms. Mackin, do you agree with that assessment, that following that boondoggle, the appropriate controls are in place that it would not happen again?

Ms. MACKIN. I think the acquisition policy is more robust now, but it was in pretty good shape in the early days of the Department, as well. As I mentioned, it did reflect the knowledge-based approach, but I think this really gets to requirements and having well-defined requirements up front. As I mentioned, that is a key practice that commercial firms follow. That was a big, enormous program, as was Deepwater, kind of a system-of-systems approach, with the contractor really driving a lot of the decision-making.

I think the other thing I would mention is the importance of a robust test and evaluation plan, which is also required by the Department, before a system is fielded, to make sure that the users' requirements will be met, and the user requirements really do drive the ultimate decision.

Mr. O'ROURKE. Great. Ms. Richards, I know the Office of the Inspector General had a scathing report that I think was useful in putting a halt to this waste of money. Do you have anything to add to what is already been said?

Ms. RICHARDS. I don't really have anything to add. I think that the issues were correctly identified. It was a failure to correctly identify the user requirements and then test what was going to be purchased to make sure it would work, meet the user requirements and work in that environment. It was a combination of those two failures that led to the total issue with the SBInet.

The framework that is in place in the Department has specific gates in the acquisition review process to insist on valid requirements determination and testing. If those gates are enforced, this shouldn't happen again.

Mr. O'ROURKE. When we talk about users, are you talking about Border Patrol agents?

Ms. RICHARDS. Yes.

Mr. O'ROURKE. Okay. It seems as though—and what I hear from them is they were not consulted prior to SBInet or these virtual fence strategies.

Ms. RICHARDS. I think the GAO did the majority of that work, and Ms. Mackin might be better able to address that accurately.

Ms. MACKIN. I think that was part of the concern. I think another issue was just the big rush to field this system before the testing was done. There was a lot of money invested. There was a lot at stake. I am not sure the contract type, per se, being an IDIQ, was necessarily the problem, but that could have contributed, because the contractor, I believe, really was driving some of the decisions, as opposed to the Government making some of those calls.

Mr. O'ROURKE. Thank you. I appreciate your answers.

Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you.

The Chairman will now recognize the gentleman from North Carolina, who I know is not going to pull for the Wolfpack against my Tigers tonight, but Mr. Hudson for 5 minutes.

Mr. HUDSON. No, sir. My UNC Charlotte 49ers playing their fourth game this weekend. We are not a challenger threat yet, but maybe one day.

Thank you for holding this hearing today on this topic. This is really important. It is a topic that has become very important to me personally. As the Chairman of the full committee mentioned,

this past July, I introduced H.R. 2719, which is the Transportation Security Acquisition Reform Act. This bill requires TSA to implement best practices and improve transparency with regard to security-based technology acquisition programs.

Ms. Macklin, can you describe which GAO acquisition best practices DHS has implemented? Maybe as a second part, are there any best practices that you have recommended that have not been implemented? I think that maybe helps frame this debate a little. If so, which ones are the ones that you are most concerned about that are not being implemented?

Ms. MACKIN. I think, as I mentioned, the policy reflects the best practices, from validating the user needs to establishing the requirements, validating the cost and schedule, demonstrating that technologies are mature before they are fielded. That is very important. Ensuring that the funding is there for the programs and that the program offices are in a position with system engineers, cost estimators, and so forth, to carry out the acquisition.

So to the extent that that some of these items would be codified in statute, it probably wouldn't be a bad idea, but they are already reflected in policy. So, again, the key is the program managers themselves, understanding what is needed, being structured properly to carry out the existing policy.

Mr. HUDSON. Great. I appreciate that. My bill also requires TSA to develop a multi-year technology acquisition investment plan in consolidation with the under secretary for management, the chief information officer, and the under secretary for science and technology.

I would just open up to any of you. Do you believe this is necessary to develop such a plan for the whole Department? Please elaborate. I would open up to all the witnesses.

Mr. BORRAS. I would be happy to respond to that and perhaps make a slightly larger point, but germane, I would hope, to your question. The issue of looking at us, the DHS, in comparison to other agencies, for example, like DoD, I think it is important to note one very significant difference that I would like to put on the record.

DoD by and large, not exclusively—and my friends here can correct me if I am wrong—by and large have unified procurement accounts. So when they spend money on procurement, they reside in procurement accounts, and they are the same pretty much across the board. We don't have that in DHS. We don't have a unified procurement structure.

So I would say it would be of great value to us, because some of our procurements reside in salaried expense accounts. Some of them reside in O&M accounts. We don't have a unified account structure in the Department. I know we have asked for that from Congress in the past.

I know that there is no central repository for DHS funds for procurement. In the absence of good financial management systems, which I think my friends would agree, it is very, very difficult, unlike my friends in the private sector where I come from, where we had the ability to pull asset information, financial information, have unified information. We don't have that.

So I would suggest we look at going even further than that in terms of just, you know, can we harmonize the procurement accounts which would allow us and Congress, quite frankly, to have a better look at where we are spending our procurement dollars?

Ms. MACKIN. I think those are valid points. At the Defense Department, as was mentioned, there is a procurement account, there is an O&M account, there is a personnel account. It is easier to track the spending that way across the entire Department, so I think those are valid concerns.

Mr. HUDSON. Well, thank you for that. That is some good feedback.

I would ask, also, has DHS developed an agency-wide acquisition plan? Is it possible to do that under this current structure? Are you saying we need to sort of restructure the way those accounts are set up?

Mr. BORRAS. Well, it would certainly be, if not ideal, it would be extremely helpful to have that in place, because, again, the transparency issue is a little difficult, because money is appropriated in so many different accounts. Plus, as you well know, we don't have flexibility—think about it. TSA has a different account structure and a different appropriations structure than, for example, CBP. So TSA gets largely multi-year money. Other components at DHS get 1-year money. Again, it is very difficult to harmonize all of that to create one consistent, solid acquisition plan.

I would love nothing more than to be able to have that. It would help industry tremendously to know what we had and what we were trying to buy and when.

Mr. HUDSON. Thank you, Mr. Chairman. My time is expired.

Mr. DUNCAN. All right. The Chairman will now recognize the big sky Congressman, gentleman from Montana, Mr. Daines, for 5 minutes.

Mr. DAINES. Thank you, Mr. Chairman.

Prior to coming to Congress—I just was elected last fall—I spent 28 years in the private sector, so I appreciate, the most, private-sector instincts, perhaps, we can bring to make our Government run more efficiently. For many of us who stood outside the Federal Government and watching the way the Federal Government behaved in procurement processes—and I say that as having worked for a Fortune 20 company, having worked for a family construction company, having worked for a start-up company we took public and grew to 1,100 employees, so I got to work in small, medium, and large businesses, the word was always the best time to buy from the Federal Government—everybody knows it—is when? We are now prime time.

In Montana, the elk go into their rut about this time of year. So if you are elk-hunting in Montana, it is a special time. If you are selling to the Federal Government, it is a very special time, because it is—you either spend your budget or you lose it.

I am curious to see—and Mr. Borras, you mentioned you spent time in the private sector—what are we doing to break that culture, incentives so that managers in DHS are incentivized to find ways to underspend their budget and reward for that versus spend it or lose it?

Mr. BORRAS. Wonderful question. I don't know if I have enough time today, let alone over the next week, to answer that question. That is a fascinating topic. I, too, came back to the public sector because I was confounded and mystified by some of these same issues, the way the Government buys—a couple of things.

We have no incentives, truly incentives, to save money. It is talked about often in Government that people spend their money because they want to obligate everything that was appropriated, because if they don't, it will get rescinded and taken away. I think that is sort of a negative incentive.

We should be incentivizing programs and agencies to find ways to save money and, as we would do in the private sector, you could incentivize them, so if you save X percent of the money, you can keep, you know, 1 percent of that savings to invest in your people, for example, ways to incentivize people to spend less money.

I want to say this in the most appropriate way. It has been very difficult, though, since I have been back in the Federal Government—we have operated under 11 continuing resolutions, and we are about to enter in another one. I am not here to make political statements other than to say it is very, very difficult to manage 3 months at a time, because every continuing resolution is, in effect, a fiscal year, with constraints that says no new starts and other requirements.

What it has done, for example, this year, it pushes so much of the spending into the back end of the year. We don't like it, meaning we in Government. Nobody likes to do that. We spend, I think at DHS, maybe 40 percent of our dollars in the last, you know, couple of months of the year. That is a—

Mr. DAINES. What about the last week?

Mr. BORRAS. Well, hopefully not the last week. Hopefully the last week we are down—I think we are—we have gotten pretty good about getting our work done.

Mr. DAINES. Yes. We just saw some amazing things standing on the outside of what was spent the very last week of the Federal fiscal year. I think if the taxpayers really saw what is going on here, they would be astounded by that. I was struck by the comment that—and I appreciate, you know, your fighting that battle, and we have got plenty of problems here in Congress. We can't pass a budget. We are operating on C.R.s.

But the statement that there aren't any incentives to incentivize staff to find ways to spend under the budget is troubling. If businesses, if families ran their budgets that way, we wouldn't be in business, and we wouldn't be able to keep our family households solvent, and herein lies why we probably stand here staring at \$17 trillion of debt. It is not the only problem. It is just one of many here that we have to address, I think, in terms of performance and incentives.

I am curious. Any other comments from our other witnesses in that topic?

Ms. MACKIN. I would just add, we do Federal contracting reviews across many Government agencies. The fourth quarter spending is certainly not unique to DHS. Every agency is kind-of faced with those same issues, in part due to C.R.s, in part due to other reasons.



We have reported on this before in several reports, so—

Mr. DAINES. Is there any hope, as a taxpayer—and we are all taxpayers—that somehow there would be incentives put in place that would reward our public servants for underspending their budgets?

Ms. MACKIN. I am not aware of anything coming down the pike in that regard.

Mr. DAINES. Then last, on pay and performance, when people are not performing up to standards—I am not talking about terminations for cause, but for performance—does that happen in DHS?

Mr. BORRAS. Let me make sure I understand your question correctly, because I certainly want to answer you as accurately as possible. Are you asking if we have pay-for-performance requirements in the Department?

Mr. DAINES. So I jumped to one of the topics. Really, back to performance management—we will separate the pay side for a moment. Never mind that.

Mr. BORRAS. Okay.

Mr. DAINES. But our—do employees in DHS—are there ever employees terminated in DHS other than for cause? You understand what cause means?

Mr. BORRAS. Uh-huh.

Mr. DAINES. Okay, for performance?

Mr. BORRAS. Well, that would be cause.

Mr. DAINES. Well, no, cause is, in terms of fundamentally where there is usually theft, there is something in terms of fundamental policy broken here. Cause means that there has been some activity here outside of a standard—performance relates to delivering results. So has there ever been—do you know of DHS employees that have been terminated because they have not performed to standards? Not talking about, again, cause.

Mr. BORRAS. Well, I couldn't give you a specific number, but we certainly have a sizable number of terminations that include performance. There have been recent accounts in the newspaper at TSA, for example, where TSOs have been dismissed for performance-related issues.

Mr. DAINES. Yes, and just—and I know I am out of time here—but the difference is, if they are somehow—if there is theft somewhere, that is a cause issue versus performance, but I am over my time, Mr. Chairman.

Mr. DUNCAN. I thank the gentleman. I would love to have another round of questionings here, but in the essence of time, with the votes being called this afternoon shortly, we are going to go ahead and dismiss the first panel.

I thank you guys for being here. I know the challenge that you have. Twenty-two agencies and a huge budget and trying to do acquisitions and bring it all under one roof, and I would just ask that, you know, you consider that, you know, they are taxpayer dollars. Good stewardship of that money is important. That is why we are having this hearing, just to make sure that those dollars are spent wisely and that we stay on top of things.

You know, I am encouraged by what I hear, but I look forward to furthering this conversation. I think both sides of the aisle want to see that we spend those tax dollars wisely, efficiently, effectively,

with ultimate mission of securing the Nation, and so we understand that that is the overarching goal, is to keep our homeland secured.

So with that, I will dismiss the panel, and we will call Panel No. 2 up to the podium.

Okay, the Chairman is going to go ahead and call the second panel to order. We are pleased to have additional witnesses before us today on this important topic.

Let me just remind the witnesses that your entire written statement will appear in the record. What I would like to do is, I am going to introduce you and I am going to go ahead and allow the first two panelists to do their opening statements. We are not going to have time to go through all three. They have just called votes.

So what we will do is we will recess after the first two pending call of the Chairman. About 10 minutes after our votes are finished up, come back in, take the opening statement from our third panelist, and then get into questions, if you all will bear with us on that.

So the first witness today, Mr. William Greenwalt, is a visiting fellow with the Marilyn Ware Center for Security Studies and American Enterprise Institute, where he analyzes defense and aerospace acquisition issues and industrial-based policy. Previously, Mr. Greenwalt served in the Pentagon as deputy under secretary for defense for industrial policy and advised the under secretary for defense for acquisition technology and logistics on all matters relating to the defense industrial base.

Mr. Greenwalt has also served Members of Congress of both the House and the Senate. He has worked for Lockheed Martin as director of Federal acquisition policy. Prior to joining AEI, Mr. Greenwalt was vice president of acquisition policy at the Aerospace Industries Association.

Our second panelist is Mr. Stan Soloway. He is president and CEO of Professional Services Council, principal National trade association of the Government professional and technical services industry. Prior to joining PSC, Mr. Soloway served in the Defense Department as deputy under secretary for defense for acquisition reform and concurrently as director of Secretary of Defense William Cohen's defense reform initiative. Before his appointment to DoD, Mr. Soloway was a public policy and public affairs consultant for more than 20 years on acquisition privatization and outsourcing issues.

Our third panelist, Mr. David Berteau, is a senior vice president and director of the Center for Strategic International Studies international security programs, also director of CSIS defense industrial initiatives group covering defense management, programs, contracting acquisition, and the defense industry.

Prior to joining CSIS, Mr. Berteau was the faculty director of Syracuse University's National Security Studies Program and has 15 years of senior corporate experience. He has also held senior positions in the Defense Department under four defense secretaries. Clemson will play Syracuse this year, now that they are in the ACC. So I recognize that.

So we are going to go ahead and recognize the first two panelists, as I said. So, Mr. Greenwalt, we will recognize you for 5 minutes for your opening statement.

**STATEMENT OF WILLIAM C. GREENWALT, VISITING FELLOW,  
MARILYN WARE CENTER FOR SECURITY STUDIES, AMERICAN ENTERPRISE INSTITUTE**

Mr. GREENWALT. Thank you, Mr. Chairman, and thank you for all the Members. I appreciate the opportunity to address the acquisition reforms lessons learned from the Department of Defense and the private sector and how they may apply to the acquisition practices of the Department of Homeland Security.

The committee's interest in acquisition reform is timely, as I believe that a greater focus on these issues not only has the potential to enhance National security, but also save billions of taxpayer dollars. The last set of meaningful comprehensive acquisition reforms coincided with the onset of budget austerity at the end of the Cold War. These bipartisan reforms result in the incorporation of commercial advances in information technology and the adoption of some of the best commercial business practices of the time, many of them identified by the GAO and the work done by their organization.

Ironically, the budget increases of the last decade have not been kind to that reform effort. The rapid inflow of dollars to agencies often led to acquisition practices that were not as frugal or commercially-oriented as they should have been.

At the risk of making lemonade out of lemons, sequestration and the Budget Control Act offer the opportunity to refocus the Government and oversight agencies on the bottom line and to implement the acquisition reform goals in the mid-1990s.

There are many lessons learned that can be gathered from studying DoD's acquisition practices since the end of World War II. Some of these are good; some of these are bad. I have developed—I have tried to develop for the committee's consideration what I think are the most significant guiding principles and recommendations which I hopefully—you will find useful as you look into these acquisition issues.

The first principle—and one I think is extremely important—is Government-unique is expensive. Exquisite solutions oftentimes have exquisite price tags. The more you have a dedicated industrial base that just serves the Government, the more expensive it will be. Any rule or requirement that only impacts the Government market and not the commercial market will add cost. The lesson here, leverage the commercial marketplace wherever you can and those business practices wherever you can.

Principle No. 2, be wary of one-size-fits-all solutions. Whenever a problem is found with acquisition—normally in a scandal of some sort—there is a tendency to find a one-size-fits-all solution. You need to determine whether the problem is systemic or localized.

As far as where I would look in issues with acquisition, I will put them in a number of different buckets. I would look at the acquisition workforce. I would look at requirements. I would look at systems acquisition. We spent a lot of time in the first panel talking about systems acquisition. I would look at research and develop-

ment, IT and services, and look at different best practices in all of these areas.

The first area that I would spend on would be the acquisition workforce, and I think Mr. Soloway is going to have a lot to say on that, but there are some lessons learned from DoD that you can look at, and one potential lesson learned is the establishment of what is called the defense acquisition workforce development fund, which allows actually some of those incentives to save some money that the Congressman from Montana was discussing.

Second area I would say is don't replicate solutions that already exist. One of the most wasteful things the Government can do is use its limited research and development dollars in things that already exist. The requirements process here has to be reformed and to accept an 80 percent solution. To accept a commercial solution, to accept a solution that has already been developed by the rest of the Government and bring that in.

There is always the chance, there is always an incentive to try to get more. When you do get more, you end up asking for those exquisite solutions, which drive costs.

The third area in the systems acquisition is to try to limit the number of large programs, to make it very difficult to get through a new program. I think the criteria that GAO lays out is the correct one, but those have to be disciplined. The requirements have to be disciplined. The budget has to be disciplined, and so on.

Fourth area and a lesson learned that I think DHS can look at is to learn from the rapid acquisition process in the Department of Defense. That process has taken the users out in the field and driven rapid solutions in a 6-month to 24-month time frame to get equipment out in the field. Most of those are commercially-oriented or very rapid type of things. They are smaller, but they are definitely something that the committee should possibly take a look at.

The fifth and final area I would look at is commercial services and information technology. GAO has identified a number of best practices in that area. The big bottom line is, there is a big commercial marketplace out there. I would buy commercial wherever you can.

So in conclusion, these are about a few ideas for the committee to consider as it looks to reform the acquisition practices of the Department of Homeland Security. I think there are many more best practices out there. I commend the committee as it first looks for lessons learned to help guide its oversight efforts in the area. Thank you.

[The prepared statement of Mr. Greenwalt follows:]

PREPARED STATEMENT OF WILLIAM C. GREENWALT

SEPTEMBER 19, 2013

Thank you for the opportunity to address acquisition reform lessons learned from the Department of Defense and the private sector and how they may apply to the acquisition practices of the Department of Homeland Security. The committee's interest in acquisition reform is timely, as I believe that a greater focus on these issues not only has the potential to enhance National security, but also save billions of taxpayer dollars.

The last set of meaningful, comprehensive acquisition reforms coincided with the onset of budget austerity at the end of the Cold War. These bipartisan reforms were led by the Department of Defense and the House and Senate Defense Authorization

Committees and resulted in the incorporation of commercial advances in information technology and the adoption of some of the best commercial business practices of the time. Ironically, the budgetary increases of the last decade have not been kind to that reform effort. The rapid inflow of dollars to agencies often led to acquisition practices that were not as frugal or commercially oriented as they should have been.

In the last 5 years, the Department of Defense and the rest of the Federal Government have been on an accelerated path to a return to the acquisition practices of the 1980s, which were a morass of unique Government regulations and rules. This approach, which was later the subject of the 1990s acquisition reforms, was not attractive to the most creative and innovative companies at the time and did not return value to the taxpayer.

During the 1980s, information technology bought by the Government was generations behind what was available in the commercial marketplace. Government-unique contractors bid on rigid Government requirements and specifications that were drawn up by Federal acquisition officials whose main preoccupation seemed to be to avoid a bid protest. The result was an adversarial system where low-price shoot-outs for mythical programs that could not be executed were the norm. Meanwhile, a parallel commercial market existed that refused to do business with the Government but could solve many of these “gold-plated” requirements at a fraction of the cost.

The 1990s acquisition reform initiatives and legislation focused on best value and commercial item contracting and tried to change this situation. This approach was enshrined in a memo from then Secretary of Defense William Perry in 1994, as well as the 1994 Federal Acquisition Streamlining Act and the Clinger-Cohen Act of 1996, which all made significant progress in the immediate decade after implementation. However, the Federal Government’s recent shift to LPTA (Low Price Technically Acceptable) contracting and the return of a rules-based compliance culture that continues to add costs is rolling back the advances made in the past 20 years of acquisition reforms.

Sequestration and the Budget Control Act offer the opportunity to refocus the Government and oversight agencies on the bottom line and to implement the acquisition reform goals of the mid-1990s tailored to any new circumstances from the last 2 decades. Nothing focuses minds faster than having to live within a constrained budget—be it your household’s, company’s, or agency’s. These kinds of acquisition reforms are absolutely necessary at DoD and DHS, as without them and a corresponding change in business practices, budget reductions could result in a significant decrement to National security. The old adage to do more with less has to become a reality and the only way to do that is to take advantage of advances in technology and change underlying ways of doing business at the National security agencies.

There are many lessons learned that can be gathered from studying DoD’s acquisition practices since the end of World War II. The key is to identify which best practices could be replicated at DHS and which so-called “best practices” are really dead-ends that have added costs but no value to the taxpayer or to our National security. Based on this history, I have developed for the committee’s consideration what I think are the most significant two guiding principles and five recommendations.

But before I delve into those, one lesson learned from past successful acquisition reform efforts is that they need significant Congressional involvement from Members and staff steeped in common business sense to gain any traction. Without some kind of Congressional interest and sanction, Executive branch bureaucracies will tend to ossify the acquisition system into a one-size-fits-all, cookie-cutter, rules-based approach that is not nimble enough to execute deals that are in the best interest of the taxpayer.

Acquisition policy is not rocket science but it is complicated. As you delve into this issue, if something doesn’t meet the common-sense test it is probably an area that needs reform or at a minimum a clear justification of its existence.

With that being said, I believe there are two guiding principles Congress should use when addressing acquisition reform proposals.

*Principle No. 1.*—Government-unique is expensive. Exquisite solutions oftentimes have exquisite price tags. The more you have a dedicated industrial base that just serves the Government—the more expensive it will be. Any rule or requirement that only impacts the Government market and not the commercial market will add cost. Requirements for information in formats not used in the commercial marketplace or for data that is not normally collected by companies all have a cost and the taxpayer pays for it—whether it is an increase in the costs of goods and services provided or from the reduction in competition and innovative ideas from those firms

who chose not to comply with unique Government or agency requirements and exit the business.

Let me be clear, some level of unique Government procurement rules and oversight are necessary, but they have to be carefully assessed to ensure that they do not drive perverse incentives in the industrial base and in the agency. Congress needs to ensure that the current acquisition laws, regulations, policies, and rules are adding value and not destroying it and meet a clear cost-benefit test.

*Principle No. 2.*—Be wary of one-size-fits-all solutions. Whenever a problem is found with acquisition, it first has to be determined if it is a systemic problem or a localized one. The acquisition system is currently plagued with a lot of legislation, regulations, rules, and policies enacted to address a singular scandal or perceived problem that are not appropriate to all types of acquisitions. Many solutions will likely have to be tailored to specific types of acquisitions—but always keep in mind Principle No. 1.

There are three types of acquisition I would focus on: Large Governmental systems similar to DoD weapon systems, services, and information technology. Within each of these types there are several categories of potential acquisitions depending on the application, the industrial base, and whether or not there is a compelling need for speed or innovation.

For example, shipbuilding is different than buying ground vehicles. Buying desktop computers will be different than a data analysis system that incorporates information from multiple sensors and sources. Construction services are different than medical services. Buying a vehicle for immediate deployment to protect troops from daily attacks from roadside bombs is different than upgrading a truck used on domestic military bases. Each category potentially has its own best practice that might require a tailored legislative or regulatory policy approach. Legislating to address a problem with systems acquisition brought on by a shipbuilding issue in the Coast Guard with a sole-source Government-unique contractor may be counterproductive if applied to information technology and services acquisition with plenty of competition and commercial alternatives.

One also has to be deliberate about what you want the acquisition system to do. Right now the acquisition system is asked to be efficient, effective, transparent, competitive, fair, innovative, and accountable—all noble principles but unfortunately all meaning different things to different people. Disagreements in what these principles mean and how they should apply can lead to oftentimes-disastrous consequences for the Government. The laws, regulations, and processes involved in many of these principles can lead to a trade-off between these principles, as they are not necessarily complementary.

For example, an across-the-board initiative to improve accountability triggered by an agency contracting scandal (which might seem like a positive thing to do) could see a drop in efficiency, effectiveness, and innovativeness in the acquisition system due to new administrative burdens placed on the system. Too many of these burdens might lead commercial contractors to leave the marketplace or establish costly separate Government-unique entities within their firms to comply with these new accountability measures. The first question to ask in any procurement scandal is whether existing law is working. If law enforcement has the tools to deter, identify, and prosecute cases of procurement fraud as it did in the recent Army Corp of Engineers kickback case, there is probably no reason to act.

I would propose the following five recommendations to improve acquisition at DHS:

(1) *Professionalize the acquisition workforce.*—Without a professional workforce that can exercise sound business judgment, successfully executed programs in the Government will be a rarity. DoD's acquisition workforce will face significant challenges ahead; particularly as older, more experienced acquisition professionals retire. Still, from most observers I have talked to about DHS, it appears that DHS' acquisition workforce is far behind the professionalism and experience level of the DoD acquisition corps.

So as a first step the committee may want to consider adopting DAWIA (Defense Acquisition Workforce Improvement Act) standards for DHS. It also may want to consider a funding mechanism such as found in the DAWDF (Defense Acquisition Workforce Development Fund) to pay for training and workforce development. Still, questions have been raised about the quality and implementation of the DAWIA-required education and training provided by the National Defense University. The committee may want to look at other outside-the-agency training options for DHS, be they from public universities or the private sector.

As this workforce development will be a long-term project, the committee may want to consider in the short-term centralizing the best acquisition talent in the Department to specialize in certain types of procurements and buy for the entire enter-

prise. Centralization, however, runs the risk of the creation of bureaucratic barriers that make it more difficult to award contracts—so only the most difficult acquisitions or categories of acquisitions should be considered for this option.

DHS could also consider contracting out for acquisition assistance from non-conflicted firms in areas of systemic workforce weakness. The National Reconnaissance Office (NRO) since the 1960s has done something similar to access non-conflicted (Organizational Conflict of Interest or OCI-free) systems integration experience that it lacked to help it deal more effectively with its contractors.

If, after a few years, the committee is still not satisfied with the progress in developing an adequate DHS acquisition workforce it should follow the progress of a potential British experiment. In the United Kingdom, the British Ministry of Defense (MOD) is proposing to contract out the entire acquisition function to a private non-conflicted firm. The British MOD, if it actually does this, would be embarking on a grand experiment in government acquisition and if it were successful would have significant lessons learned for the U.S. Government.

(2) *Don't replicate R&D for solutions that already exist.*—One of the most wasteful things the Government can do is use its limited research and development (R&D) funds on things that already exist. Yet, there is a tendency to do exactly that in the Government where a “not-invented-here” syndrome tends to prevail. Replicating has two costs—duplication but also in opportunity costs from lost R&D that cannot be applied to other solutions.

DHS' contract spend of \$12.4 billion in 2012 is unlikely to drive many commercial markets. If DoD, which contracted for over \$361 billion in goods and services in 2012 (or another agency), has already developed something that works, DHS should buy it off the shelf. The same applies to the commercial marketplace. That this doesn't happen (even at DoD) is a problem with the requirements portion of the acquisition system. It is a difficult sell within DoD to only accept 80–90 percent of what they think they might need. Instead DoD tends to embark on 15-year development programs and invest billions of dollars that never quite meet those requirements when they could have had something deployed immediately that meets most of the users needs for a fraction of the eventual cost of the “required” system.

As a tool to guard against this, an agency needs to have conducted significant pre-program market research before it embarks on a procurement to really know what is already out there in the commercial market or has been uniquely developed and successfully deployed in the other Government agencies. The agency will likely need some kind of robust requirements review process charged with disciplining unique requirements both prior to and after program initiation. Even when an agency does buy “off the shelf” there is a real danger that subsequent needs for “minor modifications” will equate to large dollars in development costs. The requirements system needs to be effectively disciplined to prevent this from happening. DoD's experience with configuration steering boards, while still in its infancy, may be one way of trying to enforce this kind of discipline.

I will digress for a moment to discuss why leveraging other people's money is so important. At one time the Federal Government and DoD dominated R&D spending. For example, according to figures compiled by the National Science Foundation, the Federal Government provided 67% of R&D funding in 1964 and served as the driver of innovation in the economy. Today, the private sector now provides over 60% of R&D funding and accounts for over 70% of its performance and is where innovation is concentrated.

But that is only here in the United States. Global R&D now stands at almost \$1.5 trillion a year. There has been a significant trend in the globalization of R&D in the last several decades so that now U.S. R&D is only 28% of global R&D and the U.S. Government's share is now at around 11%. And unlike in the past there are now many more avenues for solutions out there than just U.S. Government-unique research and development. DHS with its limited R&D funds could try to go it alone, but a more prudent use of funds would be to only spend its R&D on something that no-one else is doing and leverage off of everyone else, first by looking at the portion in the U.S. Government's portfolio, then U.S. commercial, followed by the R&D conducted by allied governments and finally in the global commercial market.

(3) *Make it really hard to start a new “too big to fail” program and then enact a strong Nunn-McCurdy like system to cancel programs if they do not meet goals.*—By first buying systems as much as possible off the shelf, it would be hoped that there would be very little that DHS would be doing that is DHS-unique in systems acquisition. It would be expected after comparing contract spending at DoD and DHS, that DHS would only have a handful of programs that are equivalent to DoD's MDAPs or Major Defense Acquisition Programs. However, the committee may want to focus its oversight on programs with a smaller dollar threshold than the legislated DoD MDAP threshold.

Major systems acquisition is one area where there are significant lessons to be learned from DoD. DoD has a history of great technological innovation and periods of technological evolution that involve incremental improvements to existing systems. We are currently in one of the latter periods with innovation being primarily driven by the commercial market and rapid acquisition programs outside of the traditional DoD acquisition process.

Throughout both types of periods there has been one constant—cost overruns, schedule slippages, and performance issues. Ron Fox from the Harvard Business School in his aptly titled book “Defense Acquisition Reforms 1960–2009: An Elusive Goal” sets the stage on the history of acquisition reform with regards to large systems development:

“Defense acquisition reform initiatives have been Department of Defense perennials over the past fifty years . . . Many notable studies of defense acquisition with recommendations for changes have been published, and each has reached the same general findings with similar recommendations. However, despite the defense community’s intent to reform the acquisition process, the difficulty of the problem and the associated politics, combined with organizational dynamics that are resistant to change, have led to only minor improvements. The problems of schedule slippages, cost growth, and shortfalls in technical performance on defense acquisition programs have remained much the same throughout this period.”

Fox begins his history by referencing the first large-scale acquisition reform study of the 1960’s—*The Weapons Acquisition Process: An Economic Analysis*, by Merton J. Peck and Frederic M. Scherer published in 1962. This study reviewed the results of weapons acquisitions of the 1950s and identified six major problems with these acquisitions: “(1) Schedule slippage; (2) cost growth; (3) lack of qualified government personnel; (4) high frequency of personnel turnover; (5) inadequate methods of cost estimation; and (6) insufficient training in the measurement and control of contractor performance.” Fox comments on Peck and Scherer’s conclusions: “Fifty years later, acquisition reforms continue to seek remedies to the same problems.”

GAO and others have tended to coalesce around the following solutions to cost, schedule, and performance problems at DoD: The need for stable requirements; stable budgets; proven and mature technologies; and stable personnel. Many of these ideas were incorporated for DoD into law in the last couple of years to ensure that early on in a program these objectives are met in what is called a Milestone B certification (Section 2366b, Title 10 U.S. Code), which is at the end of DoD’s technology development phase of acquisition. This should be a difficult hoop to get through and large programs should not be initiated and significant funding brought to bear until there is equivalent type of certification at DHS. The committee may also want to consider only approving programs at Milestone B that will be completed and deployed in less than 3 to 5 years. There is no reason that DHS should emulate DoD’s overly lengthy 15–20 systems acquisition time cycle.

If a program at the equivalent of Milestone B meets these criteria, there should be a better chance of the program to successfully meet its cost, schedule, and performance goals. Once this certification by the senior acquisition official in the Department is made, you may want to consider adopting some type of Nunn-McCurdy reporting and oversight requirements for DHS. Because costs estimates for the program should be more realistic at Milestone B, this is when I would recommend beginning the Nunn-McCurdy baseline. Past practice often had DoD setting this baseline earlier without meeting the objectives in what is now contained in the Milestone B criteria. These premature baselines resulted in unrealistic expectations for the program and subsequent Nunn-McCurdy cost breaches. With a more realistic cost estimate established at Milestone B, if programs do exceed the “critical” cost overrun thresholds set in Nunn-McCurdy, the program should be cancelled in all but exceptional circumstances.

(4) *Establish an Innovation Fund that allows for the rapid deployment of operational prototypes and the maturation of technology to support systems acquisition.*—To get to the level of technological maturity necessary for large programs to meet their Milestone B certifications and to continue pushing the technological envelope in areas necessary to meet changing National security requirements, the committee should look at DoD’s informal rapid acquisition system that developed to meet war-time needs over the last decade. These programs should be relatively small and focused on deploying operational capability in parts of the agency in a 6-month to 2-year time frame. Because of the inflexibilities usually inherent in agency budget systems, I would recommend establishing some type of flexible R&D fund that can quickly fund rapid prototyping initiatives similar to the rapid equipping initiatives in the military services. These rapid operational prototypes could be initiated by a



similar requirements process developed in DoD known as the JUONS (Joint Urgent Operational Needs Statements) process.

These types of initiatives serve several purposes. The first is to get technology out into the field faster and meet user requirements in a compelling need situation. The second is to prove technology at a smaller unit level that could be potentially scalable and transferred into a major systems program. A third outcome is that short time frame to deployment forces the agency to incorporate off-the-shelf technologies quickly into new types of capabilities. To get some commercial companies who might not otherwise participate in DHS acquisitions, these rapid prototypes may require the use of DHS' other transaction authority.

*(5) Services and IT acquisition: Identify and adopt commercial best buying practices.*—DoD is a large buyer of services, on which it spends more than half of its contract dollars. It also is a large buyer of information technology (IT). Needless to say these are different kinds of procurements than weapon systems. It would be expected that most of DHS' future contract dollars will be spent in these two areas as well.

Back in the 1990s and early 2000s, Congress asked GAO to go out and determine the best commercial practices for these types of acquisitions. This was different work for an agency more used to compliance auditing, but GAO rose to occasion and created an exceptional body of work. Much of it was then incorporated into the information management provisions of the Clinger Cohen Act of 1996 and the services acquisition management provisions in various National Defense Authorization Acts of the early 2000s. These reforms and GAO reports currently serve as the basis for "best practices" for buying IT and services in the Government.

Since that time, there has not been a lot of "best practices" oversight to be found in the Government. Since this work is now 10–20 years old it is probably time to task GAO (or another entity if GAO no longer has the right expertise to perform such an evaluation) to re-look at some of these best practices. It could be assumed that the private sector, some U.S. Government agencies and other governments (either State or foreign) have developed new ways to better manage the purchases of IT and services. These new best practices could be used to update the Clinger-Cohen Act, Title 10, and any Government-wide services acquisition legislation and regulations.

In conclusion, these are but a few ideas for the committee to consider as it looks to reform the acquisition practices of the Department of Homeland Security. I think there are many more "best practices" out there and I commend the committee as it first looks for lessons learned (both good and bad) to help guide its oversight efforts in this area. I look forward to any questions the committee might have. Thank you.

Mr. DUNCAN. Thank you so much.

Mr. Soloway, you are recognized for 5 minutes.

#### **STATEMENT OF STAN SOLOWAY, PRESIDENT AND CEO, PROFESSIONAL SERVICES COUNCIL**

Mr. SOLOWAY. Thank you, Mr. Chairman, Mr. Barber, Members of the committee, appreciate the opportunity to be here today.

Before I get started, if you would permit me, I would like to associate myself also with the words of condolences that a number of you uttered with regard to the great tragedy at the Navy Yard that took the lives of civil servants, law enforcement, military, and Government contractor personnel. This is a shared loss for all of us in the greater community. I was pleased to hear that Mr. McCaul mentioned that there was a possibility to be looking into some of the security clearance issues and so forth, and we would certainly very much like to be a part of that conversation, since the clearance requirements for contractors are exactly the same and conducted by the same entities as they are for Government employees and others. We have a shared responsibility to make sure we have it right, and we look forward to having that conversation with you.

With regard to today's hearing, I will just quickly summarize the written testimony that we submitted. My testimony is largely

founded in the report that Mr. McCaul mentioned in his comments that we issued on September 9 called “From Crisis to Opportunity.” This was a commission that we convened of 19 executives to look at some of the systemic barriers to innovation, efficiency, and effectiveness across Government, particularly in the acquisition, integration, and utilization of professional and technology services, but even more broadly than that.

Although it is designed as a Government-wide review, I believe the findings and recommendations we reached are very relevant at DHS. In fact, we have already briefed some of the DHS officials, and Mr. Borrás will be meeting with us shortly to go in more deeply into the recommendations that we had.

Second, as an opening thought, I just want to share the—while this hearing has in its title “lessons learned from DoD,” as an individual who sat in that chair at DoD in the late 1990s during the last movement towards acquisition reform. There are clearly some lessons, but I think they are very limited. I think that DoD has a long way to go, and I would argue that many of the recommendations of our commission apply just as equally to DoD, as they do to DHS and other agencies.

In fact, DoD has spent \$2 billion—with a B—in workforce development in just the last 5 years. According to the acquisition leadership within DoD, within the services and the components, the improvement has been minimal at best.

Our report is founded in a set of overarching tenets and findings that we came to through 6 months of work. Let me just summarize them very quickly. The Government is in the midst of an all-too-often ignored or underappreciated series of interconnected crises. It faces stunning demographic imbalances, particularly in the technology workforce, a risk-averse culture in which real innovation is present, but is widely the exception, poor collaboration and communication, not just between the Government and industry, but within Government functions themselves, an outdated and ineffective approach to workforce development and training, particularly in acquisition, and, of course, hovering above all, the fiscal crisis.

At the same time, we see these crises as a great opportunity. We have made a series of recommendations designed to address them—to move towards that opportunity in the areas of human capital, innovation, achieving excellence, and the role of industry.

The recommendations are contained in the full commission report. With your permission, I would like to ask that it be included in the record of the hearing.\*

They are as follows, in general: First, we need to fundamentally rethink the way in which the Government develops and trains its workforce, particularly in acquisition and information technology. The first panel had some very interesting and important insights into process and policy compliance, but ultimately none of that will matter if we don’t have the right workforce with the right preparation and the right skills at the right place at the right time. We

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\*The Professional Services Council’s 2013 Leadership Commission final report, “From Crisis to Opportunity: Creating a New Era of Government Efficiency, Innovation and Performance” has been retained in committee files, and is also available at [http://www.pscouncil.org/c/p/2013\\_Commission\\_Report/2013\\_Commission\\_Report.aspx](http://www.pscouncil.org/c/p/2013_Commission_Report/2013_Commission_Report.aspx).

are concerned, as are our colleagues in Government, that that is not today the case.

For the acquisition community, the opportunity exists today to make massive change because of the generational change taking place and to therefore focus like never before on critical thinking, business acumen, technology acquisition and integration, and other core skills, which, according to our 2012 survey of Government acquisition officials are in woefully short supply. For the technology workforce, the challenge is slightly different, and this was one of the more stunning revelations that came to us.

The information technology workforce in Government has perhaps the worst demographics of any key workforce. It almost nine times as many people over 50 as under 30, less than 5 percent of the workforce is under 30, the over-60 cohort is the highest it has been in 10 years, and the under 30 cohort is the lowest it has been in 10 years. That, I would argue, is a symbol of the Government's difficulty attracting and retaining key technology talent and is a powerful argument for an entirely different way of approaching strategic human capital planning across the Government.

When it comes to innovation and collaboration or performance, we have made a series of recommendations to require such things as all program offices entering into an open and collaborative dialogue with their private-sector partners to jointly identify sustainable efficiencies, rather than just simply chopping or cutting margins. This in the long run will achieve—help us achieve success in not only sustaining efficiency, but also building partnership.

We have also developed a new taxonomy designed to help guide smart acquisition strategy, particularly for the acquisition of complex services, which is lacking today and throughout the Government, despite the details of the Federal acquisition regulation. We also have an acquisition environment overly dominated by a default to low-priced technically-acceptable awards, which in the end result in a less innovative and agile supplier base, higher cost to the taxpayer, and offering lower quality. So many of our recommendations around workforce development, the creation of business acumen, a culture of innovation, collaboration, reward, and incentives is designed to overcome that kind of a tendency.

Finally, we have made a set of commitments from an industry perspective where we are going to continue as an organization to invest our resources to develop templates that would help the Government better distinguish the value of key proposal discriminators, so they can comfortably avoid the trap of low bids. We are also going to work with the Government on a series of training modules designed to help provide the workforce with the key tenets of some of the new models of technology acquisition, particularly around things like infrastructure as a service, like cloud computing, and so forth, which entirely change the old models.

As one CIO put it to us, when we were doing the commission, one Federal CIO, he said the world is revolving around apps. We don't have an acquisition process for apps. You have the idea, and you field in 6 weeks? We are lucky if we can get the first requirements done in 6 months.

So that is the kind of thing that we want to work with the agencies on improving, but overall, I think from a homeland security

perspective, these are opportunities to build on what they have already started. The Homeland Security Acquisition Institute is an excellent idea, but it needs to be limited in its focus so they can open the aperture to a very wide array of otherwise available and widely-used best practices training across the commercial space.

DHS leadership has been in the vanguard of pushing greater collaboration, greater communication. It is not happening at the front line, but we need to continue to push that. They have also started a rotation program for acquisition employees which needs to be expanded to functional, as well as organizational rotation, so people, as you do in the best of the private sector, get experience in different parts of the company, in different functions to best understand their specialties.

There are a wide range of opportunities here. The details are all contained in our report. We face a very real set of challenges and crises, and we look forward to working with the committee and the Department on trying to turn those crises into a real opportunity, and I thank you very much for the opportunity——

[The prepared statement of Mr. Soloway follows:]

#### PREPARED STATEMENT OF STAN SOLOWAY

SEPTEMBER 19, 2013

Mr. Chairman, Congressman Barber, Members of the subcommittee. Thank you for the invitation to testify before you this afternoon on behalf of the Professional Services Council's 370 member companies and their hundreds of thousands of employees across the Nation.<sup>1</sup> As DHS enters its second decade of existence, the time is right to assess what more can be done to improve overall mission outcomes at the Department.

#### THE PSC COMMISSION AND DHS

In fact, such a review is not just suitable for DHS, but for the Government as a whole. It was with that intent that PSC launched, in January of this year, its Leadership Commission. The PSC Leadership Commission, comprised of 19 members of the PSC Board of Directors, was spurred to action in large part as a result of the findings of PSC's fifth biennial Acquisition Policy Survey, which suggested that after more than a decade of trying to address well-documented shortcomings in Federal acquisition, including human capital planning and workforce training, and despite the investment of unprecedented financial resources, little has changed.<sup>2</sup> The commission was also spurred by a series of conversations with Congressional staff who were also searching for new ideas to help address seemingly intractable challenges.

Through 6 months of deliberations and dialogue with Federal acquisition, information technology, and human capital professionals, the commission reached a set of findings and recommendations that will significantly inform my testimony today. Indeed, for DHS in particular, where nearly 30 percent of the agency's budget goes to acquisition, and information technology is key to all of its operational needs, the commission's work holds substantial relevance. That relevance is heightened by the fact that DHS's acquisition leadership has already demonstrated an understanding of these challenges and an openness to new strategies for improving the Department's performance.

<sup>1</sup> For 40 years, PSC has been the leading National trade association of the Government professional and technical services industry. PSC's more than 370 member companies represent small, medium, and large businesses that provide Federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social, environmental services, and more. Together, the association's members employ hundreds of thousands of Americans in all 50 States.

<sup>2</sup> See: "The Unabated Crisis: The 2012 PSC Acquisition Policy Survey" December 2012. Available at [http://www.pscouncil.org/i/p/Procurement\\_Policy\\_Survey/c/p/ProcurementPolicy-Survey/Procurement\\_Policy\\_S.aspx?hkey=835b11ac-0fe7-4d23-a0e0-b98529210f7e](http://www.pscouncil.org/i/p/Procurement_Policy_Survey/c/p/ProcurementPolicy-Survey/Procurement_Policy_S.aspx?hkey=835b11ac-0fe7-4d23-a0e0-b98529210f7e).

Let me therefore start with a brief summary of the commission's findings. With your permission, I would like to submit the entire commission report for the record.

#### AN UNDERAPPRECIATED SET OF CRISES

Overall, the commission's findings can be summarized as follows:

- The Government is in the midst of a human capital crisis that is largely being ignored or underestimated. The crisis is marked by astounding demographic imbalances, especially in the technology workforce, a stark struggle in attracting key talent, a quickly escalating pace of retirements, and, according to our Government colleagues, significant gaps in core acquisition competencies;
- Federal acquisition and technology workforce training and development continues to rely on internal mechanisms that do not provide the critical thinking in business and risk acumen so essential in today's marketplace;
- Innovation, while present, remains the exception rather than the rule;
- Collaboration, both within Government and between Government and its private-sector partners, is at low ebb, despite a range of leadership initiatives, including at DHS, to reverse this disturbing trend. In fact, one of the most significant findings was that, according to our Government colleagues, collaboration between acquisition and technology functionals is ineffective and often non-existent, thus contributing to the difficulty in aligning mission needs with that which is ultimately procured;
- While the Federal Acquisition Regulation provides substantial guidance for the establishment of acquisition strategies, the Government lacks a foundational taxonomy that helps inform and drive smart acquisition strategies; and
- Industry must play a role in reforms, including finding ways to address key Government concerns, such as the prominence of award protests, and the difficulty assessing the objective benefits of solutions being proposed.

Hovering over all of this, of course, is the crisis budgeting environment in which every agency is now operating. That environment inevitably results in sub-optimization of operations, a wide range of procurement impacts, including lengthy delays, and much more.

I discussed this topic in testimony before the Senate Homeland Security and Governmental Affairs Committee in June.<sup>3</sup> It is a crisis and challenge that is simply not adequately appreciated or understood by many in the Congress or the general public.

Among the other impacts of this troubling crisis are buying strategies and behaviors that sub-optimize results and encourage penny-wise and pound-foolish decisions. Examples include the over-use of lowest price technically acceptable contract awards, the potential over-reaching of the Government's otherwise well-intentioned strategic sourcing initiative, and acquisition strategies that simply do not reflect commercial best practices and that will likely result in simply adequate, or worse, outcomes in lieu of excellence.

#### IMBALANCED PERSPECTIVES ON THE INDUSTRIAL BASE

Further, what might be deemed to be a compliance rather than performance and outcomes-focused acquisition process leads to strategies that are ultimately destructive to both the Government and industry. One good example is the current trend, now evident in many agencies, including DHS, to use specific market segments as tools to achieving small business contracting goals. We offer this observation carefully, since a large percentage of our members are small firms and we do not want to, in any way, indicate any lack of support for the Government's small business programs. However, what we are seeing today is inconsistent with the objectives of those programs and threatens to significantly distort what should otherwise be a balanced industrial base available to DHS and other Federal agencies.

This trend is manifest by acquisition decisions to set aside all or most of entire categories of work for small businesses largely because other categories do not lend themselves to, or have failed to achieve, adequate small business participation. Further, at DHS and elsewhere, we have seen very sizeable procurements set aside for small business even though the sheer size of the procurements—sometimes as much as \$100 million or more—might well be inappropriate for performance by small companies.

<sup>3</sup>PSC's testimony from "The Costs and Impacts of Crisis Budgeting" before the Senate Homeland Security and Governmental Affairs Committee is available at: [www.pscouncil.org/PolicyIssues/Legislation/Appropriations/Testimony\\_to\\_HSGAC\\_on\\_The\\_Costs\\_and\\_Impacts\\_of\\_Crisis\\_Budgeting.aspx](http://www.pscouncil.org/PolicyIssues/Legislation/Appropriations/Testimony_to_HSGAC_on_The_Costs_and_Impacts_of_Crisis_Budgeting.aspx).

The effects of this type of imbalance is to both constrain competition—since significant numbers of providers will be ineligible to bid—and exacerbate a market balkanization that is already threatening the viability of mid-tier firms and the long-term ability of small businesses to grow and thrive beyond the restrictive small business size standards. We are aware of cases where customers have specifically asked their acquisition counterparts to not set work aside because they wanted the fullest and most competitive field possible, and have been denied because of other pressures generally unrelated to the acquisition involved. And we are well aware of small businesses, with ambitions to grow, that are managing their companies to remain below the small business thresholds, thus defeating one of the fundamental purposes of the small business programs.

Each of these effects are present throughout the components of DHS. In fact, DHS has been considering a variety of ways to address this imbalance. Three years ago, at the request of the Department, PSC conducted an analysis of the Department's small business programs where, among other things, we identified areas for improvement as well as the need for a balanced industrial base.

#### LIMITED LESSONS FROM THE DEFENSE DEPARTMENT

Given the title of this hearing, it would be a mistake to too heavily rely on or look to DoD for solutions to the challenges facing DHS. For one thing, the agencies are so vastly different in size and need. For another, with the exception of DoD's ability to protect in large part the funding needed to train its acquisition workforce, DoD is struggling with many of the same challenges facing DHS and also has a long way to go. Indeed, DoD has spent nearly \$2 billion over the last 5 years on acquisition workforce development but, according to the majority of its own acquisition leaders, has made little progress, particularly when it comes to the acquisition of services. In fact, the spending trend for DoD has been migrating towards the acquisition of services—as opposed to hardware and major systems—for some 15 years, yet DoD still does not have within the Defense Acquisition University a curriculum to adequately prepare its workforce to effectively acquire and integrate professional and technology services.

With those general findings in mind, I offer a set of recommendations, based on the commission's report, which we believe are highly relevant to DHS and could be of real benefit to its operations. Moreover, we are convinced that the acquisition leadership within DHS both understands many of the challenges we have identified and is prepared, with the right leadership and Congressional support, to pursue a number of these recommendations.

#### A NEW PERSPECTIVE ON WORKFORCE DEVELOPMENT

First, with regard to the workforce, particularly but not solely in the acquisition field, we believe it is time to fundamentally rethink how this vital resource is trained and developed. It needs to start with a more strategic review of the Government's human capital realities. No longer can the Government assume, as too many would like to, that the Government can simply decide what skills it wants to hire and then do so. Instead, due to both its resource limitations and the Government's abject difficulty attracting core skills, the Government must carefully parcel its precious human capital resources in a hierarchical manner that prioritizes the most critical functions, rather than attempting to spread those resources on the basis of traditional perspectives.

Acquisition is clearly a critical function in Government and to DHS and is absolutely core to its missions. So, too, is information technology. But where there are signs that the Government is able to attract the requisite young acquisition talent to replace the rapidly retiring more senior workforce, the same is not true in technology. Thus, in acquisition, the biggest challenges are more in how that increasingly youthful workforce is developed and trained, whereas in technology the Government needs to address more broadly and holistically how and where to deploy its scarce personnel resources. In fact, the Federal information technology workforce today arguably has the worst demographic imbalance of any Government workforce segment—fully 8 to 9 times as many workers over 50 as under 30; the largest over 60 cohort in a decade; the smallest peak career cohort of 40–50-year-olds in a decade; and the smallest under-30 cohort in years. In other words, the trends are going in precisely the wrong direction. That strongly suggests the need for new thinking and action.

Specifically, the commission's recommendations include substantially broadening the aperture of training for the acquisition workforce, rather than relying solely on internal, and often overly traditional, mechanisms. If the perceptions of Federal acquisition leaders are true that the acquisition workforce lacks key skills in the ac-

quisition of complex information technology or in negotiations—the essence of any business relationship—then something is fundamentally wrong with how that workforce has been trained and developed to date, no matter the amount of money or time committed to that training.

For DHS, this recommendation would build on efforts already under way. While, on some levels, the creation of the Homeland Security Acquisition Institute is a positive development and reflective of the commitment of DHS leadership to workforce improvement, it could also exacerbate their challenges. The key is to focus the Institute on Government-unique processes while opening the door broadly to a wide range of sources for much needed business and related training and development. This has been a key mistake made by DoD, which continues to pour money into and expand its own bricks-and-mortar training infrastructure and rely on the same mechanisms for training delivery it has for decades. DHS has a great opportunity to do something very different.

Additionally, DHS labors under the same burdens that other civilian agencies do—the lack of a clearly-defined, aspirational career field for program managers. Across the civilian agency spectrum, there is wide variance in the availability of qualified program managers—who are absolutely essential to the effective execution of complex programs. Thus, our commission has recommended changes to the Office of Federal Procurement Policy Act that would both expand OFPP's workforce responsibilities and enable the creation of such a technology career path, replete with the requisite training, development, and certifications.

Similarly, our commission made recommendations for cross-functional rotations of personnel as well as cross-functional training, private-sector exchanges, and the like. DHS already has in place an Acquisition Professional Career Program, in which acquisition personnel do a series of rotations in different DHS components. The program is an excellent idea but could be substantially enhanced if the workforce were also provided functional rotations. As is widely done in the best of private-sector companies, such functional rotations build internal knowledge, understanding, and long-term collaboration.

Another area where DHS is to be commended is with regard to its recent initiatives to leverage the private sector to assist with its training. Though small in scale, the effort recognizes that DHS can learn from the experience of the private sector and that will help DHS acquisition personnel understand how industry assesses risk and makes key business decisions.

#### BUILDING AN ENVIRONMENT OF COLLABORATION & INNOVATION

When it comes to collaboration, the DHS acquisition and technology leadership have been among the most consistent advocates and practitioners of enhanced internal and external collaboration and communication. Unfortunately, the consensus among virtually all of our member firms that support DHS is that the leadership exhortations are not being heeded at the operational level. Given that close communication between customer and supplier is widely seen as a key to successful partnerships, this trend must be addressed aggressively. While it will take time, there are a lot of additional steps that can and should be taken.

Foremost, the current fiscal crisis offers a unique and powerful opportunity to build a new culture of collaboration. Our commission has recommended that all significant program offices be given, by their individual component leadership, a reasonable but real target for efficiency and savings, and then be directed to work directly with their private-sector partners to collectively identify ways in which real, sustainable program savings can be achieved. Both sides know they are in this together; this kind of exercise could not only enable the achievement of meaningful cost savings, but in the process also enhance the internal and external collaborative relationships.

Additionally, the commission recommended a number of post-award steps that can also enhance communications and understanding. For example, the commission recommends two key enhancements to the post-award debriefing process. First, that all debriefings be required to include any and all levels of information that would otherwise be attainable through a formal discovery process during a protest. This will serve to help unsuccessful offerors submit more effective and responsive proposals on future procurements and almost certainly reduce the likelihood of protests. Second, each major acquisition should be followed by a 360-degree debriefing, through which all offerors, and internal agency stakeholders—including the operational entity for which the acquisition was conducted—be given an opportunity to evaluate the quality of the acquisition process itself. These evaluations could be conducted on-line and anonymously and provide the Government with valuable insights into how it can improve its processes and thus its outcomes.

Connected to the issue of collaboration is that of incentivizing innovation. A number of Government officials, including DHS officials, have expressed concern that industry proposals are becoming increasingly vanilla. Clearly, this is an issue industry needs to address. At the same time, companies must continually evaluate the degree to which a customer is seriously seeking innovation or simply asking for the same service at a lower price. To a great extent, this can all be traced to the quality of the statement of work or requirements accompanying an RFP. Beyond addressing that core issue, which DHS and other agencies openly acknowledge being a problem area, we believe it would also be helpful to pursue two additional steps. First, include in the evaluation criteria-specific points for innovation. Second, PSC has committed to creating a template that companies (and agencies) can use as an addendum to an RFP in which they can specifically identify not only the innovations they are proposing, but also objectively quantify the monetary value of the innovation. This should enable much greater clarity in the evaluation of proposals and provide the Government with a valuable tool that helps overcome the challenges of evaluating widely-divergent proposed solutions—which is particularly important in an era of frequent protests and an increasingly inexperienced acquisition workforce.

#### INDUSTRY MUST STEP UP AS WELL

As I noted at the outset, we also recognize that industry has significant responsibilities. While we cannot dictate behavior to the length and breadth of the private sector, there are a number of additional steps PSC is committed to taking to help facilitate improvements. We have committed to convening a panel that will seek to develop recommendations to address the issue of protests. Few issues are more contentious in Federal procurement and we recognize the importance of addressing it. In addition, with the agreement of key Government agencies, PSC will be developing an on-line course covering the basic tenets of acquiring infrastructure as a service. As you know, the emergence of the “as a service” concept, including cloud computing, brings with it new and sometimes complex challenges of business structure, pricing, and contracting. As such, we will provide to the Government, without charge, an on-line course to help orient both Government and industry to the key overarching principles and how they differ from more traditional approaches to acquisition.

#### CONCLUSION

Mr. Chairman, Members of the committee, we face a very real set of challenges and crises. I hope that the work of our commission and this testimony contributes to the identification and pursuit of meaningful solutions. With every crisis comes opportunity; and we have rarely had the kind of opportunity we have today to make genuine and powerful progress. We look forward to working with you and with the Department toward that shared goal.

Thank you for the opportunity to appear here today. I look forward to answering any questions you might have.

Mr. DUNCAN. I appreciate that. Excuse me. Unfortunately, we are going to have to go vote, so without objection, the committee—subcommittee will be in recess, subject to call of the Chairman. We will reconvene 10 minutes after the conclusion of the last vote. I am going to ask the staff to put the vote on the monitor, if you all would like to watch that vote, so you just kind-of know where we are.

With that, we will stand adjourned in recess.

[Recess.]

Mr. DUNCAN. Okay, I will call the subcommittee back to order and recognize Mr. David Berteau for his 5-minute opening testimony. Sir, you are recognized for 5 minutes.

#### **STATEMENT OF DAVID J. BERTEAU, SENIOR VICE PRESIDENT AND DIRECTOR OF INTERNATIONAL SECURITY PROGRAM, CENTER FOR STRATEGIC AND INTERNATIONAL STUDIES**

Mr. BERTEAU. Thank you, Mr. Chairman and Mr. Barber.

I should note, sir, that I grew up in the South, when South Carolina was actually still a member of the Atlantic Coast Conference,



as well. My alma mater, Tulane University, was a member of the Southeastern Conference. I teach today at both Georgetown and the University of Texas, so I have mixed emotions, but I really go back to—you always go back to where you grew up.

Mr. DUNCAN. Well, tonight I hope you say, “Go Tigers.”

Mr. BERTEAU. I think Clemson is going to do fine in football season. It will be a little bit different story when it comes to basketball, so, thank you, though, Mr. Chairman. I am looking forward to that. Thank you and all of you for inviting me here today.

Even though I work for the Center for Strategic International Studies, I need to state that both my oral and written views are my own. The center itself does—being a nonpartisan center does not take institutional positions on matters of policy. You have my background, you have my statement, so let me go from there.

Our statement—my statement is pulled together, really, from two different things. One is, we do a substantial amount of analysis each year on how Federal agencies in the National security arena spend their contract dollars. We put out a report for the Department of Homeland Security. It was last done for 2011. We haven’t done 2012. We plan to wait until sequestration numbers are available for 2013 and then update and see where we are.

I am not going to go through the material in my written testimony. There is a lot of detailed data in there. I would be happy to provide additional material either to Members of the committee or your staff as you all see fit.

Let me, though, make a few overall highlights worth noting. One is that overall spending on contracts by the Department of Homeland Security is down 14 percent in 2012—that is the last year we have data for—compared to 2011. We expect that trend to continue coming down when we have 2013 data. More than half of that reduction, though, is in the Coast Guard, and it is largely tied to fewer ships. As a result, you see spending in products is down 34 percent, but spending in services was only down 6 percent, which is less than half the overall rate.

I would note, also, that we look at how DoD uses the system. Fifty-five—our numbers are 55 percent of DHS contract dollars were obligated after competition with more than one bidder, in other words, two bidders or more. You saw that, in the opening statement, they have got—DHS’s own data shows 72 percent, I believe, was Mr. Borrás’ number, but that is a different way of measuring than the way we measure. We count the competition only if there are two or more bidders. But that was actually up 48 percent from 48 percent the year before.

Fixed-price contracting does remain the norm for DoD. It was 63 percent of contract obligations in 2012 were under fixed-price contract. That is actually down a little bit more. It was 66 percent in 2011. DHS has done a good job of awarding more contract dollars to small businesses and to medium-sized businesses, in fact, one of the best in the Federal Government in many ways. It was over 30 percent in small businesses in 2012, and for medium-sized businesses. We define medium-sized as bigger than small but less than \$3 billion in total annual revenue, which is a wide range, if you will from just over small to \$3 billion. But medium-sized businesses, in terms of total contracts, was up 20—from 23 percent in

2011 to 26 percent. We also count only prime contract dollars, so companies themselves reflect different numbers.

Let me turn then to steps that you can take to improve. We basically—I have spent most of my career working on improving acquisition in DoD and across the Federal Government. My colleagues would say, obviously, I haven’t done a very good job, because there is still plenty of improvement left to go. But there really is a lot that DHS could take from DoD’s history and experience.

I note a number of caveats in my testimony, but here are the five that I think are worth paying attention to. One is a strong DHS-wide acquisition management focus. It took DoD 39 years to get to the point to create a single under secretary for acquisition. But DHS shouldn’t take that long to have that single focus, if you will.

The second is standardized authorities, including certification and training for program managers and standardized mechanisms to validate and integrate requirements and programs and resources. There are some parts of DHS that have this today, but it is certainly not standardized across the Department.

The third is a long-term multi-year plan, similar to the Defense Department’s Future Year Defense Program, which was talked about, but has not yet been manifested. DHS promised it, but they are still working on making it better.

The fourth—and I think this is critical for this committee—is standardized and better transparency of reporting on their systems to the Congress and the public. There is a lot of data that DHS provides to the Congress, but it is a committee at a time and it is a piece at a time, and it really ought to be standardized, more universal, and more transparent.

The fifth is that—as DoD has learned a lot of lessons from rapid acquisition as a result of the wars. Stan has commented about apps take 6 weeks to develop and promulgate, and our acquisition process takes months or years. But the Defense Department is still wrestling with how it learns from those rapid acquisition projects, if you will, and standardize and institutionalize that, so we may have to wait a little bit to see what they do in order before we know what to do with respect to DHS.

Finally, I think there is one big lesson from the private sector, and that is taking advantage of innovation that is developed globally. This is similar to the apps issue, only writ much larger. The cycle time for commercial global technology is so fast and our procurement system is so slow that we have barriers there, but there are other barriers, as well.

Intellectual property ownership disputes, questions of export controls, questions of forcing companies to comply with Government cost accounting standards, even though it is not in their commercial interests to do so. Not that we need to change these things by getting rid of them, but we need to change them by learning how to incorporate them better into Government acquisition.

With that, Mr. Chairman, I will stop and yield to questions.

[The prepared statement of Mr. Berteau follows:]

## PREPARED STATEMENT OF DAVID J. BERTEAU

SEPTEMBER 19, 2013

Mr. Chairman, Congressman Barber, and Members of the subcommittee, I thank you for the opportunity to appear before you this afternoon as part of this distinguished panel to offer my views on the acquisition practices of the Department of Homeland Security (DHS) and on some of the lessons and best practices from the Defense Department (DoD) and the private sector that DHS could benefit from. My statement draws on a number of recent studies of the Center for Strategic and International Studies (CSIS), but both my written and oral statements are my own. They do not necessarily represent the views of CSIS.

I have been at CSIS for 12 years, the past 6 as a full-time program director, but I have been engaged in Federal Government acquisition and program management for a third of a century. I have worked on and studied the topic of today's hearing from inside the Government, as a Government contractor and consultant, as a professor in graduate courses, and with fact-based research at CSIS since before DHS was created.

## WHY LESSONS LEARNED MATTER

The Department of Homeland Security has been in existence just over 10 years. I have followed with interest this subcommittee's series of hearings that look back at the Department's first 10 years and look forward to the future. Earlier this afternoon, this subcommittee heard from the DHS Under Secretary for Management and the representative of the Government Accountability Office (GAO) on the potential for improvement in DHS acquisition. The panel on which I am honored to sit will expand on their views by drawing from both our research and our own experience. As a new department, and DHS is still the newest Federal Cabinet agency we have, it is crucial that the leadership of the Department learn the lessons of the successes (and the mistakes) of other Federal agencies. It is equally crucial, though, that DHS not assume that what worked elsewhere will work the same way for DHS. This hearing is designed to help DHS move forward on both of those fronts: Adopt and adapt good ideas from within the Federal Government and from the private sector, but don't blindly assume that what worked somewhere else will work the same at DHS.

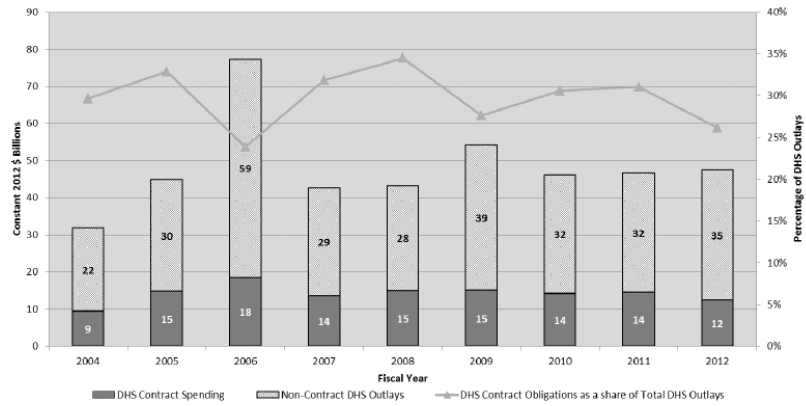
## DHS ACQUISITION PERFORMANCE

In conducting any review of lessons learned that should be applied to DHS, it is important to start with the current performance of the system. I would like to summarize the results of our research at CSIS. Our most recent published report on DHS procurement is the "U.S. Department of Homeland Security Contract Spending and the Supporting Industrial Base, 2004–2011". For this hearing, we updated our data and analysis to include 2012.<sup>1</sup> As is typical in our reports, this presentation will use constant dollars, in this case 2012 dollars. When 2013 data meet our reliability standards, likely early next year, we will update and issue a new report that will cover 2004 to 2013.

Here are some of the highlights. First, as you can see from Figure 1, in 2012 total DHS spending was up slightly compared to 2011, but contract spending was down significantly. After 7 years in which DHS contract obligations were at least \$14 billion, spending dropped from \$14.5 billion in 2011 to \$12.4 billion in 2012, a 1-year decline of 14%.

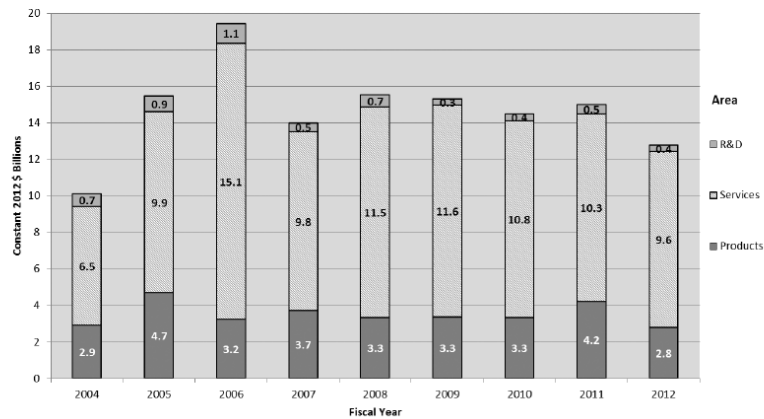
Contract spending in 2012 for DHS was only slightly more than 25% of total spending, the smallest share of total spending since 2006 (a year in which total spending was driven up by Hurricanes Katrina and Rita).

<sup>1</sup> CSIS uses for contract data the public information available in the Federal Procurement Data System, supplemented by direct examination of specific contract documents.

**Figure 1: Total DHS 2004-2012 Outlays and Contract Obligations**

Overall spending in Figure 1 does reflect the first tranche of spending reductions from the Budget Control Act of 2011, but this figure does not show the impact of sequestration this past March. The biggest cause of changes in DHS overall spending is natural disasters, and this figure also does not reflect spending on Hurricane Sandy last October.

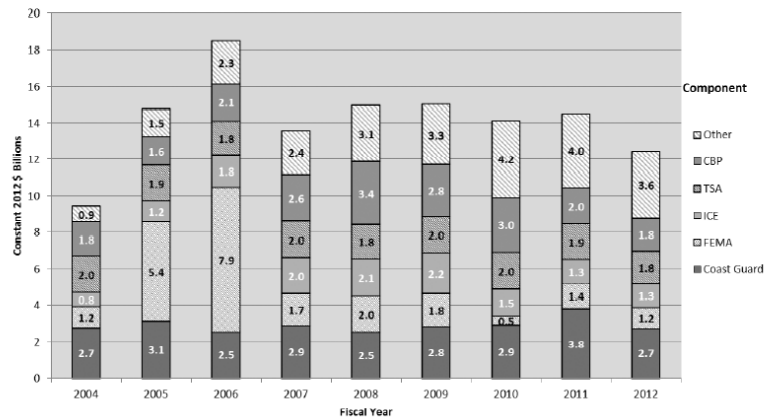
Figure 2 presents DHS contract obligations in terms of what is being obtained by the contracts. It shows contract spending in dollars (constant fiscal year 2012 billions) for the three categories of Products, Research & Development, and Services. The figure shows that from 2011 to 2012 spending on products is down 34%, on R&D is down 29%, and on services is down 6%.

**Figure 2: DHS Contract Obligations 2004-2012 for Products, R&D, and Services**

The two figures show contract spending for all of DHS combined. The next figure breaks down contract spending by the five major DHS components of the Coast Guard, the Federal Emergency Management Agency (FEMA), Immigration and Customs Enforcement (ICE), the Transportation Security Administration (TSA), and Customs and Border Patrol (CBP), with the remainder of DHS combined under the domain of "Other".

Figure 3: DHS Contract Obligations 2004-2012 by Component

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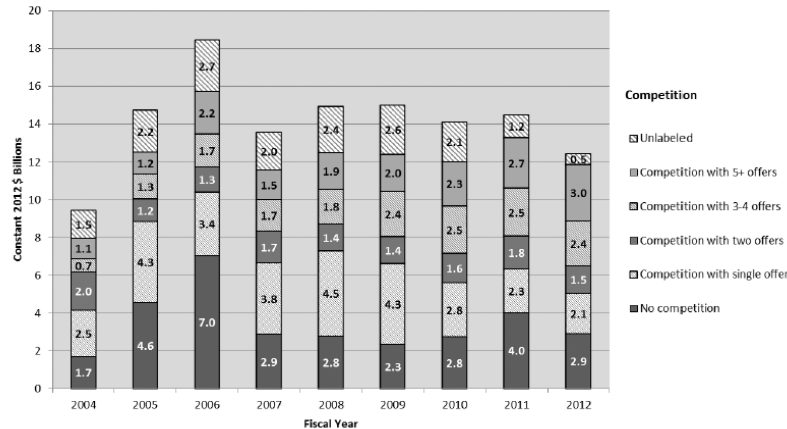


Contract obligations declined from 2011 to 2012 in every DHS component. The largest decline in both dollar and percentage terms was in the Coast Guard, where contract spending fell from \$3.8 billion to \$2.7 billion, or 28%. One reason for the large decline in Coast Guard contract spending was that the National Security Cutter was funded in 2011. As the figure shows, in 2012 the Coast Guard returned to their recent historical level. The “Other” category is almost entirely services contracts, and is primarily composed of IT services, professional services, and facilities-related services at DHS-wide level or in smaller DHS components.

CSIS research analyzes and displays contract spending in many additional ways, including six separate categories of services contracts, as seen in our 2012 report referenced earlier. We are happy to provide this committee with any and all of our additional displays, should you find it useful.

DHS has focused considerable attention on increasing competition for contracts, but the results have been mixed. CSIS examines the number of bidders as well as whether the contract solicited competitive offers. Figure 4 below shows that DHS increased competitive contract obligations by 11% in competitions with five or more offers, from \$2.7 billion in 2011 to \$3.0 billion in 2012. These contracts now make up nearly one-fourth of all DHS contract obligations in 2012, and the amount has increased every year for the past 6 years. Competitions with three or four bidders represent another 20% of total DHS contract obligations, and CSIS found that 55% of total 2012 DHS contract obligations were awarded after competition with two or more offers, up from 48% in 2011.

Figure 4: DHS Contract Obligations 2004-2012 by Competition and Number of Offers



CSIS also tracks contracts by a category that we call “Unlabeled”. The unlabeled category includes those entries where data fields are left blank, as well as those with obvious errors (such as a competitively-awarded contract listed as receiving zero offers). Notably, DHS had made dramatic improvements in correcting the data entered into the Federal Procurement Data System (FPDS). Accuracy and completeness in data entry are essential to transparency and accountability. Although most agencies have reduced their totals of what CSIS calls “Unlabeled” contracts, DHS has made noteworthy progress in this regard, reducing problem entries by more than 80% since 2009.

CSIS also analyzes what we refer to as “Funding Mechanism” for contracts. In general, this characteristic tracks whether a contract is fixed price or cost reimbursable. Figure 5 below shows that DHS has obligated 63% of contract dollars in 2012 to fixed price contracts, down from 66% in 2011.

Figure 5: DHS Contract Obligations 2004-2012 by Contract Funding Mechanism

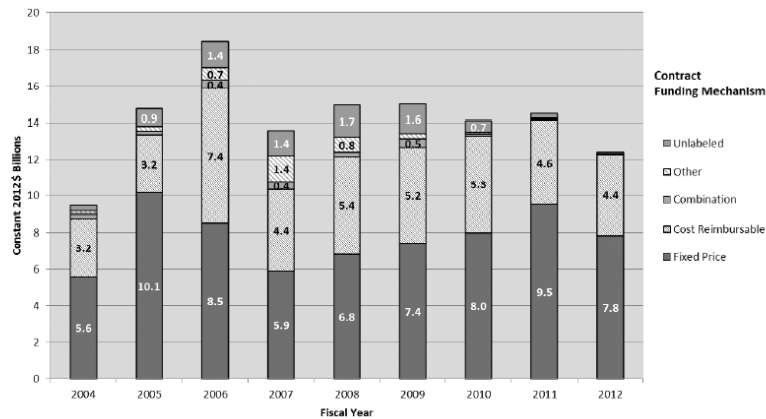
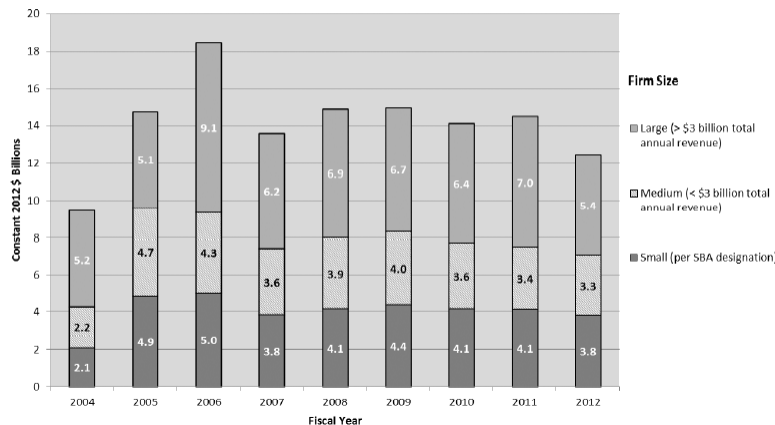


Figure 5 also shows that cost reimbursable contracts have gone from 35% of total obligations in 2009 to 36% in 2012. The reduction of contract spending entered as “unlabeled” or “combination” represents an increase in accuracy and accountability.

Finally, CSIS analyzes contract obligations in terms of the types of companies that win the contracts. Figure 6 shows that DHS is relying less on large firms in 2012 than in 2011. Small businesses were awarded 31% of contract spending in

2012, up from 28% in 2011. Mid-sized firms, with less than \$3 billion in total annual revenue, accounted for another 26% of 2012 contracts, up from 23% in 2011. Large firms, those with more than \$3 billion in total annual revenue, fell to 48% in 2012 from 43% in 2011.

Figure 6: DHS Contract Obligations 2004-2012 by Size of Firm



Overall, DHS contract data, for 2012 compared to 2011, show in constant 2012 dollars the following key trends:

- Overall spending on contracts is down 14%, with more than half of that reduction in the Coast Guard, tied to fewer ships;
- The decline is seen most heavily in contract obligations for products, down 34%, while services contract obligations fell at just 6%, less than half the rate of the overall DHS decline;
- 55% of DHS contract obligations are awarded after competition with two or more bids, up from 48% in 2011;
- Fixed price contracting remains the norm for DHS, accounting for 63% of contract obligations in 2012, down from 66% in 2011;
- Increasing shares of DHS contract obligations are awarded to small and medium-sized firms.

My team and I would be happy to provide additional information on any and all of this material to this committee or any of the Members and staff.

#### IMPROVING DHS ACQUISITION OUTCOMES

The previous section of my statement describes the current performance of the DHS acquisition system and the recent trends across a variety of measures for that performance. Let me turn now to the broader concern of this hearing, which is to consider steps that DHS can take to help improve its acquisition process and outcomes. This section takes a higher-level view of challenges faced by DHS acquisition and possible improvements that could help address those challenges. As requested by the committee, I focus this section on lessons that DHS might learn from DoD and from the private sector.

Before listing some of those lessons, however, it is useful to step back to the creation of the Department of Homeland Security. At the very first hearing before the House Select Committee on Homeland Security on July 11, 2002, the administration witnesses stated unequivocally that joining 22 agencies and departments into the new Department of Homeland Security would engender such overhead efficiencies that total headquarters staffing and budgets could be reduced from the existing structures. Based on this belief, and without any publicly-available detailed assessment of requirements, DHS from its inception did not create a central mechanism for acquisition oversight. While some DHS leaders have provided senior focus on acquisition oversight, it has not up to now been institutionalized in DHS.

This is similar to the Defense Department in the decades prior to the Packard Commission's recommendations in 1986 and their subsequent enactment into law that same year. Congress created a statutory Under Secretary of Defense for Acquisition (now Acquisition, Technology, and Logistics) with primacy over all others in

DoD save the Secretary and Deputy Secretary of Defense. While no similar position exists for DHS, it is important to note that DoD outspends DHS in total contract obligations by a factor of more than 30 to 1. Still, the DHS roles of Chief Procurement Officer and Head of Contracting Activity warrant institutional support within the DHS organization structure.

Some DHS components have taken significant steps to correct past problems. As part of a study under an acquisition research grant from DoD's Naval Postgraduate School, CSIS is examining the governance structures for complex systems of systems. One of the systems we are investigating is the Coast Guard's Deepwater program, with a view to how changes over the past few years in response to Deepwater's challenges have made the overall acquisition process better. Based on our research to date, the Coast Guard seems to have made important strides toward integrating requirements, resources, and program milestone decisions in a way that will likely lead to better program outcomes. However, more time is needed to verify whether those outcomes meet expected needs.

#### POTENTIAL LESSONS FROM THE DEPARTMENT OF DEFENSE

There are three areas that, in my view, merit consideration as DHS looks to DoD for possible areas of acquisition improvement. I look at each of these areas in turn.

The first area is organization and regulation. At the time of the creation of DHS, there was a common theme that this was the largest reorganization in the Federal Government since the creation of the Defense Department in 1947. From a numbers point of view (both personnel and agencies), that statement is largely true. But it's important to remember how long it took DoD to evolve into a mature, functioning, relatively integrated Cabinet agency. It took 2 years before the National Military Establishment set up under the 1947 Act even became a single department.

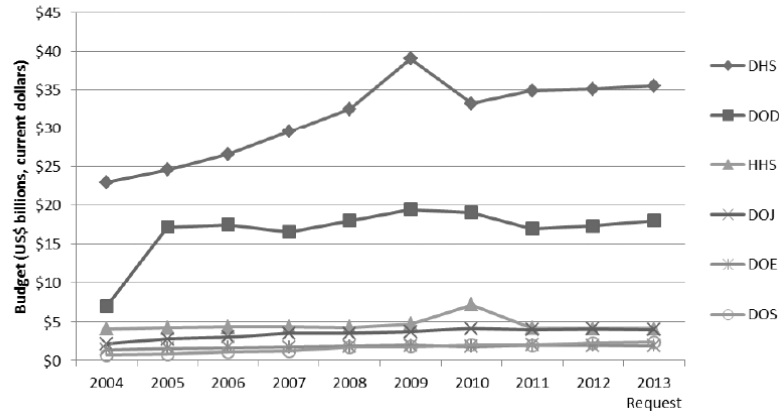
It was 11 years before President Eisenhower's reforms, pushed through Congress over objections by the military, created what we now know as the Combatant Commands and began to take the Military Departments out of the chain of command for deployed forces. It took 14 years before the Planning, Programming, and Budgeting System was created to provide for an integrated DoD budget and long-range projection of the defense program. It was not until 1970, 23 years after the original Act, that Deputy Secretary of Defense David Packard penned the first DoD directive on the acquisition system that still exists, DoD Directive 5000.1; it was 4 pages long. And it was not until the Goldwater-Nichols Act of 1986, 37 years after the original Act, that the Chairman of the Joint Chiefs of Staff became the single principal military advisor to the Secretary of Defense and the President. Prior to that, requirements for consensus sometimes stymied the need for timely advice and decisions.

I note this history because we need to recognize that it takes a long time to create a new, unified, more efficient organization. It took 51 years for the Executive branch and Congress to evolve today's process for the Federal budget, from the initial creation of the Bureau of the Budget to the passage of the Budget Reform Act of 1974. Big changes take time.

Even so, it's not appropriate to say that what works for DoD will work for DHS. The organizations are not parallel or even similar. There is not, and likely never will be, the equivalent of DoD's Military Departments in DHS, focused on joint and common missions at home and around the globe. There is not, and likely never will be, the opportunity for single agencies to serve the entirety of DHS in the way that the Defense Logistics Agency or the Defense Contract Audit Agency does for DoD. In fact, that audit function supports agencies across the Federal Government, in a way that is unlikely for DHS in support missions.

Part of the reason for this difference is that DHS does not have the entire homeland security mission, either for the Federal Government or for the Nation. As Figure 7 below depicts, only 54% of Federal spending for homeland security missions is in the DHS budget. The rest resides in DoD, the Departments of State, Justice, Energy, and Health and Human Services, and numerous other Federal agencies.



**Figure 7: Federal Homeland Security Spending by Agency, 2004-2012**

(Note: The figure above lists spending through 2012, the latest year for which CSIS has contract spending data. We plan to update this chart when we update our report this coming winter.)

The role of the Federal Government in homeland security is also dramatically different than it is for defense. In addition to non-DHS Federal spending, significant responsibilities rest with State and local governments and in the private sector. There is no equivalent for DoD to this wide-spread distribution of responsibilities, which makes it more difficult to take DoD solutions and apply them to DHS.

As one example of that difficulty, look at DoD's acquisition regulations, which dwarf those of civilian agencies, including DHS. In addition to the Government-wide Federal Acquisition Regulation (the FAR), there is a DoD-wide supplement to the FAR (the DFARS), and each DoD major component has its own supplement to the supplement (Army, Navy, Air Force, and the Defense Logistics Agency, among others). The 4-page DoD directive from David Packard has grown to hundreds of pages, much of which is the result of statutory and regulatory fixes to specific problems that have never been internally rationalized or reconciled. These layers of regulation often serve potentially useful purposes from the point of view of the covered component or the Congress, but they add unnecessary complexity to procurements and confusion to firms that need compliance systems that can accommodate all forms of acquisition regulation.

In addition, with each passing year, the magnitude of these layers of acquisition grows larger. Congress needs to act to integrate and rationalize the overall set of acquisition statutory requirements for DoD before anyone tries to apply them to other agencies like DHS, and DHS should carefully consider whether DoD rules make sense for it. For example, in my view, the last thing DHS needs is to force the Coast Guard to consider and apply the 29,000 pages of Naval Vessel Rules promulgated for ship construction and maintenance by the Naval Sea Systems Command.

The second area for consideration is the structure of incentives and disincentives that DoD has in place to reward proper contract management and oversight. Ultimately, DoD is its own customer for the programs it designs, procures, and operates and maintains. Thus, the feedback for successful program execution and acquisition performance is reflected in mission accomplishment by the troops in the field. While this is often the case for DHS, it is equally likely that the ultimate user of a DHS-procured system or program is in another Federal agency or tied to first responders at the State or local level or even in the private sector. Mission success is harder to measure for the DHS acquisition community.

One of the most significant attempts to create better incentives for DoD acquisition system performance was the passage of the Nunn-McCurdy Act in 1982 as part of the fiscal year 1983 National Defense Authorization Act. This statute was designed to force DoD to report on major cost and schedule overruns and performance underruns, and its namesake authors expected the requirements to lead to better acquisition performance in DoD. While CSIS has not explicitly assessed the efficacy of the Nunn-McCurdy Act, our work on cost and schedule overruns in major defense

acquisition programs indicates that few programs have been cancelled as a direct result of major Nunn-McCurdy breaches. Instead, for 30 years, defense secretaries have rebaselined breach programs and certified those new baselines, in some cases only to see new breaches arise within just a few years. While some of these programs are eventually cancelled, it's not usually because of a Nunn-McCurdy breach report.

Still, there has been value in the Selected Acquisition Reports that DoD issues each year in compliance with Nunn-McCurdy requirements. These reports provide a standardized method of reporting to Congress and the interested public on the performance of major acquisition programs, with consistency over time and across the various DoD Military Departments and components. DHS would do well to consider, and Congress should consider requiring, a more standardized and universal mechanism for DHS to report to Congress on the cost and schedule baselines and performance for major acquisition programs, including IT programs. DHS provides Congress much information and material today, but it is not standardized, it is not reported equally to the interested committees, and it is often not available to the public. Congress and DHS should work together to find a useful way to standardize and publicize reporting.

The third area is the recruitment, training, and retention of the acquisition workforce. DoD used furloughs in fiscal year 2013 to meet sequestration targets for cutting costs. The furlough process and its accompanying practice of forcing contracting officers and the acquisition workforce to "work to the rules" have produced anecdotes of reduced output, delayed contracts, and undermined morale in the workforce. It is difficult to analyze how widespread these anecdotes are, but it is clear from the monthly Treasury Department data that DoD spending is down in the fourth quarter to an extent greater than just that driven by sequestration. The long-term effects of furloughs on the DoD workforce will need to be watched closely.

The lesson for the acquisition workforce of the last budget drawdown in DoD is that it is far easier to get rid of parts of the workforce than it is to rebuild it. DoD has been rebuilding the acquisition and technical workforce for 12 years now, with a renewed focus under Section 852 authority over the last 5 years, but DoD is still not back to the sustainable demographic and experience level that was present at the end of the Cold War in 1989. DHS needs to pay attention to DoD's experience as it works to train and retain its own acquisition workforce.

#### POTENTIAL LESSONS FROM THE PRIVATE SECTOR

There has been a long history of attempts to translate and apply commercial best practices to Government operations. Many of these efforts have failed to produce measureable results, for reasons that range from the different legal structures in the Government (such as requirements for using cost and pricing data instead of defining contract outcomes to obtain the best value) to the lack of equivalent management tools (such as no balance sheet, capital budget, or time value of money for investments). But one area where the Federal Government in general and DHS in particular can learn from the private sector is in taking better advantage of technology developed in the global commercial sector.

The DHS Science and Technology office has evolved to focus its spending more on the development and application of technology rather than investing in basic research. In this way, DHS may have the opportunity to match or exceed current DoD efforts to identify commercial technology with value for incorporating into Government acquisition programs. This is not only true for information systems and technology but for a broad array of technologies that range from sensors to adaptive manufacturing (also called 3D printing). But DHS must find ways to reduce barriers to successful incorporation of commercially-developed technology, including the perception that the Government does not adequately value or protect proprietary data and intellectual property, information that for commercial companies is their competitive advantage in a global marketplace.

#### CONCLUSION

Mr. Chairman, Congressman Barber, Members of the subcommittee, there is much more to discuss and address on all of these issues. The information presented above provides the highlights of our work at CSIS over the past 2 years on these issues. We are happy to provide you with additional material on these and other related issues, should you desire. Thank you for the opportunity to appear today before the subcommittee, particularly along with the other panel members with me today. I welcome your comments and questions.

Mr. DUNCAN. Thank you so much. The three of you are clearly leaders in the acquisition management area. So the first question I have for you is a yes-or-no question. Has anyone from DHS ever reached out to you and asked for any assistance in their acquisition processes?

Mr. GREENWALT. No.

Mr. SOLOWAY. Absolutely.

Mr. DUNCAN. No.

Mr. BERTEAU. Yes, sir, and we work with them pretty closely when we do our analysis.

Mr. SOLOWAY. I would just—if I could just put a little add-on to that, not only have they reached out to us, one of the things DHS has instituted over the last year-and-a-half is a series of roundtables with their front-line workforce and industry folks, not talking about programs, but talking about best practices. So they are making those efforts.

The problem is, it is a huge workforce, and there is a long way to go. But, yes, they have been reaching out.

Mr. DUNCAN. Okay, well, that is great. That is the answer I wanted to hear that they have.

Let me pause just a minute to wish one of the members of the OME staff, committee staff, Debbie Jordan a happy birthday today. Happy birthday, Debbie.

I am a big advocate for what was known as the Byrd Committee. From 1941 to 1972, the Byrd Committee, named for Harry Byrd, was an anti-appropriations committee. It was a committee of the House of Representatives that actually was charged with looking at every line item, every dollar, every period, every comma in the budget looking for programs that were wasteful or duplicative or redundant that could be cut.

It was how we funded World War II in the very beginning, before we floated the first bond, we decided to shrink the size of Government and use those savings to fund the ramp-up to the war effort. It lasted until 1972, and I am an advocate for going back to that, but learning about the Nunn-McCurdy amendment in 1983 defense authorization act, which was an oversight tool for Congress to hold the Defense Department accountable for cost growth on major defense acquisition programs, when certain thresholds for unit costs are exceeded, the DoD is required to notify Congress of the breach.

Or in order to prevent an acquisition program in violation of Nunn-McCurdy from being terminated, the Secretary of Defense must restructure the program to address the root causes of cost growth, rescind the most recent milestone or key decision point approval, and withdraw associated certifications, require a new milestone and a key decision point approval before certain contracting actions are taken, and report on all funding changes resulting from the growth in cost and finally conduct regular reviews of the program. That is just smart management.

I don't want to micromanage every dollar spent by the Department of Homeland Security, nor should Congress have to have that level of micromanagement oversight. But would you agree and would applying a Nunn-McCurdy-type mechanism to DHS acquisitions process act as positive stimulus to encourage DHS officials to best address cost overruns to effectively save American taxpayers?

Mr. GREENWALT. I would say yes, and I think the key there—there are some lessons learned from that experience. In the beginning, there was a tendency for the Department of Defense to have requirements creep in those systems, and they would re-baseline. So after about 20 years, Congress came back and said, no, no, no, you can't re-baseline.

But the problem is, is that they have established baselines that are too—that are premature, and so there is a key thing to get here when you do Nunn-McCurdy is to figure out, when is the best time to establish a Nunn-McCurdy baseline to hold them accountable? It is very hard to hold them accountable for something that they set 20 years ago.

So if you can get them to the point—and I think the—where GAO was talking about, meeting all of those best-practice requirements and setting your base right there, that is when you start a program, that is when you fund it, and then you establish the baseline from there, then hold them accountable, and then do what Congress did for the Department of Defense, which is basically say, if you are over that critical breach, the presumption is on termination.

Mr. DUNCAN. Yes. Mr. Soloway, you act like you want to add in.

Mr. SOLOWAY. I just would suggest a little bit of caution on copying the Nunn-McCurdy model. First of all, Nunn-McCurdy was really designed for major weapons systems that have a very, very long life cycle, as Bill said, 20 years. Sometimes we are in lots 30 and 40 years or 60 years later, and they are still out there. But that is a long life cycle. The bulk of what DHS buys, it doesn't have that kind of life cycle in the procurement—

Mr. DUNCAN. Kind of a short—short—

Mr. SOLOWAY. Much shorter, so it is not clear that a Nunn-McCurdy would be workable in that kind of an environment.

One of the things we have recommended in our commission report, though, is the creation of an acquisition dashboard, which to David's point around transparency would give you as the Congress and the public much better insight into progress that programs are making against baselines without putting the formal overlay of a Nunn-McCurdy-like system, because the programs tend to be shorter in length and they are more services than they are hardware, anyway.

Mr. DUNCAN. Without expanding further, I am going to ask Mr. Berteau, you know, the Weapons System Acquisition Reform Act of 2009 also sought to improve the organization procedures of DoD for the acquisition of major weapons systems. I am sure you were there during that time, so do you believe that there are aspects of that law maybe taken in context with Nunn-McCurdy that DHS could use or we could create to improve its accountability and transparency? Any other comments you would like to make along those lines are fine.

Mr. BERTEAU. Thank you, Mr. Chairman. I was actually a career civil servant and worked in the Office of the Secretary of Defense when Nunn-McCurdy was passed, was very involved in the debate. Of course, the Defense Department at the time thought it was a horrible idea and that Congress shouldn't interpose such oversight.

But nonetheless, it did pass by, I think, unanimous consent—both in the committee and on the floor.

Nunn-McCurdy has not achieved its actual goal, which was to force the Secretary to cancel programs that were over cost or behind schedule, if you will. But it did achieve a tremendous goal in terms of both focusing the attention of the Department, making it harder for them to ignore problems, and providing Congress with regular reports, so that Congress could track it itself.

I think that is kind of what Stan is talking about, in terms of an alternative mechanism, not necessarily so much focused on the breach question, as the reporting of data question.

The Weapons System Acquisition Reform Act, I think its two single-most significant contributions for DoD, and it is coming up on its fifth anniversary next spring. We are going to issue a report card and analysis of that on its 5-year anniversary.

No. 1 was better emphasis on cost analysis and cost assessment up front, so that you have got a truer picture of what it is likely to actually cost. Now, this is always a matter of dispute. The program always wants the cost to be as low as possible, so that you can put into the budget as possible. The cost analysts want it to be as accurate as possible, so they want it to reflect reality.

I think the early lessons of DoD, and particularly the report since the law took effect and really got implemented, is that better costing does lead to better program management. So I think that is a very positive outcome that DHS could adopt here.

The second is, in fact, a separate office that is chartered to look at the root causes of big problems when they come up. This, while each entity inside DHS has varying degrees of success in that regard, there is really no entity in DHS that is chartered to do that root cause analysis on the most significant problems, not on everything. Just pick the three or four biggest ones that you have got right now, and that would be, in my view, worth looking at for DHS, as well.

But the broader picture—I think you need to narrow it down to the few things that are useful.

Mr. DUNCAN. So you say the Weapons System Acquisition Reform Act is going to have a report due this spring?

Mr. BERTEAU. It has an annual report from the program analysis and root cause assessment office, but there is no official DoD. My group at the Center for Strategic and International Studies is going to be issuing a report card on the Weapons System Acquisition Reform Act on its fifth anniversary next May.

Mr. DUNCAN. Okay, so we will watch closely for that.

Mr. BERTEAU. Thank you, sir.

Mr. DUNCAN. My time is expired. So I recognize the Ranking Member, Mr. Barber, for 5 minutes.

Mr. BARBER. Thank you, Mr. Chairman. Thank you all for your very thoughtful testimony. You know, I think we are all interested in how we can improve DHS—certainly I am, and I know the Chairman is—on many levels. We have discussed them in other hearings. But acquisition is really high on my list, having been involved with DHS for many years before I came to Congress. I see a great need for improvement and transparency and accountability.

So let me ask the first question, Mr. Greenwalt, to you. In your testimony, you stated that the Department would benefit by adopting Defense Acquisition Workforce Improvement Act standards, and you recommended considering a funding mechanism similar to the Defense Acquisition Workforce Development Fund to pay for training and workforce development.

I think we all know that, along with other departments, DHS has been hit with budget cuts over the last 2 or 3 years, requiring, I think, in many cases, for the Department to do the same amount of work with less funding.

How do you recommend or would you recommend that the Department implement the measures that you have suggested in light of these fiscal challenges?

Mr. GREENWALT. Yes. The Department of Defense DADF fund, or the Defense Acquisition Workforce Development Fund, is kind of a unique fund, in that it originates out of expired appropriations. So in the sense, you have O&M funds, R&D funds, procurement funds expiring, and those are scooped up and paid for, for training.

What is interesting about that mechanism, it has been authorized. The appropriators have approved it. It is designed to address these acquisition workforce deficiencies.

Now, there is a big question on implementation how well that money has actually been spent, and I think we could have a debate on how that money should be spent and what kind of training and so on, but the fact that there is a fund like that, it has been in place for several years, and it would go around, and it also serves as an incentive to not spend money, because if you are an acquisition professional and you want to hold back money that isn't appropriated, because that could actually come back into your workforce and training.

Mr. BARBER. That is very helpful. Thank you. Mr. Soloway, you indicated in your written testimony that, given the title of this hearing, it would be a mistake, I think you said, to too-heavily rely on or look to DoD for solutions to the challenges facing DHS. Could you elaborate on that and say what practices that DoD uses do you think could be most useful to replicate in DHS?

Mr. SOLOWAY. Certainly. I think it ties directly to Bill's comments a moment ago on the defense acquisition workforce funds and DAWIA. I did not mean to suggest that DoD does nothing right. My suggestion would be that all of our findings and our commission applied as equally to them as others, despite the resources they have that other agencies have not had.

I think Bill's last point around how the developed workforce money is spent is the core issue. DoD has an excellent school in certain areas, but it is lacking in others, and so forth, so that is one, I think, big difference.

I think that the preservation of funds and the commitment to funding for training is probably the No. 1 thing I would say. DoD, the one thing you could say without question, the years I was there, since, before, has had a very constitute, robust funding mechanism for acquisition training. Again, whether the training is right or—that is a different issue. There has been a commitment.

The second thing DoD has had to varying degrees, but relatively steadily, is very senior leadership attention to acquisition. The

under secretary for acquisition technology and logistics is essentially the first among equals of the under secretaries, but the deputy secretary typically is very engaged. Even the various secretaries have taken a personal interest.

When I was there, it was one of the great advantages. We had a secretary, a deputy secretary, an under secretary, for who all of them these were really critical issues. So having that kind of senior leadership involvement, which we don't, frankly, have not seen at DHS and other civilian agencies, is a big difference. I think it is worth looking at that model.

The last thing I will say, because I know you want to get to other questions, as we talk about the Defense Acquisition Workforce Improvement Act, DAWIA, and certifications and so forth, we have to be very careful about distinctions between the civilian agencies and DoD. It strikes to one of the major recommendations in our report.

In the civilian agencies, when you talk to people about acquisition, you are basically talking about contracting. At DoD, when you talk about acquisition, what we refer to as the big A, you are talking about contracting, you are talking about pricing, you are talking about logistics, you are talking about program management systems, engineering, a whole set of skills that go into a complex program.

In the civilian agencies, there is no such thing as an aspirational, defined, a certified career path for program managers, yet the civilian agencies operate largely on programs. I think one of the things that we recommended, which would be Government-wide, but would certainly apply to DHS, is that the Office of Federal Procurement Policy Act be expanded so that they actually have cognizance over a program management workforce, and can create within the civilian agencies that skill set.

We did work independent of my role at PSC for the former Council on Excellence in Government at OMB several years ago, and in the survey work of the agencies, we found the vast majority of people in civilian agencies who were, "program managers" had the title merely because of the documents they signed, not because of the training they had.

That is not a criticism of the people. It is a suggestion that we don't even have the right career structure to execute the programs we are asking them to execute.

Mr. BARBER. Thank you for that. I just have a couple of questions, I think, that tie together for Mr. Berteau. By many accounts, the Department is further along with its acquisition policies and improvements than it has ever been before, and some have indicated that in order to succeed, DHS simply needs to follow its own procedures. Would you agree with that assessment, Mr. Berteau? If not, what more do you think the Department can do to improve its outcomes?

The second question has to do with the under secretary for management. Does that person, does that position have adequate safeguards in place to ensure that DHS components can acquire goods and services in a responsible way, in a way that avoids waste?

Mr. BERTEAU. Thank you, Mr. Barber. You're correct to raise as the first question of: Is the Department even doing that which it lays out itself to do? So before you lay on additional improvements,

make sure you have actually implemented and executed the ones that are in place already.

I note in my written statement the historical fact that DHS has really only been there now for just over 10 years. If you look at the history of how long it took the Defense Department to evolve to the point it is today, with a centralized acquisition authority that Stan recommended, with a focus on training and career development for the workforce, these are things that took DoD 20 and 30 and 40 years before they got into place. That was with a structure that by and large already existed. You already had a war department. You already had a Navy department. You were just merging the two together and creating an Air Force.

DHS is much more complex with a lot more moving parts and I think substantially less recognition at the component level of the authority, direction, and control of the Secretary. In fact, if you look at Title 10, which is the U.S. code that controls DoD, it is unambiguous in its delineation that the Secretary of Defense has the authority, the direction, and control of the Department. There are no other major Cabinet agencies that have a similar delineation of responsibility and authority in the person of the Secretary. They have a lot of more diffuse and separate authorities.

I think given that, the biggest challenge that DHS has is, in addition to following its own processes and making sure they are doing them, is looking at how those integrate across a whole variety of authorities and circumstances. I know you saw in your own time there, individual components in DHS don't necessarily wake up in the morning and say, oh, did we get new guidance from headquarters today, all right? So that is the kind of thing that I think is often going to come into play.

That leads me to the role of the under secretary, which I think is one of the critical places where that needs to start. If there is ever going to be a strong focus on that acquisition and procurement and overall program management from DHS, it needs to be within, I think, the existing structure.

I think the last thing DHS needs today is another reorganization, because, you know, that just ends up being different tree, same people. That is not necessarily the outcome you want.

Mr. BARBER. Thank you so much.

Thank you, Mr. Chairman.

Mr. DUNCAN. Well, just want to follow up with something Mr. Soloway was talking about. You know, the private sector, acquisitions have a different meaning and different connotation than they do in the public sector in some ways. Private businesses think of acquisition as an expenditure of a large amount, relatively speaking, of the size of the company of capital for the purchase of equipment or maybe other capital assets or contracting for certain services.

When they contract for certain services, those services are monitored, that if it is an IT service, that the IT company is actually providing the service that the company requires. If it is not, then it is terminated, and they find another vendor, because they are spending their own money. So they are a little more adept at that.

I want to talk about the human capital of the public sector. Professional Services Council leadership commission's 2013 report



sought to address the challenges facing Federal human capital with the acquisition process and technology, and the report looked at the Federal Government in its entirety and concluded that Government's current human capital strategies are not delivering the desired results and a fundamental change was needed.

So what can both the Government and private sector do to improve performance, efficiency, and quality of Government acquisition officials? You touched on that just a little bit a minute ago, but that whole, I guess, fraternity of acquisition officials. Can you just address that a little bit further?

Mr. SOLOWAY. Yes, I think there are a number of elements to it. We tried to touch on some of them in the report, and there are undoubtedly others that we either missed or were just too far down the path to get to.

Mr. DUNCAN. Let me ask you to touch on the fact that, how do we attract the best and brightest human capital out there? How do we retain those? I think that is really what I am trying to get at.

Mr. SOLOWAY. I think there are a couple of things. I think one of the things that most of the surveys I have seen, the partnership for public sector is a great example, because they do so much in this area, show that the greatest dissatisfaction in Government is—let's leave aside pay freezes and so forth—but the greatest dissatisfaction right now is around questions of reward for performance, I think was a question in the earlier panel about performance rewards and so forth, and then the private sector, that is sort of the standard, is how it operates.

So I think looking at how we manage human capital, figuring out a different kind of incentive structure—I don't want to get into a whole personnel reform debate or discussion today—but I think there are real issues there. I think, second, we have to be very careful about how we target who and what skills we are trying to hire. The Government is never going to be able to hire all of the technology people it wants, so we need to take precious dollars and really zero them on for training, for development and so forth.

I mean, what we see, instead, as is often the case even in the private sector, and unfortunately, is when times get tough, training is the first thing to get cut. I had one agency executive tell me about a month ago that their entire acquisition workforce training is gone because of the budget.

Now, that to me is a very, that is bad management because of the implications, but work—people in any professional field want to know that they are going to have opportunities to develop their skills, to do interesting work, and move forward, but you can't do it is everything is a sort of peanut butter-spread approach to workforce as opposed to very targeted and very strategic.

I think the third thing is rethinking even workforce structure. We make a recommendation in the report for the creation of something called the technology management workforce. If you look at companies that do a lot of technology work, and I will use, my favorite example is Federal Express, because they are essentially an IT company. Everybody who is anybody at Federal Express is both a business expert and a technology expert, because that is the two things that they do.

We don't have a lot of that, other than at the very senior levels in Government. We don't develop our workforce as integrated workforce as we develop them in silos, and that inhibits their growth and development, and then they become much more susceptible to opportunities to go outside and do different things and have that more contemporary kind of work experience.

So I think there is a whole level, a set of things that don't require law, that actually DHS or other agencies could do, could experiment with to really to drive a better work experience, even against some intractable fiscal and other issues that are going to prevent compensation, for instance, from equaling what you could make elsewhere.

Mr. DUNCAN. Well, something that the gentleman from Texas, Mr. O'Rourke, and I were talking about on the walk over to the Capitol that was brought out in the first committee is the systemic problem, and it is really systemic to Government as a whole, Federal Government, State government, local government, school districts, of spending your entire budget.

At the end of the fiscal year, if you haven't spent your budget, you go out and you buy all those office supplies and others, and you spend your budget, because that is how you justify getting that budget next year an increase.

You know, is there a—I think it was brought out in the last committee, last panel—there ought to be some sort of incentive for spending every dollar, that creating some savings, finding those savings, keeping those contracts under budget and under cost.

I know as a business, for business leader, I would be more apt to give someone a higher budget request in the next fiscal year if they showed some fiscal restraint and common sense budgeting and not spending their whole budget just they had to. I would be more apt to reward them with maybe a different acquisition or different capital purchase or a higher budget in subsequent years if they showed that they actually cared about being good stewards of those taxpayer dollars.

So I guess I would just throw this out there. What sort of incentive-type programs can Government create for Government acquisition officers and officials for doing that sort of thing?

Mr. SOLOWAY. I think—I would let my colleagues address this, as well—we tried several different initiatives when I was at the Defense Department and had some interesting learnings. We did have at one point—looked at putting in place a personal incentive program, where program offices really achieved some great cost savings that the individuals would actually be rewarded, like you might in a company, with a bonus or something like that.

The problem is, people; men and women in uniform aren't allowed to get bonuses, so you had an immediate disconnect there because you had mixed workforces.

The Navy experimented for a number of years with—if you came up with an improvement plan that could reduce maintenance costs or reduce program costs or so forth, a percentage of those savings would stay in the organization. The problem is, when budgets get tight and the annual resource battles, what organization is it staying? Is it staying at the base? Is it staying with the command? Is

it staying with that section of the Navy? Ultimately that didn't work too well.

So the incentive question is a really, really tough one. I think that one of the things we have to get at first is, leadership showing real support—and I am talking the kind I was mentioning earlier—real support for the workforce that is doing this work. Frankly, they don't feel supported.

I am being very candid and blunt, and I will say it is their leadership. There have been issues with Congress and IGs and the GAO, not that any of them are doing something that is not their job, but the workforce doesn't feel like they get any credit when they do things right. The only thing that gets noticed is when something goes wrong. Even then, the root causes are often misunderstood and so forth.

So, again, I will go back to our report. One of the things that we talked about, and we got this from a lot of Government folks, including some young professionals we talked to who were really interesting, was leadership, understanding what it means to be a risk absorber, to really step up and stand up for your folks when things go wrong. So that when they are innovative and something goes bad, you are there to protect them. When things go right, you are there to celebrate them.

I don't think folks who work in Government, my experience in Government, expect lots and lots of financial incentives and so forth. But being recognized and rewarded for great work, that is actually not nearly as common as one would think.

Mr. DUNCAN. In a lot of instances, that is equal to a financial reward in the eyes of their peers.

Mr. SOLOWAY. Absolutely.

Mr. DUNCAN. So I don't have anything further. I will turn it over for Mr. Barber for a second round of questions.

Mr. BARBER. Well, thank you, Mr. Chairman. I wanted to pick up on this theme of—my question has to do with how the Department does or does not encourage creativity, the flow of good ideas, both from outside, as well as from inside the Department. I have talked to a lot of Border Patrol agents, the men and women who are on the ground every single day. They really know what is happening. Yet they feel, and I think it goes to your last comment, Mr. Soloway, that no one is listening or there is no way to be heard.

The same is true for a lot of really innovative companies, small businesses typically, who say I really want to present this idea, and I don't even know where the front door is, let alone how to go through it.

It seems to me that DARPA, for example, is a—provides an opportunity for creative thinkers, outside-of-the-box thinkers, to come up with really important ideas that can result in better National defense.

What can we do to change what I believe is the culture in DHS, both in terms of accepting or being open to outside ideas, as well as internal ideas?

I would agree with you, Mr. Soloway, that the employees at DHS just feel that there is no recognition of what they do and they work hard every single day to get it done. So just all of your thoughts, really, on how we can change this culture, because I think that,

when it comes to border security, we need to be as creative and as nimble and as smart as we possibly can be, because, quite frankly, the cartels beat us to the punch way too often. So your comments, please, gentlemen?

Mr. SOLOWAY. I will start on that, because I think you raise two distinct, but absolutely essential issues. On the first one, relative to engaging the Border Patrol or other users in the field, if you will, in the process and getting all the best ideas together, there are all kinds of models in the private sector for what they call change management, in which companies really engage with their supplier base and very deep levels as to where they are going, what they are thinking. That doesn't happen very often in Government.

I think there are ways that that can be done by following some of those models. Again, going back to the report, this idea that I mentioned earlier of directed collaboration. We want to save money on programs? Rather than just saying to a program, "Go cut 8 percent," why not tell our program officers directly, from leadership, "We want you and your contractors and your university researchers and your customers to go into a room together and figure this out, come up with sustainable savings."

Companies know they are going to give up revenue. The Government may change their requirements. Somebody may say, I don't need that report. There are tools that way.

The other piece is actually a challenge. I think you are correct, there are a lot of small businesses that have this struggle, but, frankly, a lot of larger businesses have the same struggle, because the Government is unique in commerce in that the customer is not the one who does the buying. I can go talk to a Border Patrol office with a great solution, but then they have to go three levels away and maybe thousands of miles for somebody to actually execute the acquisition.

Bridging internal gaps—the internal collaboration, another theme we strike in the report, is absolutely essential. We see this disconnect in IT all the time, where the technology folks have—and they know what they want, but by the time it filters over to the acquisition side, it may or may not look anything like what they were trying to get, and that is a disconnect internally that can be done and dealt with organizationally.

Mr. GREENWALT. Yes, I think that is one of the reasons why I wanted to recommend to the committee that you look at the rapid acquisition equipping initiatives in DoD. One of the reasons why is that the traditional acquisition system over DoD, we just couldn't bridge the gap between the users out in the field and the combatant commands to what they really needed, so they essentially established an acquisition system, actually many, that went around that system and went to the users and found it exactly what they wanted and got industry to deliver something quickly out in the field as quickly as possible.

I think that is something that you might be looking for in Border Patrol and other areas in DHS and to look at how that process works. I think, Dave, you might have a couple comments on it, as well.

Mr. BERTEAU. Mr. Barber, I think—two observations I would make, both this and the line of questioning that the Chairman was

pursuing there. One is that the Defense Department is always different than the rest of the Federal Government in the following way. Then DHS is sort of caught in the middle, which makes this committee's job kind of interesting.

Stan mentions that the customers don't buy. That is kind of true. But in DoD, at least who they are buying for is themselves. There is a cycle of the user is there eventually, right? Much of the rest of the Federal Government, what they spend their money is customers outside that agency. DHS is a mix. There are components in DHS that are like DoD in that what they build requirements for, what they build budgets for, what they acquire is for them to use in executing their mission. In that way, they are very much like DoD. That is kind of core to much of the National security arena. There are other parts of DHS for whom that is not true, but that is not really the subject of much of today.

So I think it is useful to keep that in mind. Who is the end-user here? How do they fit into that process?

The second—and, Mr. Chairman, you mentioned in your question—private companies have a capital budget. In fact, in your conversation with Mr. O'Rourke, so does every other Government entity in America, except for the Federal Government. Whenever we talk about can't we copy the States from a balanced budget point of view or the cities, because they all have to have a balanced budget, yes, but they also have a capital budget, which is going to make sure that when you are balancing that budget, you are thinking long-term as well as today.

What I would suggest to you—and I have been after this for some time—is look at the question of whether or not there is an opportunity for a pilot of a capital budget process. Maybe it is Customs and Border Protection. Maybe, in fact, the incentive is, if you save a little money, you can put it into your capital budget, which solves your program of who gets the benefit, what level gets the benefit. It is the entity itself. Don't let the comptroller steal it. Don't let the appropriator steal it. Fold it into the capital budget, and you have got it right there. That actually will allow an enhanced career path, because now you can see the stuff you work on come to bear and have benefits the following year.

Mr. DUNCAN. Well, thank you. We are out of time.

I will just respond to one thing. They do have carry-over dollars that they keep in the drawer and they spend on things like that, that not really on this year's balance sheet that they are aware of.

Then the other thing is, I think if the Federal Government did create capital account, Congress is notorious for raiding accounts, such as the Social Security Trust Fund and Highway Trust Fund, to spend those dollars in other ways. So although I think that is a great idea and I am all for it, because State government operates that way, county governments, I am afraid the Federal Government would raid those funds and then we would be back into a borrowing situation with capital expenditures.

But that is a question or a conversation for another day. I want to thank you gentlemen for being here. The witnesses today were great. Your testimony is very valuable. I apologize that votes got in the way. I think more Members would have hung around for this

second panel and they would have benefited from what I think is an excellent discussion here today.

But the Members of the committee may have additional questions for the witnesses, and we will ask that you respond to those questions in writing, if possible. So without objection, the subcommittee will stand adjourned.

[Whereupon, at 4:46 p.m., the subcommittee was adjourned.]

## APPENDIX

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### QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR RAFAEL BORRAS

*Question 1.* How many of the 88 major acquisition programs have clear Acquisition Program Baselines (APBs)? How many do not? What steps is DHS taking to address those programs that lack APBs?

Answer. Response was not received at the time of publication.

*Question 2.* In 2012, GAO reported that DHS plans to spend more than \$105 billion on acquisition programs that do not have basic APBs. Is that still accurate? If not, please elaborate.

Answer. Response was not received at the time of publication.

*Question 3.* What steps do you plan to take that will ensure that DHS does not award any future contracts without DHS or component approval for key planning documents needed to set up operational requirements?

Answer. Response was not received at the time of publication.

*Question 4.* In July, GAO reported on several instances of poor DHS acquisition management. First, GAO found 35 instances of overlap among DHS research and development (R&D) contracts. Second, GAO found that DHS has not implemented a biometric exit capability, has failed to show the cost-benefit comparison between biometric data and biographic data, and does not have accurate time frames because DHS is behind schedule. Third, GAO found that the U.S. Coast Guard has not met its goal with its C4ISR System and was managing this program without key acquisition documents including an APB. What is DHS doing to fix these problems? What actions are PARM and the OCPO taking to address these issues?

Answer. Response was not received at the time of publication.

*Question 5.* As outlined in the OIG May report on H-60 helicopters, the OCPO and PARM did not conduct a complete review and did not hold CBP and USCG accountable for their program management of the H-60 helicopters. PARM did not issue a final signed Acquisition Decision Memorandum requiring CBP to follow DHS policy. What actions have you taken to address these failures? Does DHS plan to force CBP to allow the USCG to complete the conversions and modifications through the USCG Aviation Logistics Center in order to save American taxpayers about \$126 million and shorten the completion schedule by about 7 years? If not, please explain.

Answer. Response was not received at the time of publication.

*Question 6.* As outlined in the OIG August report on DHS radio communications, DHS does not have reliable DHS-wide inventory data, and DHS lacks an effective governance structure to guide investment decision making. What actions do you plan to take to fix these gaping problems in acquisition management? What actions to do you plan to take to better involve DHS personnel in the field (i.e. CBP agents on the border) in crafting acquisition requirements, assisting in the acquisition process, and communicating with other components with interests or potential inventory to ensure such duplication, overlap, and wasteful spending as outlined in this OIG report do not occur again?

Answer. Response was not received at the time of publication.

*Question 7.* As outlined in the OIG August report on DHS radio communications, several DHS components were at fault for not reporting radio equipment stored in their warehouses, new inventory, and infrastructure real property inventory data valued in the millions of dollars. What disciplinary actions have you taken to address this poor management?

Answer. Response was not received at the time of publication.

*Question 8.* Regarding the May 09, 2013 "Acquisition Decision Memorandum," please discuss the risks involved with this waiver particularly given that acquisition programs realize most of their costs during the sustainment phase of a program's life cycle.

Answer. Response was not received at the time of publication.

*Question 9.* The May 09, 2013 memo stated that you plan to monitor the program and that the document requirements will be reinstated if a program initiates a major modernization or a new acquisition. What is your plan for overseeing these sustainment activities? How many people have you assigned for compliance activities with these 42 programs listed in the memo?

Answer. Response was not received at the time of publication.

*Question 10.* The May 09, 2013 "Acquisition Decision Memorandum" includes several programs widely known to have serious problems with operational effectiveness, cost overruns, or schedule delays including CBP's Secure Freight Initiative, TSA's FAMS Mission Scheduling and Notification System, TSA's HAZMAT Threat Assessment Program, TSA's Information Technology Infrastructure Program, TSA's TWIC Program, TSA's National Explosive Detection Canine Training Program, TSA's Air Cargo program, and the USCG's Business Intelligence Program. How were these programs chosen for inclusion? Can you guarantee that this decision as outlined in the May 09, 2013 memo will not result in greater cost overruns, schedule, delays, duplication, or wasteful spending of American tax dollars? Please provide the analysis and consultation you did at the Department level, with your components, and with any independent groups to come to this decision.

Answer. Response was not received at the time of publication.

*Question 11.* What is the time line for DHS to achieve the goal of full integration of the Integrated Investment Lifecycle Management (IILCM)? What are the possibilities for DHS to leverage the IILCM across all acquisition investments? How has DHS incorporated private sector, other Federal agencies, and independent verification in developing the IILCM?

Answer. Response was not received at the time of publication.

*Question 12.* DHS operates its own training center, has 7 acquisition certification programs, and has a 3-year Acquisition Professional Career Program (APCP) with 320 acquisition classes. What efforts has DHS taken to consolidate acquisition training with other available courses and institutions within the Federal Government?

Answer. Response was not received at the time of publication.

*Question 13.* When was the APCP established? How many instructors and students does it have? What is the ratio between instructor and student? How many DHS employees have graduated from this program? How did DHS develop its catalogue of 70 courses and over 300 classes?

Answer. Response was not received at the time of publication.

*Question 14.* How is DHS planning to address the challenge that the increasing proportion of the DHS procurement workforce is retirement eligible?

Answer. Response was not received at the time of publication.

*Question 15.* What is DHS doing to promote employee retention? What specific actions have you taken that you have seen a measurable result? How do you measure employee satisfaction?

Answer. Response was not received at the time of publication.

*Question 16.* Business intelligence tools can be useful to allow DHS to have better management and visibility into DHS acquisition programs. As it is often the responsibility of DHS components to update the data that informs these tools, are you concerned about the quality of the data entered into business intelligence tools? Is every contract manager required to enter performance evaluations into the Contractor Performance Assessment Reporting System? How long has this reporting system existed and who manages it? How often does it get updated?

Answer. Response was not received at the time of publication.

*Question 17.* Since the Federal Law Enforcement Training Center (FLETC) is the only legacy DHS component that does not require a Component Acquisition Executive (CAE) position because of the nature of its procurement portfolio, would you explain how FLETC's acquisition and procurement policy works? How does DHS do strategic sourcing of its ammunition purchases? What are the cost differences in purchasing ammunition without strategic sourcing?

Answer. Response was not received at the time of publication.

*Question 18.* The Department's Chief Financial Officer has identified a 30% funding gap across the Department's major acquisition programs. Can you discuss what that means in terms of the DHS' mission, operations, and long-term planning?

Answer. Response was not received at the time of publication.

*Question 19.* One comment made by DHS officials to GAO from the Office of Program Accountability and Risk Management (PARM) and the Office of Program Analysis and Evaluation (PA&E) was that cost estimates provided by program management offices often understate likely costs. PA&E officials reported to the GAO that many programs did not include operations and maintenance in their cost estimates, which can account for at least 60% of a program's total cost. Has DHS at the De-



partment level and component level acknowledged this flaw and corrected it? Please elaborate.

Answer. Response was not received at the time of publication.

*Question 20.* What capabilities does the Department have in place to analyze how much is spent on procurement at an item level? What percentage of the workforce is focused on tracking compliance of each procurement to negotiated contracts?

Answer. Response was not received at the time of publication.

*Question 21.* Does the Department have full transparency and auditability into the purchasing of goods and services? How many laptop computers were purchased by the Department in fiscal year 2013 and at what price points?

Answer. Response was not received at the time of publication.

*Question 22.* A number of agencies within the Department are currently considering utilizing shared-services as a way to reduce their overhead costs for back-office functions such as HR and finance. However, it is the committee's understanding that the agencies are considering independently purchasing divergent systems from different sources. Has Department leadership considered using a single shared-services platform for the entire Department? Has the Department considered partnering with the private sector to implement such a platform?

Answer. Response was not received at the time of publication.

*Question 23.* Is the Department confident that another Federal agency's system is scalable to support your unique requirements? If the USCG goes with a Government Shared Service such as the Department of Interior, who then will service components, such as TSA? Will TSA then need to procure their next system?

Answer. Response was not received at the time of publication.

*Question 24.* This summer DHS awarded a contract for an enterprise learning management system. The committee has heard that the chosen solution is not a robust solution that is often used in the private sector and that the chosen solution will require TSA to undo previous work on their learning platform to be compatible with the newly chosen solution. Please describe the logic in choosing the solution and rationale behind the transition plan.

Answer. Response was not received at the time of publication.

*Question 25.* Describe DHS efforts to implement performance-based budgeting and ways to incentivize programs to under-spend their budget. What legislative authority does DHS believe it needs to institutionalize such an approach?

Answer. Response was not received at the time of publication.

*Question 26.* What account structure does DHS recommend to clarify what money is to be used for and provide greater transparency among various funds?

Answer. Response was not received at the time of publication.

#### QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR MICHELLE MACKIN

*Question 1.* What do you see as the greatest challenge DHS faces in implementing changes that will improve acquisition outcomes?

Answer. Response was not received at the time of publication.

*Question 2.* What do you believe is the single greatest action that DHS could take to improve its acquisition program management?

Answer. Response was not received at the time of publication.

*Question 3.* As GAO has released several DHS acquisition-related reports in March, May, July, and August of this year, what has DHS' response been to all of these findings and recommendations? Do they say that they've already implemented the recommendations before you've issued the report?

Answer. Response was not received at the time of publication.

*Question 4.* How many of GAO's five recommendations for executive action from the September 2012 report has DHS complied with?

Answer. Response was not received at the time of publication.

*Question 5.* In GAO's March 2013 report, GAO found that almost 90% of the current major defense acquisition programs have conducted "should cost" analysis and "most of those programs noted that they had realized or expected to realize some cost savings as a result." To your knowledge, is DHS employing "should cost" analysis? Do you recommend that DHS consider it?

Answer. Response was not received at the time of publication.

#### QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR ANNE L. RICHARDS

*Question 1.* Regarding the OIG May 2013 report on H-60 Helicopters, what has DHS done to hold the helicopter programs accountable in response to your report?

Answer. According to DHS, the Deputy Secretary has approved a proposal from the Management Directorate's Office of the Chief Readiness Support Officer (OCRSO) to establish an Aviation Governance Board (AGB). The AGB will be

chaired and staffed by the OCRSO and will be responsible for providing coordinated oversight and management of DHS aviation programs. The AGB's first task is to develop a formal charter, estimated to be completed by December 31, 2013. As of October 22, 2013, the OCRSO had begun holding meetings and began to oversee the cost-benefit analysis (CBA) of the CBP and USCG H-60 helicopter programs. The analysis was originally expected to be completed and delivered to DHS OIG on September 30, 2013, but it is still pending.

The DHS Chief Acquisition Officer also directed CBP to re-submit its Strategic Air and Marine Plan (StAMP) for management and acquisition to the DHS Office of Program Accountability and Risk Management (PARM). To date, PARM's Acquisition Review Board has not received complete documentation from CBP, nor has it held another Acquisition Decision Event for CBP's StAMP. DHS OIG is closely monitoring the progress and evolution of StAMP, and we plan to attend in person when it occurs.

In its 90-day memo updating OIG, dated September 4, 2013, the Department reported that it planned to have a senior-level DHS official request an H-60 helicopter transfer of ownership from DoD, and thus, would elevate this request to the CBP Office of Air and Marine Assistant Commissioner. The target date for sending the request to DoD was September 30, 2013. DHS OIG is still awaiting confirmation and documentation supporting this action.

As noted above, DHS' OCRSO is facilitating completion of a CBA between CBP and the USCG to determine whether there are cost efficiencies to completing the remaining CBP H-60 conversions and modifications at the USCG's Aviation Logistics Center, as we recommended. CBA completion was planned for September 30, 2013. On September 29, 2013, an OCRSO representative indicated in writing that CBP and the USCG had completed their CBAs, but that OCRSO was still reviewing the work and wanted more clarification from DHS OIG on the methodology we used to compare the programs. DHS OIG continues to coordinate with OCRSO to expedite receipt of the final H-60 helicopter CBA so that we can review it as soon as possible.

*Question 2.* Regarding the OIG August 2013 report on radio communications, what has DHS done to hold the radio communication programs and the components in particular accountable in response to your report?

Answer. OIG transmitted the final radio communications audit report to the Department and components on September 3, 2013. DHS concurred with both recommendations and has begun taking steps to implement them.

We recommended that the Department establish a single point of accountability with the authority, resources, and information to ensure it implements a portfolio approach for its radio communication program. In response, DHS noted that it is working to develop and implement Department-level portfolio management of tactical communications, but that the estimated completion had not yet been determined. In response to our recommendation to develop a single portfolio of radio equipment and infrastructure, the Department reported that the Joint Wireless Program Management Office has made significant progress in collecting the data necessary to develop a single profile of DHS assets, infrastructure, and services across components. DHS also noted that it will complete a review of existing policies and procedures and will revise its personal property manual as necessary to align with the findings. The Department estimated these actions would be implemented by June 2014. We consider both recommendations resolved, but open, pending documentation of DHS' efforts. We expect to be updated on both of these recommendations when we receive the Department's 90-day memo.

*Question 3.* What do you see as the greatest challenge DHS faces in implementing changes that will improve acquisition outcomes?

Answer. As noted in my oral statement before the subcommittee, our audits in this area continue to show that the Department's greatest challenge is establishing an effective, high-level governing structure that can identify mission needs, gather reliable data on and coordinate assets, and guide investment decisions. This is especially challenging considering the complexity and breadth of the acquisitions that DHS needs to manage. In 2013, DHS' Major Acquisition Oversight List contained more than 125 major acquisitions, each of which had an estimated cost of more than \$300 million. DHS is currently spending more than \$158 billion on these programs and projects.

In a September 2012 report, GAO noted that although DHS recognized the need to implement its acquisition policies more consistently, significant work remained. DHS has established processes and entities to manage acquisitions, but without a strong, centralized authority it is hindered in its ability to ensure compliance with its policies and processes, as well as properly coordinate and provide effective oversight of its planned and on-going acquisitions.

*Question 4.* What do you believe is the single greatest action that DHS could take to improve its acquisition program management?

Answer. Going forward, the DHS Office of Program Accountability and Risk Management (PARM) and the Acquisition Review Board should not allow acquisitions to proceed without ensuring that program managers have completed and clearly documented all acquisition life-cycle processes, including fully developing program life-cycle cost estimates. The Acquisition Review Board must provide a consistent, Department-wide method, using a limited set of key acquisition documents, to evaluate components' acquisition status and progress at programs' key decision points. By fully implementing the Department's processes and procedures under the appropriate authority level and review, PARM will begin to provide more effective oversight by identifying challenges, and controlling cost, schedule, and performance within the Department's acquisition programs.

#### QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR WILLIAM C. GREENWALT

*Question 1.* What do you believe is the biggest frustration or challenge from the perspective of the private sector regarding DHS acquisition policy and practice?

Answer. One of the biggest frustrations the private sector has with Federal acquisition policy and practice (to include DHS and DoD) is the impact that the Government's rules, regulations, and practices have on the ability of the private sector to propose best-value solutions. The portion of the private sector that bids on Government contracts is becoming more Government-unique in its operations as opposed to how it would operate in the commercial market. Federal contractors are becoming better at complying with Federal rules and regulations and meeting the letter of rigid requirements put in place in the contract than delivering the best solution to meet the Government's need. Contractors are being rewarded on how well they comply with these rules and regulations and meeting rigid Government specifications for solutions oftentimes already mapped out by the Government rather than proposed by the private sector. This combination of rules and rigid requirements precludes some of the best contracting talent from ever bidding on Government contracts.

Current Federal procurement practice is targeted at reducing short-term prices and profits at the expense of long-term value and unfortunately in the next several years we are likely to see more acquisition failures as was witnessed in the HealthCare.gov rollout as this works its way through the system. One of the most egregious examples of this trend is the increased use of LPTA (low-priced technically acceptable) contracts which are suitable for the purchase of commodities but should have no place in buying complex IT and service solutions for the Government. Under an LPTA there are no incentives for a contractor to propose the best solution but merely to bid on whatever the Government thinks it needs (which the Government rarely knows with complete certainty) and to try and cut corners wherever it can to reduce its price. If the Government is not 100% correct in its detailed specifications in the contract and goes with the lowest bidder, that contractor may not be qualified to deal with requirements changes when the Government realizes it's the mistakes and questionable assumptions it had when it originally put out the bid. The Government should instead be conducting more performance-based best value contracts versus LPTAs but "best value" contracts require more time, effort, resources, and discretion at the beginning of a program that the Government is unwilling or at the present time incapable of providing.

*Question 2.* In GAO's March 2013 report, GAO found that almost 90% of the current major defense acquisition programs have conducted "should cost" analysis and "most of these programs noted that they had realized or expected to realize some cost savings as a result." To your knowledge, is DHS employing should cost analysis? Do you recommend that DHS consider it?

Answer. "Should cost" analysis can be a very effective tool for a very narrow case of sole-source cost contracts where some limited production has already occurred, large production is expected in the future and cost per units have been rising. As outlined in the Federal Acquisition Regulations (FAR), "should cost" analysis needs to be analytically sound and rigorous as a collaborative effort between Government and industry with benefits for both. It is only as good as the soundness of the method. I am not aware of DHS using this FAR-based method or of any of its programs meeting this FAR-based criteria, but in the narrow cases where it would be appropriate and DHS had the skill set to undertake such an analysis in production, it would be an effective tool.

At DoD, I would be careful what one calls "should cost" analysis and GAO should be more careful of the definitions it uses in its criteria for evaluation. What is now passing for "should cost" analysis at the Department of Defense is more of an exer-

cise in what DoD “wishes” things would cost after it has signed a contract and is not a product of the analytic process outlined in the FAR. “Should cost” has now become an exercise in achieving after-the-fact negotiation objectives and is an example of the Government using its monopoly buying power to reduce industry profit margins based on limited analytical work. While short-term “savings” may be achieved the future impact on the industrial base remains to be seen from this “wish cost” approach. I would not recommend this as a DoD best practice until the longer-term impacts are in. While it is a way to help the Department’s short-term cash flow problems it may not be a way to adequately incentivize a dynamic, innovative industrial base in the future.

#### QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR STAN SOLOWAY

*Question 1.* What do you believe is the biggest frustration or challenge from the perspective of the private sector regarding DHS acquisition policy and practice?

Answer. I do not think you can point to one issue and say it trumps all others. Instead, I would answer the question by saying the biggest challenge in dealing with DHS acquisition policy and practice is the combination of limited collaboration, over-interpretation or mis-interpretation of guidance, and workforce gaps.

In terms of collaboration, across Government we have seen a marked decrease in the kind of meaningful and substantive dialogue between the Government and its industry partners as the Government seeks to identify and capitalize on optimal solutions. Communications are unnecessarily limited and, sometimes even discouraged or prohibited, and, as a result, often prevents bidders from identifying and proposing effective innovations. The same lack of communication plagues internal collaboration within the Government. PSC’s 2013 Leadership Commission was surprised to find how deep and broad the disconnects are between and within Government organizations and functions, particularly between the acquisition and technology communities. If one thinks of the technology community as the true “customer” and the acquisition team as the “enabler,” then these disconnects present very serious obstacles to DHS for obtaining the capability or solution the “customer” is seeking. And when one combines those disconnects with the limited interactions between Government and industry, the problem becomes even further exacerbated.

Second, there is an unfortunate tendency at DHS, and across Government, to interpret general guidance as mandated direction, thus unintentionally circumventing the flexibilities of the Federal Acquisition Regulation that seek to establish an ecosystem where smart acquisition and business judgments serve as the foundation. For example, as the policy leadership began to put more emphasis on increasing the use of fixed-price contracts, the reaction in the field became that fixed-price contracts were, in effect, mandatory. This tendency has been repeated on the heels of a Government-wide push towards the use of lowest price technically acceptable acquisition (LPTA) strategies. Under an LPTA award, the Government must, by regulation, award a contract to the lowest bidder who is minimally technically qualified. The misuse or over-use of LPTA is driven by many factors, not the least of which is the continued questioning of—and, in fact, prohibition against—allowing any circumstance in which the Government opts to spend slightly more money for a superior outcome. The risk aversion this trend represents is driven, in large part, by an over-interpretation by the workforce of admonitions to not over-spend (which is far different from spending wisely) and, as with the communications challenges, presents an enormous obstacle to high quality and innovative solutions.

Finally, there are enormous gaps in workforce capacity and capabilities at DHS, in both acquisition and technology. The DHS leadership is to be commended for its aggressive efforts to address those gaps with better and more accessible training and development opportunities. But much more needs to be done. The 2013 PSC Leadership Commission Report contains a set of recommendations, including the dramatic expansion of cross-functional training, organizational rotations, a broader array of training opportunities, and much more. We have also recommended the creation of a new workforce component—technology management—which would combine technology and business expertise in one functional field, much as is done throughout significant parts of the commercial world. We have also recommended the creation of a clearly-defined program management career field and path, which does not today exist in the civilian agencies but which is absolutely essential to the effective management of complex and multi-faceted programs.

*Question 2.* In GAO’s March 2013 report, GAO found that almost 90% of the current major defense acquisition programs have conducted “should cost” analysis and “most of those programs noted that they had realized or expected to realize some cost savings as a result.” To your knowledge, is DHS employing “should cost” analysis? Do you recommend that DHS consider it?

Answer. The extent DHS is utilizing “should cost” analyses for its major programs is unclear. While the concept deserves consideration, DHS should consider several factors in determining how to apply it to their own needs, and its use should be limited to the most complex, high-risk acquisitions only. Specifically, DHS must consider:

(a) DoD’s “should cost” process is not without its detractors and many have questioned its effectiveness. Specifically, substantial disagreements as to the baseline assumptions and the causes of changes to the baselines are common and thus the “results” are sometimes questionable.

(b) DoD uses these analyses for major defense programs which exist in a marketplace and environment that is in many ways unique. Thus, normal market research and similar tools are not always adequate and the scope and nature of “competition” is somewhat limited. However, in DHS’s case, the preponderance of its needs involve commercial capabilities or analogs of commercial capabilities, thereby suggesting strongly that a substantially enhanced market research capability is likely to provide more insight and value than a Government-created, “should cost” process.

(c) The vast preponderance of DHS’s needs are procured competitively from a broader marketplace of offerings. As such, the competitive process itself is a highly reliable tool for the determination of both cost and the “art of the possible.” To replace or supplant that with a Government-created, “should cost” process brings with it the potential for the Government assuming it has all or most of the technical answers, which is increasingly not the case.

(d) “Should cost” analysis is labor-intensive and requires vast acquisition and analytical skills. Given the acquisition workforce challenges outlined in our Commission Report, it must be recognized that significant workforce training would be needed before “should cost” analysis could be reliable or broadly utilized.

#### QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR DAVID J. BERTEAU

*Question 1.* What do you believe is the biggest frustration or challenge from the perspective of the private sector regarding DHS acquisition policy and practice?

Answer. Response was not received at the time of publication.

*Question 2.* In GAO’s March 2013 report, GAO found that almost 90% of the current major defense acquisition programs have conducted “should cost” analysis and “most of those programs noted that they had realized or expected to realize some cost savings as a result.” To your knowledge, is DHS employing “should cost” analysis? Do you recommend that DHS consider it?

Answer. Response was not received at the time of publication.

