

**MAKING DHS MORE EFFICIENT: INDUSTRY
RECOMMENDATIONS TO IMPROVE HOMELAND
SECURITY**

HEARING
BEFORE THE
SUBCOMMITTEE ON
OVERSIGHT AND
MANAGEMENT EFFICIENCY
OF THE
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HOUSE OF REPRESENTATIVES
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MAKING DHS MORE EFFICIENT: INDUSTRY RECOMMENDATIONS TO IMPROVE HOME- LAND SECURITY

Friday, September 18, 2015

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

The subcommittee met, pursuant to call, at 10:05 a.m., in Room 311, Cannon House Office Building, Hon. Scott Perry [Chairman of the subcommittee] presiding.

Present: Representatives Perry, Clawson, Carter, Loudermilk, Watson Coleman, and Torres.

Mr. PERRY. The Committee on Homeland Security Subcommittee on Oversight and Management Efficiency will come to order. The purpose of this hearing is to continue our examination of ways to make the Department of Homeland Security more efficient.

The Chair now recognizes himself for an opening statement. Today's hearing provides us with an important opportunity to examine how the Department of Homeland Security can improve its management using proven private-sector best practices. In the early years after the creation of DHS, the Department of Homeland Security, Department officials understandably were focused on preventing another major attack on the homeland. However, from the outset, DHS faced significant challenges, including consolidating 22 preexisting component agencies, reporting to a multitude of Congressional committees, and working diligently to strike the balance between National security and protecting privacy and civil liberties.

Furthermore, a long-standing failure to adhere to strong management practices led to high-profile failures, such as wasting \$1 billion on the failed Secure Border Initiative Network, the SBInet, and mothballed puffer machines that eventually were pulled from airports. Such mismanagement eroded public confidence in DHS and continues to hinder it today.

DHS components, including Customs and Border Protection, CBP; Transportation Security Administration, TSA; Coast Guard; Federal Emergency Management Agency, FEMA; and others continue to revert to their practices used prior to joining DHS and often seek to fly under the radar of headquarters' oversight. More than 10 years after its creation, DHS continues to face conflicting cultures and processes. In addition, senior DHS officials often

failed to hold components accountable and lacked the information necessary to make sound decisions.

Secretary Johnson has refocused DHS efforts to improve management practices and increase interagency coordination. His Unity of Effort initiative creates new processes to ensure that everyone is driving towards common goals and objectives. For example, DHS's new Joint Requirements Council seeks to ensure that components leverage common technologies and platforms. Previous stovepipes led to components buying different technologies to meet very similar requirements. The examples include CBP and Coast Guard air and marine assets and component tactical radio systems. Because these efforts are so recent, we are unclear as to whether the new processes will transform how DHS manages its programs or simply adds other layers to an already massive bureaucracy.

Private-sector companies respect the value of using sound management practices. Commercial firms must often deal with mergers, acquisitions, and restructuring. Having started and managed a small business in Pennsylvania, I understand the importance of sound planning combined with strong, capable leadership and accountability. For example, before undertaking a major project, commercial firms must have a sound business case to ensure the project is viable. A sound business case is critical to mitigating risk and ensures that managers have sufficient knowledge as the project moves forward. Because the private sector is focused on getting a return on its investment, commercial firms would be much more cautious about risking projects with cost overruns and schedule delays.

In contrast, DHS all too often has ignored risks and moved forward with unachievable programs, leading to wasted taxpayer dollars and late, costly, and unimpressive results. DHS has much to learn from private-sector best practices. The private sector also routinely analyzes its overhead to streamline and maximize efficiencies.

DHS, however, struggles to streamline its information technology programs, modernize its financial systems, and consolidate its real property inventory which result in a significant inability to cut waste. For example, two inspector general reports last month found that the DHS has done a poor job of tracking costs related to its warehouse inventory and conference spending. According to the IG, CBP could put \$1 million to better use if it improved warehouse management. This might not seem like a lot to Washington bureaucrats, but my constituents in Pennsylvania would much prefer that that money be spent toward securing the border.

DHS must learn from the proven techniques and practices of successful commercial firms. Federal bureaucrats need to remember that the American people are their shareholders. Their tax dollars must be safeguarded, not wasted. As the Nation faces significant homeland security threats and our National debt continues to climb, we can afford no more mismanagement.

[The statement of Mr. Perry follows:]

STATEMENT OF CHAIRMAN SCOTT PERRY

SEPTEMBER 18, 2015

Today's hearing provides us with an important opportunity to examine how the Department of Homeland Security (DHS) can improve its management using proven, private-sector best practices. In the early years after the creation of DHS, Department officials understandably were focused on preventing another major attack on the homeland; however, from the outset, DHS faced significant challenges, including consolidating 22 pre-existing component agencies, reporting to a multitude of Congressional committees, and working diligently to strike the balance between National security and protecting privacy and civil liberties. Furthermore, a long-standing failure to adhere to strong management practices led to high-profile failures, such as wasting a billion dollars on the failed Secure Border Initiative Network (SBInet) and mothballed "puffer machines" that eventually were pulled from airports. Such mismanagement eroded public confidence in DHS and continues to hinder it today.

DHS components, including Customs and Border Protection (CBP), Transportation Security Administration (TSA), Coast Guard, Federal Emergency Management Agency (FEMA) and others, continue to revert to their practices used prior to joining DHS and often seek to fly under the radar of headquarters oversight. More than 10 years after its creation, DHS continues to face conflicting cultures and processes. In addition, senior DHS officials often fail to hold components accountable and lack the information necessary to make sound decisions.

Secretary Johnson has refocused DHS efforts to improve management practices and increase interagency coordination; his "Unity of Effort" initiative creates new processes to ensure that everyone's driving towards common goals and objectives. For example, DHS's new Joint Requirements Council seeks to ensure that components leverage common technologies and platforms. Previous stovepipes led to components buying different technologies to meet very similar requirements; examples include CBP and Coast Guard air and marine assets and component tactical radio systems. Because these efforts are so recent, we're unclear as to whether the new processes will transform how DHS manages its programs or simply add another layer to an already massive bureaucracy.

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Because the private sector is focused on getting a return on its investment, commercial firms would be much more cautious about risking projects with cost overruns and schedule delays. In contrast, DHS all too often has ignored risks and moved forward with unachievable programs leading to wasted taxpayer dollars and late, costly, and unimpressive results. DHS has much to learn from private-sector best practices.

The private sector also routinely analyzes its overhead to streamline and maximize efficiencies. DHS, however, struggles to streamline its information technology programs, modernize its financial systems, and consolidate its real property inventory, which result in a significant inability to cut waste. For example, two inspector general reports from last month found that DHS has done a poor job of tracking costs related to its warehouse inventory and conference spending. According to the IG, CBP could put \$1 million to better use if it improved warehouse management; this might not seem like much to Washington bureaucrats, but my constituents in Pennsylvania would much prefer that money spent towards securing the border.

DHS must learn from the proven techniques and practices of successful commercial firms. Federal bureaucrats need to remember that the American people are their shareholders; their tax dollars must be safeguarded, not wasted. As the Nation faces significant homeland security threats and our National debt continues to climb, we can afford no more mismanagement. I look forward to the testimony and recommendations from our witnesses to improve the management of DHS.

Mr. PERRY. I look forward to the testimony and recommendations from our witnesses to improve the management of DHS. The Chair now recognizes the Ranking Minority Member of the subcommittee,

the gentlelady from New Jersey, Ms. Watson Coleman, for her statement.

Mrs. WATSON COLEMAN. Thank you very much, Mr. Chairman. I would like to request unanimous consent to introduce a statement into the hearing record. The statement comes from Daniel Gerstein of the RAND Corporation. Following his service as an officer in the United States Army, Dr. Gerstein served as DHS deputy under secretary for science and technology from August 2001 to April 2014.

Mr. PERRY. So ordered.

[The information follows:]

STATEMENT OF DANIEL M. GERSTEIN,¹ THE RAND CORPORATION

MAKING DHS MORE EFFICIENT: INDUSTRY RECOMMENDATIONS TO IMPROVE
HOMELAND SECURITY²

SEPTEMBER 18, 2015

INTRODUCTION

Chairman Perry, Ranking Member Coleman, and distinguished Members of the subcommittee, thank you for the opportunity to provide a written statement for your subcommittee hearing titled “Making DHS More Efficient: Industry Recommendations to Improve Homeland Security.”³ This is an extraordinarily important topic and I applaud the subcommittee’s willingness to examine this timely issue.

The hearing comes at a critical juncture, as we are witnessing dramatic continued shifts in where research and development (R&D)—important precursors for any successful acquisition—are being done. A higher percentage of the R&D is being both funded and conducted by industry rather than by the Federal Government (Figure 1). More R&D is being done outside of the United States (Figure 2). The net result is that less R&D as an overall percentage is being done within U.S. Government laboratories or with U.S. Government funding. This implies that the Government, to include DHS, must become more adept at building partnerships across the security and defense mission space that allow for the sharing of technology. It further implies that the Government will not be the driver to technological advancement in the way that it once was.

At the same time, some evidence exists suggesting that many of the highly innovative companies are reticent to do business with the Government because of a Federal Acquisition Regulation (FAR) system that is opaque, is difficult to navigate, and places significant demands on industry partners. More on this will be addressed below. To ensure that the Government and DHS are able to meet the current demands for research, development, and acquisition (to include services), a vigorous and continuous dialogue must be developed in which DHS requirements are clearly articulated.

Industry also plays an important role in this dialogue. For example, sharing the results of internal research and development (IRAD) must occur on a regular basis. This will require new models for exchanging information with the Government, while protecting sensitive proprietary information. It will also likely require either a revision to or a more enlightened view of the application of the FAR.

My remarks this morning will focus on three critical areas: (1) Examining the tools that are available to the Department for working with industry, (2) discussing

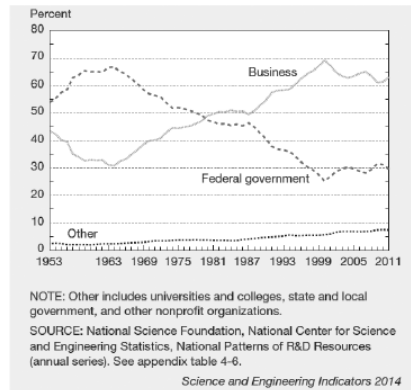
¹The opinions and conclusions expressed in this testimony are the author’s alone and should not be interpreted as representing those of RAND or any of the sponsors of its research. This product is part of the RAND Corporation testimony series. RAND testimonies record testimony presented by RAND associates to Federal, State, or local legislative committees; Government-appointed commissions and panels; and private review and oversight bodies. The RAND Corporation is a non-profit research organization providing objective analysis and effective solutions that address the challenges facing the public and private sectors around the world. RAND’s publications do not necessarily reflect the opinions of its research clients and sponsors.

²This testimony is available for free download at <http://www.rand.org/pubs/testimonies/CT438.html>.

³The focus of my remarks today will be on improving the interface between the Department of Homeland Security (DHS) and industry. Therefore, I do not intend to address relationships between the Department and Federally-funded research and development centers (FFRDCs), such as the organization I represent, the RAND Corporation.

the importance of the Department being able to clearly articulate requirements, and (3) identifying innovative approaches for improving interactions with industry.

Figure 1. U.S. Total R&D Expenditures, by Source of Funds, 1953–2011



SOURCE: National Science Board, *Science and Engineering Indicators 2014*, Arlington, Va.: National Science Foundation, 2014.

Figure 2. Global R&D Expenditures, by Region, 2011



SOURCE: National Science Board, 2014.

TOOLS AVAILABLE TO THE DEPARTMENT FOR WORKING WITH INDUSTRY

DHS relies heavily on a variety of external sources for its research, development, and acquisition. Industry is one of these key external sources of partnership and collaboration.

FFRDCs, which include the Department of Energy Laboratories, and academic institutions, such as the DHS Centers of Excellence (CoEs), provide a majority of the basic and applied research that supports the Department’s needs. These organizations also provide some of the development that occurs in the pre-acquisition stages. The efforts of the FFRDCs and CoEs are augmented through several internal DHS

labs, interagency associates, and international partners. The Science and Technology Directorate (S&T) is responsible for conducting and monitoring basic and applied research for DHS. Additionally, the Domestic Nuclear Detection Office and the U.S. Coast Guard, through its R&D Center, also sponsor basic and applied R&D activities.

However, a majority of the support for developmental activities and acquisition programs that occur in the Department is provided by industry partners. DHS spending in these areas is difficult to accurately measure as spending—particularly for development because it can include a wide variety of activities, from pre-acquisition to exercises and industry days—and occurs across the Department and not in any single organization. S&T is responsible for tracking the R&D portion of spending across DHS, while the Under Secretary for Management is responsible for managing large acquisition programs within the Department.

In working to communicate with industry in the R&D stages of activity, DHS has a number of formal and informal mechanisms available. Formal mechanisms include traditional requests for proposals and requests for information that are governed by the FAR. S&T also manages the Broad Area Announcements and Small Business Innovative Research programs that serve as important avenues for providing windows into the Department for industry, as well as opportunities for the Department to gain visibility into industry capabilities in targeted areas of interest. The focus of both these programs is to attract small companies with innovative ideas to interact with the Department.

During my tenure in S&T, we were also working to provide more opportunities for industry to demonstrate their capabilities in specific areas of interest. Operational experimentation demonstrations provided industry a forum for demonstrating capabilities in areas including command and control, big data, common operational pictures, first responder technologies, and use of drones. The Department has also instituted the use of prize authority to attempt to entice industry partners to compete on challenging R&D requirements. Industry days are another mechanism by which a two-way dialogue with industry can occur. These were done both in-person and by video teleconferencing to bring in industry partners.

The Support Anti-Terrorism by Fostering Effective Technologies (SAFETY) Act continues to provide an outstanding channel of communication that benefits both our Nation's homeland security overall and the capabilities and technologies of the industry partners that gain approval for special indemnification of their technologies in the event of a designated terrorist attack.⁴

This short synopsis demonstrates that tools do exist for communicating with industry. However, impediments also exist that create a challenging environment for industry to successfully navigate. One source identifies that the large defense and security integrators are divesting of their “information and technical service lines” because of concerns about “revenue growth or profit potential.”⁵ In another dire assessment of Silicon Valley's concerns with partnering with the Department of Defense (DoD), author Loren Thompson lists “five reasons why tech executives are likely to recoil in horror when they realize what it means to work with today's Pentagon: (1) The margins are lousy, (2) Intellectual property is at risk, (3) The regulatory burden is stifling, (4) Bureaucrats don't trust market forces, (5) The customer is a political system.”⁶ Couple this assessment with the data in Figure 1, which highlight that industry, not the Government, is driving R&D in several key areas based on market forces and opportunities for higher rates of return. While this assessment directly pertained to the DoD, these same forces exist for DHS; in fact, they are even more pronounced, given the far smaller footprint and available resources of DHS. The strong implication is that the Government, in this case DHS, must become a more savvy, well-informed, and uncomplicated partner.

IMPORTANCE OF CLEARLY ARTICULATING REQUIREMENTS

Identifying requirements and articulating them clearly to industry is perhaps the single most important aspect inherent in developing a more progressive dialogue between DHS and industry.

⁴ See the SAFETY Act website, U.S. Department of Homeland Security, undated. Retrieved from <https://www.safetyact.gov/pages/homepages/Home.do>.

⁵ Thompson, Loren, “Exodus: Big Defense Companies Are Exiting Federal Services,” *Forbes*, Washington, DC, August 4, 2015. Retrieved from <http://www.forbes.com/sites/lorenthompson/2015/08/04/exodus-bigdefense-companies-are-exiting-federal-services/>.

⁶ Thompson, Loren, “Five Reasons Why Silicon Valley Won't Partner with the Pentagon,” *Forbes*, Washington, DC, April 27, 2015. Retrieved from <http://www.forbes.com/sites/lorenthompson/2015/04/27/five-reasons-why-silicon-valley-wont-partner-with-the-pentagon/>.

Industry continues to inquire about what DHS requires in such areas as R&D, systems acquisition, and services support. Unfortunately, this has been a complex issue, as it has been problematic to develop actionable requirements that have enough specificity to guide industry's efforts yet are not so specific as to constrain potential innovation. The result can be seen clearly by examining several high-profile acquisitions that were unsuccessful and for which the programs had to be canceled. The most recent of these was the Biowatch Gen 3 environmental sampling system.

The difficulty in developing clear requirements was summed up in a 2012 Government Accountability Office (GAO) document, which identified that of 71 major acquisitions at DHS, 43 had been identified as failing and had allowed "capabilities that the program was designed to provide [to] change over time because of poorly defined, unapproved, and shifting baseline performance requirements."⁷ In fairness, this shortfall has been recognized and efforts are under way to develop a well-defined requirements generation process. This effort remains a work in progress.

Another GAO report highlighted one opportunity: "The first, and perhaps best, opportunity to reduce acquisition risk is in the planning phase, when critical decisions are made that have significant implications for the overall success of an acquisition."⁸

Bringing in industry early in the planning process can assist with technical specifications and technology readiness assessments, which are essential to successful acquisition programs.

A major element of the Unity of Effort initiative announced by DHS Secretary Jeh Johnson upon his arrival in the Department concerned developing operational requirements that would improve the DHS acquisition system and result in greater effectiveness and efficiency across the Department and within individual components.

The Unity of Effort initiative resulted in the standing up of a Senior Leader Group (SLG), a Deputy's Management Action Group, (DMAG) and a Joint Requirements Council (JRC). While the SLG and DMAG forums are not solely to assist in developing Department and component requirements, they are intended to have the requirements generation piece as a core function. This should provide a greater link between strategy and resourcing once these management activities are fully implemented. Most recently, the Secretary has signed a memorandum reinstating Integrated Process Teams (IPTs) for coordinating requirements across mission areas. Further, the teams should provide a systems approach to generating requirements, which has been lacking at points in the Department's history. The IPTs should result in the development of mission roadmaps that identify capabilities, time lines, technologies, and acquisitions that are of interest to DHS and the components. One source notes, "These IPTs will be charged with coordinating and prioritizing research and development across the department in a number of areas, including aviation security, biological threats, counterterrorism, border security, cybersecurity and disaster resilience."⁹ While these activities are appropriate and necessary to address DHS management shortfalls, a cautionary note is in order. Similar initiatives have been tried before but have not fully taken hold. Additionally, with slightly over a year left in the administration, institutionalizing these efforts will become even more challenging.

This body of activity under the Unity of Effort umbrella, if successful, should provide greater focus on generating requirements that result in a clear set of the capabilities that DHS is seeking. The outputs of these forums, if shared with industry, would provide the type of information that is critical to allowing industry to make informed decisions about where to spend its IRAD dollars and where the Department was planning for development capabilities and ultimately intending to make acquisition decisions. Therefore, once the IPTs have reached an appropriate maturity and documentation is available that highlights capability gaps and approaches for operational solutions, industry could—within the limits of operational security—be provided access to this information. This would allay one of the major complaints that industry has made regarding access to the R&D requirements that S&T is pursuing and the component operational requirements for potential acquisitions.

⁷ GAO, *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs*, Washington, DC, GAO-12-833, September 18, 2012, pp. 10-11.

⁸ GAO, *Department of Homeland Security: Assessments of Selected Complex Acquisitions*, Washington, DC, GAO-10-588SP, June 2010, p. 20.

⁹ Homeland Security Today staff, "DHS Initiates New Measure to Unify Its R&D Activities," September 9, 2015. Retrieved from <http://www.hstoday.us/single-article/dhs-initiates-new-measure-to-unify-its-r-d-activities/a0a9f01082879865da1ee7aa7957e23e.html>.

INNOVATIVE APPROACHES FOR IMPROVING INTERACTIONS WITH INDUSTRY

Improving interactions with industry is a necessity, not an option, for assuring homeland security today and into the future. The changes across the R&D global community will mandate that Government becomes more nimble in working with industry. As a greater percentage of the R&D is conducted by non-Governmental and international entities, a corresponding change in how the Government acquires essential capabilities will be required. The recent incorporation of prize authority competitions is one example of an innovative approach that has been employed elsewhere with positive results.

Five additional potentially innovative approaches for enhancing DHS-industry collaboration are highlighted below.

Identifying Areas of Priority Effort

An important starting point will be for DHS to put research, development, and even certain acquisitions into three discrete bins of activity. The first bin would include those technologies and systems for which the Department should rely on commercial-off-the-shelf capabilities. This bin includes technologies for which industry is the clear leader and the Government can benefit from the previous developmental activities of industry. Examples could include commercial software products that, with little or no modification, could meet established operational requirements. The second bin would include technologies for which industry is a leader, but the Government desires to stimulate the market to produce a specialized capability that, upon fielding, would be exclusively for the Government. An example would be a low-light, long-distance camera for law enforcement purposes. For such a system, the Government must become adept at monitoring the state of the market and, at the appropriate point, providing seed money for the specialized capability to be developed. The third bin includes those areas where the Government will need to stimulate the market because no commercial market is envisioned. An example is detection of home-made explosives for Government applications. In such areas, the Government should and must lead R&D efforts by stimulating and incentivizing industry through investments.

In this binning construct, the nature of the technical workforce must evolve. DHS will need personnel who are less scientists than technologists. The distinction is that scientists would be conducting the R&D while technologists would be identifying sources of technology, assessing technology readiness levels to understand the maturity of the technologies, and binning the efforts to understand where DHS resources should be expended.

Systems Analysis

DHS must employ a systems approach for generating requirements and fielding capabilities. The individual R&D and acquisitions are less important than understanding how they fit together in coherent systems designed to meet the operational requirements of the force. THE SLG-DMAGJRC-IPT processes serve as important management forums in this regard. Therefore, efforts must continue through these forums to focus on identifying and supporting developmental capabilities that will enhance the operational efficiency and effectiveness of the Department and the homeland security enterprise. Such a systems analysis must account for solving operational problems. A useful framework is the DOTMLPF-P (Doctrine, Organizations, Training, Material, Leadership, Personnel, Facilities—Policy) approach similar to that employed by DoD. Such a framework provides recognition that not all shortfalls require an acquisition program.

Understanding DHS Requirements

In the Homeland Security Act of 2002, S&T has the authority to develop a consolidated listing of all R&D that is on-going in the Department. This includes the R&D that S&T is doing in support of the homeland security enterprise (i.e., the Department; components; State, local, Tribal, and territorial governments; and first responders and law enforcement) and individual component efforts. Having such a consolidated view is essential to generating comprehensive requirements, as well as developing capabilities that are operationally effective and efficient. These consolidated capability requirements could be shared with industry, again subject to security and classification requirements.

Access to Industry Internal Research and Development

A significant frustration during my time leading S&T was how to garner insights into the IRAD being done within industry. Here, industry can take the lead offering opportunities that allow DHS developers to see various technologies in simulated operational environments. While the operational demonstrations described pre-

viously were led and funded by the Government, industry could take the lead for modest demonstrations that would bring together industry partners focused on certain topic areas. Discussions between DHS and industry organizations such as the Homeland Security and Defense Business Council that Marc Pearl represents should take the lead in identifying processes for sharing corporate IRAD with DHS leaders, technologists, and the components. Undoubtedly, the nature of the IRAD will require certain agreements so as not to jeopardize corporate proprietary information.

Federal Acquisition Regulation (FAR) as an Impediment

Developing a more collaborative approach to DHS-industry relations should entail a reexamination of the FAR. Today, the FAR is overly conservative and prohibits many interactions that could be very useful for both parties. Furthermore, many assert that the FAR hinders innovation and lengthens response times for fielding essential security capabilities. The Chief Technology Officer at Customs and Border Protection, Wolfe Tombe, described the FAR's negative effect, stating,

“Now we go out with a request for proposals and we'll say what we think we need, and I think a lot of times there are vendors who could come back if the FAR allowed it, and [recommend better, more cost-effective solutions]. The FAR needs to be redone so it enables that kind of interaction. It's hard [for a vendor] to come back and say they have a better idea.”¹⁰

Tombe went on to say, “It makes no sense to put out a contract for three months' worth of work to build a mobile app and take 18 months to get that award out the door.”¹¹

In short, the rigidity of the Industrial Age FAR is colliding with the requirements of an Information Age where speed and agility are of greater value. Further, with a more youthful acquisition workforce, accustomed in their private lives to real-time, ubiquitous communications, such stifling administration is both a frustration and a hindrance. As noted earlier, many companies, including in the information technology and big data fields, are deciding not to engage with the Government largely due to antiquated bureaucracy.

CONCLUSIONS

The range of challenges facing the Department and homeland security enterprise will continue to evolve and in many cases grow. Ensuring that preparedness and response capabilities will keep pace necessitates a vigorous and continuous dialogue with industry.

It is clear from the actions over the past 2 years that the Department has recognized that a more robust engagement with industry is essential to successfully executing the homeland security mission. Such activity is cause for tempered optimism.

The optimism is tempered in the sense that other DHS reform efforts that have also recognized the need for a more vigorous and continuous dialogue with industry have not been successful. Despite promising rhetoric, only modest progress has been made. A significant cause of these failures has been the rapid turnover of personnel in DHS and the failure to codify these changes through legislation.

In my judgment, many of the tools are in place to support more-fruitful DHS-industry dialogue. It is a matter of properly employing the available tools. Another important limiting factor for the Department has been the inability to articulate actionable capability gaps that could help industry better understand emerging requirements in order to allow for directing their IRAD toward these gaps. Finally, DHS should look to develop more-innovative approaches for improving interactions with industry. The use of prize authority is one such example. Another would be a more focused review of R&D efforts to determine areas for investment versus areas where DHS will monitor the technology and become an adopter of it.

I appreciate the opportunity to discuss recommendations for improving the homeland security of our Nation.

Mrs. WATSON COLEMAN. Thank you, Mr. Chairman. Mr. Chairman, I appreciate this opportunity for the subcommittee to consider the importance to our homeland security enterprise of an active and broad partnership between DHS and the private sector.

¹⁰Verton, Dan, “Can the Federal Acquisition Process Support Innovation?” *Fed Scoop*, August 27, 2014. Retrieved from <http://fedscoop.com/really-needs-done-acquisition-reform/>.

¹¹Verton, 2014.

Secretary Johnson observed earlier this year: “Government does not have all the answers or all the talent,” emphasizing his belief that responding to homeland security threats must be a partnership between Government and the private sector.

I also thank the Chairman for scheduling this hearing as the committee prepares to consider legislation to reauthorize many elements of DHS operations, including headquarters functions within the subcommittee’s jurisdiction, among them the Department’s Private Sector Office.

Mr. Chairman, as this subcommittee saw during our last hearing this past April on the Department’s oversight of major acquisition programs, one can scarcely overstate how much communication between the Department and contractors with respect to acquisition requirements can affect the cost and performance delivered by multimillion-dollar programs for our homeland security.

By creating the Joint Requirements Council in June 2014, Secretary Johnson has taken steps to ensure that the Department speaks to industry coherently about each set of program requirements and to ensure that all requirements for acquisitions across the Department reflect a consistent set of priorities in terms of cost and capability. I appreciate your continued interest, Mr. Chairman, in the JRC. I look forward to working with you to review and enhance the JRC as the decision making center for the Department’s senior leaders.

I look forward to hearing testimony from Mr. Totonis and Mr. Pearl. I appreciate the efforts of business leaders to provide Homeland Security policymakers with the benefit of their management experience. I also look forward to hearing testimony from former Under Secretary Duke, whose career in the defense acquisition workforce, in the Office of the Secretary and DHS components and now as a consultant to private-sector organizations, enriches her perspective on how Government agencies and the private sector can communicate and collaborate in the most constructive way.

I very much appreciate any thoughts witnesses might have about the circumstances under which DHS might appropriately implement recommendations from the private sector, whether in terms of DHS adopting best practices used by the private-sector firms to manage their businesses, or in terms of DHS promoting and maintaining contacts, as allowed, with firms working to provide goods and services employed by the Department’s operations.

In addition, I hope that the hearing will also provide an opportunity for Members and witnesses to tell us about specific instances of how private-sector recommendations have fared at the Department. Particularly because of this subcommittee’s focus on management in the Department and the committee’s upcoming consideration of the reauthorization legislation, this hearing affords members a chance to consider the importance of agencies like DHS casting their net widely as they collect recommendations from the private sector, making sure that DHS and its components recognize the critical contributions of small and other traditionally unrepresented businesses.

As noted in the 2010 report of the Interagency Task Force on Federal Contracting Opportunities for Small Businesses, small businesses are leaders in innovation and drivers of the economy.

Small businesses hold more patents than all the Nation's universities and largest corporations combined and create two-thirds of all private-sector jobs, employing half of all working Americans. Studies of innovation have pointed to several policy initiatives designed to foster contacts between small firms and DHS, but which would benefit from renewed emphasis and intention—such as the authority for private public cooperative research and development agreements or small businesses innovative research and business technology transfer programs coordinated by SBA, but also operating through the Department of Homeland Security Advanced Research Projects Agency, certain DHS authorities under the provisions of the Safety Act of 2002, et cetera.

I look forward to our witnesses sharing their views on how these and other mechanisms might enhance opportunities for small and underrepresented businesses to contribute to homeland security and economic security. So, Mr. Chairman, even at a time of wide-ranging threats and constrained resources, cooperation between Government and the private sector remains a critical resource for new thinking, efficiency, and enhanced mission effectiveness.

I also believe that Congress should ensure that DHS's reauthorization language makes sure that the Department receives industry recommendations offering the greatest breadth into its thinking and the greatest economic multipliers by highlighting collaborative opportunities for small businesses. With that, Mr. Chairman, I yield back the balance of my time.

Mr. PERRY. The Chair thanks the gentlelady.

The Chair reminds other Members of the subcommittee that opening statements may be submitted for the record.

[The statement of Ranking Member Thompson follows:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

SEPTEMBER 18, 2015

The Department of Homeland Security's mission is broad and all-encompassing—from aviation security to border security, emergency preparedness, cybersecurity, critical infrastructure protection, and counterterrorism. As the Department moves forward, it must do so in an efficient manner that makes wise use of human capital, technology, and financial resources.

Given the past acquisition failures at the Department, it is imperative that some best practices and new ideas be employed to ensure that taxpayer dollars are not wasted. I appreciate Secretary Johnson's push to improve the Department's acquisition and planning efforts through his Unity of Effort initiative.

The private sector can also offer an example to DHS on how to manage some of its business practices. The private sector's ideas should be considered with an eye toward ensuring that homeland security capabilities are not diminished. Private-sector goals—earning a profit—and Government goals—providing services and protecting to the public—are vastly different, yet interdependent.

In order to successful, effective channels of communication between Government and the private sector are required, including engagement with small and underrepresented businesses. Small businesses are leaders in innovation and drivers of the economy. They hold more patents than all of the Nation's universities and largest corporations combined, and create two-thirds of all private-sector jobs, employing half of all working Americans.

I would appreciate hearing from witnesses how DHS can better engage the innovation, efficiency, and competitiveness exemplified every day in small and minority businesses. Also, I would appreciate hearing from the witnesses how DHS can better engage its workforce. Surveyed employees feel that there is a lack of diversity throughout the components and they opine that promotion potential within the Department is few and far between. DHS cannot achieve Unity of Effort without buy-

in from its employees. I want to hear what private sector best practices can be used at the Department to improve its workforce.

Mr. PERRY. We are pleased to have a distinguished panel of witnesses before us today on this important topic. Let me remind the witnesses that their entire written statement will appear in the record. The Chair will introduce each of you first and then recognize you for your testimony.

Mr. Marc Pearl is president and chief executive officer of the Homeland Security and Defense Business Council. The council is a non-partisan, non-profit industry organization that is made up of large, mid-tier, and small companies that provide homeland security and homeland defense technology and service solutions to DHS and other clients. Mr. Pearl has led the council since 2008. Welcome.

Mr. Harry Totonis is a board director with the Business Executives for National Security or BENS. BENS is a non-partisan, non-profit organization that supports the U.S. Government by applying best business practice solutions to National security problems. Mr. Totonis has had an extensive private-sector career and has authored numerous articles on business strategy, change management, and drivers of business effectiveness.

The Honorable Elaine Duke is the former under secretary for management at the Department of Homeland Security, a position she held from 2008 until 2010. Prior to her employment as under secretary, Ms. Duke served in a number of positions in the Department, including deputy under secretary for management, chief procurement officer, and deputy assistant administrator for acquisitions at the Transportation Security Administration.

Thank you all very much for being here today. The Chair now recognizes Mr. Pearl for your testimony. If you could, push the button, make sure the mic is close to your mouth there. Thank you, sir.

STATEMENT OF MARC A. PEARL, PRESIDENT AND CHIEF EXECUTIVE OFFICER, HOMELAND SECURITY AND DEFENSE BUSINESS COUNCIL

Mr. PEARL. Chairman Perry, Ranking Member Watson Coleman, and distinguished Members of committee, good to see you again, former Chairman, Mr. Duncan, Ms. Torres, thank you for giving the Homeland Security and Defense Business Council the opportunity to testify and to provide our collective perspective on creating greater efficiencies at DHS.

As the Chairman said, we represent the leading large, mid-tier, and small businesses that provide homeland security technology, products, and services solutions. From the industry's point of view, more consistent Department-wide processes and procedures are needed to improve internal operation and for it to become a more efficiently-run organization. In order to help procure mission critical products and services in a timely and efficient manner, DHS also needs consistent, on-going, and quality measures that encourage industry-Government engagement and communications.

The council works closely with DHS officials and its subject-matter experts to discuss ideas focused on the implementation and innovation processes that could serve to bridge the gap between Sec-

retary Johnson's excellent policy aspirations embedded in his Unity of Effort and actual program operation. How we bridge that gap is something that we are looking at.

While much progress has been made, as you said in your statements, there is still a lot of work to do. I ask, as you said, that my written testimony be entered into the record, but please allow me to outline a few key internal and external challenges that the council believes could help the Department move closer to a unified vision and greater efficiency.

First, not enough has been done to consolidate and provide common mission services across the DHS enterprise. There isn't one centralized system, for example, that provides an individual's complete immigration history. CBP, ICE, and USCIS experience enormous challenges around the collection, coordination, and use of immigration data. In contrast, the Office of Biometric Identity Management is an excellent example of how DHS can create a mission-oriented service for the entire enterprise.

OBIM processes 320,000 biometric identification transactions every day, providing services and information to Federal, State, and local government. We encourage DHS to continue to look for other opportunities to consolidate systems that could serve enterprise-wide mission areas which, in turn, will create cost savings and reduce duplicative efforts.

Second, the entry-on-duty clearance process at DHS has been historically problematic, duplicative, expensive, time-consuming, and frustrating both for the people at DHS and industry. Components refuse to recognize that a background investigation performed by one component can be recognized by another component. This lack of security reciprocity creates unnecessary and critical delays as to when a contractor can begin work, thereby moving schedules, significantly delaying the start of a project, and wasting taxpayer dollars.

Third, a critical element of any successful organization, private or public, is a highly-motivated workforce that embodies the core capabilities necessary to accomplish mission. DHS must continue to invest in its workforce by examining incentives for greater accountability and creating robust training programs that help employees master the skills that they need to succeed. We believe it should identify critical skill sets needed across the Department and find areas where cross-component training can be utilized.

Fourth, the Secretary's Unity of Effort approach aims to improve coordination between headquarters and its components and directorates. But challenges still exist within the components themselves where they need a better set of processes that encourage consistent and on-going connections between the component's program department and its contracting offices.

With respect to the externalities of these issues, early and on-going engagement with industry is a critical element outlined in detail in my written testimony. Over the last few years, many parts of the Department have taken enormous steps to improve, expand, and deepen industry/Government communication. These must continue. But significant improvements can still be made in how the Department engages with industry. For example, TSA's strategic capability investment plan was an extremely helpful docu-

ment issued last year and could serve as a model for other components that want to communicate a division's vision and plan for potential investments going forward.

In closing, I cannot outline the efficiencies of DHS without addressing the role and responsibility of Congress, Mr. Chairman, in that equation. The duplication in Congressional jurisdiction over DHS across numerous committees and subcommittees continues to create, in and of itself, its own inefficiencies. While DHS still has a lot of work to do to improve its internal processes and procedures, an unpredictable budget cycle has its own impact on efficiency.

We understand hard decisions surrounding the budget must be made in today's fiscal environment. But we encourage Congress to recognize the impact delayed funding has on the very efficiencies that you are trying to encourage and address here today.

Thank you for giving the council the opportunity to present some observations on this vital topic. We look forward to continuing our close working relationship with each of you and your staff, as well as continuing to work with the Department on common issues of mutual concern.

I am prepared to answer any questions that you might have. Thank you.

[The prepared statement of Mr. Pearl follows:]

PREPARED STATEMENT OF MARC A. PEARL

SEPTEMBER 18, 2015

Chairman Perry, Ranking Member Watson Coleman, and distinguished Members of the Oversight Subcommittee, I am Marc Pearl, and serve as the president and CEO of the Homeland Security & Defense Business Council (Council), a non-partisan, non-profit industry organization, comprised of the leading large, mid-tier, and small companies who provide the homeland security and homeland defense technology, product, and service solutions to the Department of Homeland Security (DHS) and other Government and commercial markets. Our members make up a huge portion of the Homeland Security Industrial Base, and I thank you on their behalf for giving us the opportunity to appear before you today to provide our organization's collective perspectives on the issue of creating greater efficiencies at DHS.

The private sector has provided our Government and commercial market with homeland security and homeland defense specialized services, technological innovation, and strategic thinking for decades—long before the tragic events of September 11, 2001. However, in the wake of what occurred just 14 years ago last Friday, it became poignantly obvious to the administration and Congress that we needed to establish better processes and an effective organization to anticipate, prevent, respond to, and/or mitigate any terrorist act or nature's potential for destruction. Since the formal creation of DHS in 2003, industry has worked to support the Department in tackling the many diverse threats facing our homeland.

Shortly after the formation of DHS, the Council was established for the purpose of building strong relationships between Government and industry so that we could work together on the many process issues and acquisition reform questions through open dialogues between the senior executives in industry and their counterparts at the Department. Additionally, we have sought to establish forums to engage in "safe" conversations and roundtables between subject matter experts in both the public and private sectors to address the challenges and obstacles that get in the way of efficiencies and mission success. Our programs and initiatives foster those relationships and facilitate an exchange of information that inform both sectors on how policy and process might be better implemented and communicated, as well as help address mission challenges, and improve the management and organization of DHS. Our mission is to bring both sides together in informal conversation to gain a greater understanding of one another's perspectives and processes to identify ways to improve the way we do business together.

It is generally recognized that DHS needs more consistent Department-wide processes and procedures to improve internal operations and become a more efficiently-run organization. DHS also needs measures that support industry-Government dialogues that help ensure the Government can effectively procure mission-critical product and service solutions.

For that reason, the Council is encouraged by Secretary Johnson's 2014 *Strengthening Departmental Unity of Effort* that reestablished the Joint Requirement Council (JRC), established a set of regional Joint Task Forces, and created the Secretary's Leadership Council and Deputy's Management Action Group. These, along with other initiatives, aim (and I quote the Deputy Under Secretary of Management) "to better integrate the Department's people, organizational structures, and operational capability" that will in turn, create more efficiencies and enable mission success. Supporting the unity efforts, Secretary Johnson announced earlier this month, a new measure to unify the Department's research and development, creating Integrated Product Teams (IPTs) that will be charged with coordinating and prioritizing research and development across the Department in a number of areas, such as aviation security, biological threats, counterterrorism, border security, cybersecurity and disaster resilience.

The Council and its members are invested in the Department's success and its ability to create a more efficient and unified organization. Our overall mission is to work with you in the Congress and the Department's leaders to encourage on-going discussions and work towards the implementation of programs and processes that will bridge the gap between policy aspirations and program operations. We must all work together to ensure that the Secretary's *Unity of Effort* becomes more than the logo of his tenure, only to be replaced by the logo of the next Secretary. We want it to become a foundational legacy of real change, real consistencies, real reform, and real efficiencies.

While the aspirational policies of the Secretary's *Unity of Effort* are critical steps in the right direction, we believe internal and external challenges still exist that significantly impact the goal of achieving a more efficient and unified Department. Much progress has been made, but there is still a lot of work to do.

The Council's testimony today will focus on a few key challenges that we believe, if continued to be addressed, will help the Department move closer to a unified vision. Allow me to provide a few observations on some of these critical internal and external areas that impact the efficiencies at DHS.

THE NEED TO REDUCE DUPLICATION OF COMMON MISSION SERVICES

While progress has been made, there is still a significant need to reduce duplication among the components' common mission services and align financial management systems, for example. DHS' multiple financial management systems make it difficult to look across individual budgets to see the larger picture on where dollars are being spent and produces an inability to capture where cost savings could be made.

Additionally, little has been done to consolidate and provide common mission services across the enterprise, though the JRC, we are told, is looking into this area. CBP, ICE, and USCIS, for example, experience challenges around the collection, coordination, and use of immigration data. There isn't one centralized system that provides an individual's complete immigration history. An operator at one component must query multiple systems, and, as a result, we have a process that is time-consuming, costly, and frustrating to the on-ground official, from both an IT architecture and business process point of view.

In contrast, DHS's Office of Biometric Identify Management (OBIM) exemplifies that the Department can, in fact, create a mission-oriented service for the entire enterprise. OBIM processes approximately 320,000 biometric identification transactions per day, providing services and information to Federal, State, and local governments. They provide the technology for collecting and storing biometric data, analyze, update the watch list, and ensure the integrity of the data for and with numerous agencies, including CBP, DOJ, DOS, FEMA, ICE, TSA, USCG, and USCIS.

We suggest that DHS look more vigorously at other opportunities for consolidating systems that could service enterprise-wide mission areas, which could create cost savings and reduce duplicative efforts.

LACK OF SECURITY RECIPROCITY

The entry-on-duty clearance process at DHS has been problematic, duplicative, expensive, time-consuming, and frustrating. DHS components do not recognize a background investigation performed by another component. This has created a barrier

to entry for many contractors and is particularly unnerving for those who do business with other National security, critical infrastructure, law enforcement and financial services agencies, where they don't have to jump through as many multiple internal agency security clearance hoops as at DHS. When DHS is hiring a contractor to work on a project, this process causes unnecessary and critical delays as to when a contractor can begin work, thereby moving schedules, significantly delaying the start of a project, and wasting taxpayer money.

It is our understanding that almost 75% of the vetting requirements are already shared across components regardless of the program; so establishing a common vetting security clearance program is an area where the Department and the private sector could find the mutual benefits of streamlining.

THE NEED TO INVEST IN THE DHS WORKFORCE

While we all recognize the importance of and on-going focus on all things related to cyber and IT, the underlying critical component of any technology and/or product is a well-trained and highly-motivated workforce that embodies the core capabilities necessary to accomplish the mission. Quality training is always a good investment whether in the public or the private sector; for it will inevitably lead to a more successful outcome.

The DHS workforce is responsible for executing multiple missions including cyber analysis, responding to disasters, and safeguarding our ports of entry. With the variety of mission responsibility and skills needed to perform, the Department must continue to invest in its workforce by examining incentives for greater accountability and creating robust training programs.

After working with and getting to know numerous Government employees over my 3+ decades in DC, I would proffer that many—particularly those who have and continue to work at DHS over the past dozen years—tend to join the civil service for altruistic reasons and are motivated to serve the public and protect our Nation. At the very least, leadership can continue to remind their colleagues how important and critical their mission services are to our Nation, and, as a result, they will feel more job satisfaction and pride in their work. The communicating of appreciation is something that is regularly done at the most successful corporations, even amidst the frustration of one's daily tasks.

DHS should also look at finding innovative incentives that support career progression. One suggestion—something that is also done in the private sector—would be to create special teams. Industry puts their best and brightest on important projects—cross-department—and Government could do the same. DHS could consider a pilot program with a major acquisition filling a special team based on merit. Being part of the special team becomes a reward and an incentive to want to be a part of the agency's top projects.

Other incentives include career progression and proper workforce training. Employees want to feel like they have an opportunity for growth within their current job and the continued ability to refine their skill-set and grow as a professional. And as part of this, DHS should continue to adopt more robust and multi-disciplinary workforce-training programs to help employees master the skills they need. On the program management and acquisition side, this must include training on how to work with industry.

A quality employee understands all aspects of the business and is encouraged, at various points in his/her career, to acquire a better understanding and knowledge of such things as the budget process, mission needs and planning, as well as how those things are addressed in other divisions.

Though it took many years even after the passage of Goldwater-Nichols, DoD found the CO-COMMS approach—requiring flag officers to take on cross and joint commands—to be a tremendous incentive for morale and successful leadership. Perhaps DHS should be encouraged to look at joint environment requirements for those moving up the ladder. This would not only be a huge culture change, but also could break down cultural silos and help to operationalize the Secretary's *Unity of Effort*.

We were encouraged by and wish to point out that *DHS FY2014–2018 Strategic Plan* outlined a goal to find support systems for training, exercising, and evaluating capabilities that cross components to ensure the readiness of front-line operators and first responders. They also describe their goal to strengthen the cyber ecosystem which includes implementing human capital strategies that will help develop a skilled cybersecurity professional. To achieve this, they plan to develop a Department-wide human capital strategy, including enhanced Federal training programs. The Council supports these efforts and believes DHS should continue to find critical skill-sets needed across the Department and find areas where cross-component training can be utilized.

THE NEED FOR BETTER CONNECTIONS BETWEEN THE PROGRAM & CONTRACTING
OFFICES

The Secretary's *Unity of Effort* approach aims to improve coordination between HQ and its components and directorates, but challenges still exist within components. There needs to be a better set of processes that encourage consistent and ongoing connections between the component program and contracting offices. Our members have observed that the contracting offices have assumed the dominant role in some cases, but both must be in sync and engaged together to ensure that the right procurement strategy is in place so that the Government can ensure they are receiving the best proposals from their industry partners. A consistent, unified decision-making process across the Department is reliant on strong connections within the components and across components.

Some of the components, we have been told by many of our members, have taken the proper steps towards communication and coordination of effort. For example, USCIS has worked hard to coordinate its CIO's vision throughout the programs and contracting shops, thereby leading to consistent messaging to industry from both of the offices, and creating more levels of certainty for the contractors.

Additionally, ICE's Homeland Security Investigations division has demonstrated excellent integration and collaboration between the contracting officers and the mission owners, thereby leading to successful mission requirements in a timely manner and within budget.

IMPROVING ENGAGEMENT WITH INDUSTRY

Beyond the challenges within DHS, the Council believes improvements can still be made in how the Department engages with industry. Effective engagement with industry has been and continues to be a priority area of interest for the Council and our members. In 2014, at the urging of the Under Secretary of Management, we developed a "Framework for Government-Industry Engagement Through the Planning and Execution of the Acquisition Process." Through this effort, our member companies have worked closely with the DHS directorates and components to identify critical points of communication, information sharing, engagement, and/or dialogue, as well as the challenges and barriers to communication, that can and should occur throughout the different stages of the acquisition life cycle and process.

It is critical that Government and industry work together to establish and maintain open and transparent two-way forums for communication in advance of and throughout the acquisition process. Early, frequent, and constructive communication between the Government and industry is the foundation to the planning and execution of a successful acquisition. Acquisitions begin at the point when agency needs are established. Early engagement with industry is a critical aspect of strategic planning, describing agency needs, developing an overall acquisition strategy, and identifying the terms, conditions, and practices appropriate for what is being acquired. It improves market research, which results in a greater understanding of the possible products, services, and technologies that exist to support the Government's needs, as well as the costs, benefits, and limitations of different procurement approaches. It allows the Government to define their requirements clearly within the market environment, and develop realistic expectations regarding risk, cost, schedule, and performance management. When requirements are well-defined, industry can write quality proposals and deliver solutions that address gaps in a timely and cost effective manner.

For industry, the substance, frequency, and timing of communication with Government is vital to determining how to allocate limited resources and make informed, risk-based investment decisions. Because the costs associated with getting to know a prospective Government client, understanding their requirements, developing a technical solution, selecting a team, and preparing a proposal are so high, industry makes decisions on which opportunities to pursue long before a solicitation is released. Bid decisions are often made based upon the nature, detail, and specificity of information that is available in advance of the opportunity. The more time and information that is provided, the more that industry is likely to invest in and think through different ways to meet the Government's needs.

When communication is absent, vague, infrequent, or untimely, it increases the risk that industry will choose not to participate in a solicitation or that it will not understand the Government's requirements. Communication problems that occur early in the process (e.g. not having well-defined requirements) increase the likelihood of contract delays, cost over-runs, duplication of effort, and outcomes that fail to meet the Government's expectations and mission needs.

Industry relies on information from the Government on their future needs so that they have time to align their financial and personnel resources towards meeting

those needs. This allows early R&D and ensures that needed solutions can be provided in a timely manner. The more specific the Department's directorates and components can be, the more industry will engage, which will produce better solutions and overall mission success.

It is important to point out that throughout the last few years the Department has taken many steps to improve industry engagement and better, more transparent and open communication. Plans similar to TSA's *Transportation Security Strategic Capability Investment Plan* are helpful and we hope to see more documents published from other components that communicate the agency's vision and plans for potential investments.

In addition to the small group discussions we have held with DHS arising out of the *Framework*, industry has enjoyed the opportunity to participate in a variety of forums such as mock debriefing exercises with industry and Government representatives. And all of the industry groups are currently working in coordination with DHS' Office of the Chief Procurement Officer to plan a *Reverse Industry Day* later this fall, which is part of its *Acquisition Innovations in Motion (AiM)* series of industry engagement and acquisition initiatives. This will be the first DHS-wide event held from the viewpoint of the contractors informing Government program and contracting officials about the process industry goes through to respond to a Government solicitation. The Council looks forward to the event and believes that creating a better understanding between the two parties will help create greater efficiencies in the acquisition process.

Mr. Chairman, and Members of this subcommittee, in closing I cannot attempt to briefly outline the need to address the efficiencies of DHS without addressing the Role and Responsibility of Congress in that equation.

I'm quite sure you are aware that the duplication in Congressional jurisdiction over DHS across numerous committees and subcommittees creates its own inefficiencies. I point this out, not because this Oversight Subcommittee will be able to change that equation, but simply to provide an additional observation to outside factors impacting agency efficiencies.

Additionally, while DHS still has much work to do to improve its processes and procedures that will and must lead to a more efficient organization, an unpredictable budget cycle has significantly impacted its ability to achieve efficiencies in many areas. A stable, predictable budget environment is critical to any government or any company's ability to achieve its mission, and this is particularly true to an agency as vital, large, and complex as the Department of Homeland Security. Its mission areas require long-term planning, as well as substantial and timely investments in specialized technologies, products, and services. And industry cannot, likewise, strategize, invest, research and develop solutions when the needed programs spit-and-start or experience delays simply because long-range planning is impossible to do.

The execution of DHS operations results from a continuous cycle of planning, programming, and budgeting activities. When you do not know your budget, you cannot plan for the future, start new programs, or hire and train staff. Budget uncertainties make strategic planning, long-term investment planning, and acquisition planning extremely difficult. Industry relies on these activities to determine how to invest its resources and R&D dollars so that it can develop the specialized capabilities that DHS needs. Delays in the acquisition process create inefficient business practices, waste taxpayer money, and prevent DHS from effectively procuring and delivering critical supplies and services to employees in the field.

We understand hard decisions surrounding the budget must be made in today's fiscal environment. Regardless of the amount of funding the Department receives, it needs a stabilized budget planning cycle, and the Council encourages Congress to recognize that delayed funding harms the very efficiencies you are trying to encourage.

Thank you for providing the Homeland Security & Defense Business Council with the opportunity to present some observations on this vital topic. We look forward to continuing our close working relationship as a trusted advisor to you and your staff, as well working with the Department and its officials on the common areas of mutual concern.

Mr. PERRY. Thank you, Mr. Pearl. I appreciate that.

The Chair now recognizes Mr. Totonis for your testimony. Thank you, sir.

**STATEMENT OF HARRY TOTONIS, BOARD DIRECTOR,
BUSINESS EXECUTIVES FOR NATIONAL SECURITY**

Mr. TOTONIS. Thank you. Chairman Perry, Ranking Member Watson Coleman, Members of the committee, my name is Harry Totonis. I am honored to be here as a private citizen and a member of the Business Executives for National Security.

I plan to address what actions the Department of Homeland Security can undertake to improve management efficiency and effectiveness. I will speak from my own knowledge and experience, having worked in several industries, including health care, financial services, and management consulting. My perspectives will reflect how the private sector approaches similar challenges. I would also like to recognize and congratulate the many accomplishments that the Department of Homeland Security has achieved since its inception 12 years ago.

I also applaud Secretary Johnson's initiative to improve the Homeland Security Department's cohesiveness and effectiveness as outlined in his April 2014 memo, Strengthening the Department's Unity of Effort. While significant progress has been achieved, opportunities appear to exist for continued improvement.

Here I am referencing the annual report issued on February 23, 2015, titled Major Management and Performance Challenges Facing the Department of Homeland Security. One area highlighted for improvement was in management integration and effectiveness. As requested, my statement discusses actions that DHS can pursue to strengthen and better integrate its operations and management functions.

As I noted earlier, my recommendations are based on my experience both as a senior managing partner at Booz Allen Hamilton and a senior executive and CEO for private-sector companies. As a consultant, I had the opportunity to help large corporations address similar challenges. As a corporate executive and CEO, I had the opportunity to implement what I had previously recommended. The challenge that DHS faces is a common one for private companies.

Based on my experience, there are five key elements that need to be implemented to achieve effective management. One, you need to have the appropriate leadership with the right set of experience, values, and commitments. Based on what I read, it appears that DHS satisfies that requirement.

No. 2, the organization's mission and objectives must be clearly defined. Moreover, there must be alignment across the organization that spans from the board of directors to executive management, across mid-level managers, and down to all employees. In my experience, I have always strived for every employee to know our company's mission and objectives and for them to know where we stood relative to achieving that. Getting this right not only creates better results, but significantly improves employee morale. Based on what I read, this may be a challenge for DHS.

Third, the organization must have an optimal organizational structure that reflects the nature of these activities. I will come back with more thoughts on this in a moment.

Four, the organization must deploy systems to measure its performance. Moreover, these systems must be real time in order for

people to know where the organization stands. Again, based on what I read, there appears to be a challenge for DHS in this area.

Finally, the organization's reward systems must be aligned with the mission and objectives. All of the above need to be in place in order for an integrated management function to work well. The benefits from getting this right are both significant and many. Efficiency and effectiveness improves significantly. Redundancy is reduced. Scarce resources are deployed in priority areas. Scale economies are achieved. Challenges are identified. Moreover, ensuring that this is put in place ensures the employee morale improves because individuals feel empowered and are prepared to help the organization achieve its objectives.

I would also like to return and address the organizational structure. There are three types of organizational structures that are usually employed, decentralized, centralized, and an organization that has a strong shared-services function. I believe, given that DHS includes 22 diverse agencies, there must be an organizational structure that is more decentralized with a strong shared-services organization.

By "strong shared-services organization", I include things like strategic planning mission definition and policy setting, management development, reward setting, reporting systems, process improvement, finance and accounting, purchasing of property management. I underscore that the shared-services function should help improve the overall Department's efficiency and not create degradation of service, frustration, and bureaucracy.

Finally, given the diversity that exists within DHS, I need to note that attempting to centralize additional functions beyond what I described, based on my experience, it has the potential of increasing costs, degrading service, and adversely impacting morale.

Thank you for the invitation to testify. I am prepared to answer any questions you might have.

[The prepared statement of Mr. Totonis follows:]

PREPARED STATEMENT OF HARRY TOTONIS

SEPTEMBER 18, 2015

Chairman Perry, Ranking Member Coleman, Members of the committee, my name is Harry Totonis. I am honored to be here as a private citizen and a member of Business Executives for National Security (BENS). I plan to address what actions the Department of Homeland Security can undertake to improve management effectiveness and efficiency. I will speak from my own knowledge and experience having worked in several industries, including health care, financial services, technology, and management consulting. My perspectives will reflect how the private sector approaches similar challenges.

I am also a member of Business Executives for National Security, a non-partisan organization of business executives concerned about National security. Although reflective of BENS' perspectives on what the private sector can contribute to better managing our National security organizations, the views I express are my own.

I would also like to recognize and congratulate the many accomplishments that the Department of Homeland Security (DHS) has achieved since its inception 12 years ago across many areas including, overall integration, acquisition management, information technology management, financial management, and human capital management. I would also like to note that I applaud Secretary Johnson's initiative to improve Departmental cohesiveness and effectiveness as outlined in his April 2014 memo, "Strengthening Departmental Unity of Effort."

While significant progress has been achieved, opportunities appear to exist for continued improvement. Here I am referencing the annual report issued on February 23, 2015 and titled *Major Management and Performance Challenges Facing*

the *Department of Homeland Security*, OIG-15-09. One area highlighted for improvement was in Operations and Management Integration.

As requested, my statement discusses actions that DHS can pursue to strengthen and better integrate its operations management functions. As noted earlier my recommendations are based on my experiences both as a senior managing partner at Booz Allen & Hamilton and senior executive and CEO for private-sector companies. As a consultant I had the opportunity to help large corporations address similar challenges. As a corporate executive and CEO I had the opportunity to implement what I had previously recommended.

The challenge that DHS faces is common among private-sector companies. Based on my experience there are five key elements that need to be implemented to achieve effective management:

1. The appropriate leadership with the right set of experiences, values, and commitment must be place. Based on what I read it appears that DHS satisfies this requirement.
2. The organization's mission and objectives must be clearly defined. Moreover, there must be alignment across the organization that spans from the board of directors and executive management across mid-level managers and down to all employees. In my experience, I have always strived for every employee to know our company's mission and objectives and to know where we stood relative to achieving them. Getting this right allows not only better results but significantly improved employee morale. I am not certain where DHS stands on in this area, but what I have read suggest that employee morale is a challenge. As a result I would presume that more work is required here.
3. The organization must have an optimal organization structure given the nature of its activities. I will come back with more comments on this topic in a moment.
4. The organization must deploy systems to measure its performance. Moreover, these systems must be as real-time as possible. Again based on what I have read, this appears to be a challenge area for DHS.
5. Finally the organization's rewards system must be aligned with the mission and objectives.

All of the above need to be in place in order for an integrated management function to work well. The benefits from getting this right are both significant and many. Efficiency and effectiveness improves significantly. Redundancy is reduced. Scarce resources are deployed in priority areas. Scale economies are achieved. Challenges are quickly identified and addressed. Executive management spends less time debating, creating plans or responding to remedial actions as a result of audits. Instead they have more time to execute. Finally, I have found that the organization's employee morale significantly improves as a result of empowerment, involvement and better understanding on how they can contribute to achieving the organization's mission and objectives. With high employee morale along with the other above items an organization achieves on-going improvement capability that "feeds upon itself".

As I outlined earlier, I would like to repeat myself and note that the most progress in organizational and management efficiency is achieved when all of the five above conditions are aligned with each other and implemented. For example, if the systems are not in place to measure performance (No. 4) it is hard to execute on the No. 2 and No. 5 objectives.

I would like to return to my list of 5 items and further clarify the need for an optimal organization structure. Broadly there are three type of organizational structures:

- A fully integrated organization;
- A fully decentralized organization;
- An organization with decentralized line activities supported by a strong shared services function or organization.

Given that DHS includes 22 diverse agencies—the U.S. Customs Service, Immigration and Naturalization Service, Transportation Security Administration, FEMA, U.S. Coast Guard, U.S. Secret Service, Energy Security and Assurance Program, and many others—a decentralized organization with a strong shared-services function is most likely the appropriate organization structure. That implies that each agency should operate fairly autonomously with DHS providing leadership, direction and create value through a Shared-Services Organization.

If a company creates a common product with similar processes and customers, then a push to consolidate into one similar entity would be a productive approach. If, however, different companies are creating different products through different processes for different customers, a push to consolidate may be counterproductive.

Instead, these companies should be able to retain their unique capabilities and identities, but share common services to drive productivity and effectiveness.

A shared-services organizational approach for DHS would include only the activities that are common or shared among the different agencies and are important to effectiveness and efficiency of the overall organization. For an organization as diverse as DHS, they would typically include the following functions:

- Strategic Planning, Mission Definition, and Policy setting
- Management Development and Promotion
- Reward-setting and compensation
- Goals, Objectives, and Budgeting
- Reporting Systems
- Process Improvement and Innovation
- Finance and Accounting
- Purchasing
- Real Property Management, which would strengthen efficiency and reduce costs through reduced administrative overhead.

I underscore *typically include* because a Shared-Services function should include responsibilities that only improve overall effectiveness and efficiency of the entire entity while avoiding creating degradation of service, operating frustrations, and increased bureaucracy within the agencies. Given the diverse nature of DHS in suggesting the above functions I tended to focus on leadership, policy, direction-setting, and measurement functions as opposed to day-to-day operating functions. The two exceptions may be purchasing and process improvement and innovation.

Successful shared-services organization include a process improvement team that works with all the agencies on important and focused areas. For example, General Electric and other corporations created six sigma teams that worked with all the GE businesses to achieve operations improvement. To ensure success this team needs to have teeth relative to implementing their findings, funding, and it cannot be optional for an agency to implementing their findings.

Finally given the diversity that exists within DHS, I need to note that based on my experience, attempting to centralize additional functions, beyond what is described above, it only has the potential of increasing costs, degrading service, and adversely impacting morale.

I recognize, as other members of BENS have previously testified before this committee, that the management improvement plate is bigger and the opportunities far broader to set the Department on the path to greater effectiveness and efficiency. Certainly 12 years' worth of data should be sufficient to give a basic sense of where the frictions and the dependencies lie.

In appearing before you today my intent is to present a private-sector perspective that will, hopefully, assist the committee in becoming a better board of directors for DHS. I am confident that with the help of this committee the Department can, in the face a certain resource restraints in the coming years, commit to operational changes in its overhead and infrastructure functions that can put it in the company of the best-managed organizations—public or private—in the Nation.

Thank you for the invitation to testify. I am prepared to answer any questions you might have.

Mr. PERRY. Thank you, Mr. Totonis.

Mr. PERRY. The Chair now recognizes Ms. Duke for her testimony.

STATEMENT OF ELAINE C. DUKE, PRINCIPAL, ELAINE DUKE & ASSOCIATES, LLC

Ms. DUKE. Good morning, Chairman Perry, Ranking Member Watson Coleman, and Members of the subcommittee. I am pleased to be here today.

I am testifying both from my experience as a civil servant of 28 years, including the final 8 at the Transportation Security Administration and DHS, but also combining my experience in working with industry since I retired about 5 years ago. I would like to highlight some areas that fall under the DHS current leadership's initiatives that, as they work towards them, I think will greatly improve the efficiency of DHS.

I would like to recognize the challenges they have. It is a complex organization and they are in the process of trying to not only fix inherited legacy systems but also transition to the heightened security risk and the heightened state of terrorism for the United States and also operating at the same time.

So, first, I would like to talk a little bit about the outward face of acquisition. There are specific things that can be done to help industry support DHS in meeting its mission more effectively. One is a socio-economic strategy that is planned. DHS does reach its goals. It has consistently gotten an A in its small business strategy. However, small businesses and DHS mission can benefit from a more planned strategy for engaging small businesses, so that the small businesses not only have work and DHS not only meets its goals, but in a very effective way for growing these small businesses and giving them work where they are maturing to large, successful businesses, not just managing a partnership of other large businesses.

So a planned strategy and really strategically looking at how we can grow our economy and our small bridges structure. This also helps large businesses because if it is communicated early to them what is targeted for small businesses and what is not, it allows large businesses to more effectively plan what opportunities it may partner with DHS on.

The second one I would like to talk about is market research. By DHS better letting industry know early about its operational requirements, the industry can target its investments, its independent research dollars to better position itself for supporting DHS in meeting its mission. This better investment will reduce technology risk. It will improve schedule. It drives down contract costs and shortens schedules. One thing we have to keep in mind is if businesses operate inefficiently, then the Federal Government through its taxpayer dollars ends up paying those costs as allowable costs under the contracting program. So we must have systems that allow businesses to be more effective so that it drives down their cost and drives down the Government's cost.

Another way we can do this is through published acquisition schedules. We have to get better about communicating to industry what is going to happen when; when things are delayed so they can make more accurate hiring decisions, more accurate planning decisions; and, again, drive down their overhead costs so the Government doesn't end up having to absorb those costs in paying for contracts.

Another area is good source selection. Very clearly stating the requirements, what is important to the Government in terms of best value, what does the Government want in terms of requirements, and then clearly evaluating and awarding contracts that are aligned with those proposals, this allows industry to best propose the optimum solution for that specific Government set and really helps both industry operate more effectively, but also for DHS to receive exactly what it wants and needs to deliver its mission. This is the best price and the most efficient performance of the contract requirements.

To do this, DHS needs a strong workforce. We all know the challenges DHS has had with morale and recruiting, hiring retention.

Some specific steps they could take to improve this is look at DHS civilian joint duty assignments, to both increase understanding but also increase morale and more the jointness of mission. Exercising their personnel flexibility and preparing the workforce for Presidential transition both from an administrative and operational succession planning standpoint, developing a workforce plan that will carry them not only now but through transition and into the future.

I would like to also address the Joint Requirements Council and the Secretary's Unity of Effort. This is essential for going forward. Some of the building blocks of management are built. They need to be cross-integrated. The Unity of Effort will do this, implemented. Especially uniting the leadership through the two leadership bodies, the Senior Leadership Council and the Deputies' Management Action Group to drive that board of directors that Mr. Totonis mentioned.

I look forward to talking with you and answering your questions. Thank you.

[The prepared statement of Ms. Duke follows:]

PREPARED STATEMENT OF ELAINE C. DUKE

SEPTEMBER 18, 2015

Chairman Perry, Ranking Member Watson Coleman, and Members of the subcommittee. Thank you for allowing me to testify today. Efficiency is a great goal, one that is never completely accomplished, yet one that can have great impact on mission delivery as incremental steps are made. As DHS matures in its business and mission, it is important that it continues to examine critical areas for continued efficiency.

I served our country as a civil servant for 28 years, including the final 8 at Transportation Security Administration and Department of Homeland Security headquarters, retiring as the under secretary for management. As a civil servant, I understood the importance of continued efficiency to deliver the mission effectively and execute our fiduciary responsibility with taxpayer dollars. As a retired Federal employee, I continue supporting DHS in its efforts to be a more efficient Department. DHS is taking initiative to improve its efficiency, and I will highlight in my testimony the some of those areas that I believe most critical.

Acquisition is a major area to address in DHS' effort to continue becoming more efficient. In acquisition, actions to increase efficiency in the Department of Homeland Security (DHS) often result in parallel efficiencies in industry. This allows industry to propose the best mission solutions at the best price. Some areas that DHS can continue to improve on include better communications overall, but specifically in the following areas:

1. Socioeconomic Strategy.—DHS and its support industry could benefit from a planned strategy to meet its small business goals. A well-planned strategy will ensure that the right contracts are set aside for small business participation, helping small businesses obtain contracts that will benefit them more in their growth, rather than just managing a subcontractor team. Planning will also help businesses prepare for upcoming new requirements and recompletions. Early, clear communication about the strategy will help small businesses target their very scarce proposal resources toward opportunities with the highest win probability. And those same early, clear communications will help large businesses make decisions and avoid investments in preparing for acquisitions that will be set aside for small business.

2. Market Research.—DHS can enhance improve acquisition efficiency by conducting more market research earlier in the acquisition process. When industry knows what requirements may be coming in the future, and knows what the DHS mission priorities are, industry can best allocate its investment dollars to build capabilities to meet DHS needs. Better investment reduces both technology and performance risk, and drives down contract cost and shortens schedule.

3. *Published Acquisition Schedules.*—DHS should more routinely publish schedules with dates for acquisition programs and contracts, and update those schedules regularly. Usually synopsis notices and draft or final request for proposals are posted in Federal Business Opportunities. When industry sees those dates, it begins assembling and mobilizing proposal teams. It also begins hiring key personnel. Often those dates slip and aren't updated. That forces industry to make decisions about holding teams, or dismissing them. That increases overhead, which in turn increases the labor rate Government pays for its services. Better communications will provide critical information for industry to act efficiently in supporting DHS.

4. *Good Source Selection.*—Requests for proposals and quotations must be clear and accurate in both the requirements and the source selection plan. The solicitation document must clearly state what the requirement is, especially in a fixed-price contract. Without that, there is increased risk on the contractor, and industry must reflect that risk in higher prices. That is especially true on fixed-price contracts. Additionally, the solicitation document must clearly state how the proposal will be evaluated and rate according to the stated criteria. When the proposal states that technical is much more important than price, and that innovation is desired, industry will design its proposal around that criteria. Yet often award is to the lowest price offeror due to budget and other concerns. If that is the case, the solicitation should align with the strategy and accurately inform industry so it can accurately structure its proposal. And that results in the best price and efficient performance of the contract requirements.

Effective and efficient mission delivery requires a good DHS workforce. A critical area for continued efficiency is workforce management. This includes recruitment, hiring, and retention. DHS would benefit from focused efforts improve the DHS workforce and therefore improve mission efficiency. Some initiatives to drive efficiency include:

1. *Make better use special personnel flexibilities for recruiting, hiring, and retaining critical talent, including members of the acquisition, intelligence, and cyber workforce.*—DHS has the authority to establish "Excepted Service" for certain components, and this help them more efficiently compete for and retain critical employees. This is especially true in competing for talent with DOD and the intelligence community, as well as private industry.

2. *Institute DHS Civilian Joint Duty assignments.*—This will help build a DHS senior workforce that will drive an integrated mission and improve DHS efficiency. This concept was approved by Secretary Johnson in June, and implementing it quickly would be very beneficial to the workforce and result in joint mission efficiencies.

3. *Prepare the workforce for Presidential Transition.*—This will position DHS to efficiently delivery mission as the country and Department transition to a new administration. Key steps that DHS can take now include succession planning and operational exercises.

4. *Develop a Workplace Plan.*—Elements of the plan should include:

- a. Specific action and milestone for dealing with the lingering employee morale issue
- b. Workforce measures and analytics for key areas such as morale, staffing levels, performance management
- c. DHS Workforce of the Future modeling
- d. Talent Management Strategy, including: Recruiting, staffing, developing, performance management and retaining talent.

Along with workforce management, DHS must also address its security clearance, suitability, and on-boarding processes for both its own and contractor employees. The long lead times, duplicity between the clearance and suitability processes, and lack of reciprocity between DHS components is very costly both in terms of time and cost of investigations. Additionally, it delays the time that employees can report to work, further degrading the efficiency of offices waiting for key staff and contractor support.

Another area where DHS can continue to improve its efficiencies is through Secretary Johnson's Unity of Effort, especially the Joint Requirements Council. This is important for several reasons. First, the Senior Leadership Council (SLC) and Deputies Management Action Group (DMAG) are setting the tone for the Department. That tone is one that respects each operating component's individual mission areas, but also drives integration and joint focus on the DHS mission set. Second, the need to continue to make "back office" functions more efficient is an imperative. DHS cannot sustain an expensive support structure and effectively meet its current mission obligations. It must continue to reduce overhead in key area such as duplicative in-

formation technology systems, facilities and related support services, and acquisition, operation, and sustainment of key DHS mission assets and systems.

Thank you for the opportunity to testify. I look forward to your questions.

Mr. PERRY. Thank you, Ms. Duke.

I guess it is my turn to ask questions. So without the formality of it all, I am going to start with Mr. Pearl. There is a whole a lot to digest in your testimony quickly. There are some lists there, putting some concepts together and I realize how complicated it is. You said something that I found particularly interesting, Mr. Pearl, that Congress has a part to play in this, right? Of all the things that we can affect or not affect, it seems like that might be an obvious place for us to start.

So with that, you said there are numerous committees of oversight, requirements, and so on and so forth. I don't think anybody here wants to be in the way, right? We are trying to make things better. Can you give us some specific examples? Do you have specific examples? I imagine you do. I am thinking you do. But can you think of some specific examples for us, things that we should be working on where we can actually affect this?

Mr. PEARL. Well, this is an issue that has been discussed with Chairman King, with Chairman Thompson, with Chairman McCaul, from the time that this was a select committee to the time it became a permanent committee. Relinquishing territorial imperative on the part of your colleagues in any Congress is difficult.

I think it is estimated that over, about 108 committees and subcommittees in the Senate and the House have, in essence, attached jurisdiction to some aspects of the homeland security enterprise agenda, quite rightfully so in certain areas where it may be in transportation or energy with regard to water supply or food safety when it is USDA. But sometimes that goes beyond. There are ways in which those discussions with leadership at least should take place in terms of how can we consolidate.

Should every subcommittee of every non-jurisdictional committee have, you know, be able to hold a hearing and call, in essence, folks from the Hill, and I was on a number when Elaine Duke was the under secretary and deputy, we were on panels together and knew that she was testifying.

Every one at every level of DHS is always asked to testify. That takes staff time to, in essence, prepare the testimony. There isn't that sense of coordination and efficiency within the Congress. What this committee overall can do to that is a discussion that is beyond, you know, my pay grade and maybe even of the subcommittee's responsibility. But this is an oversight committee. Part of that comes with recommendations and urging discussion.

So I would just simply say that it would behoove the subcommittee to at least ask for the opportunity to have discussions that could help consolidate to greater efficiencies within a Department that, in and of itself, is pulled all over this place with this unity, with whatever the common culture that we are all trying to build is going to be preventing.

So I raise it not that this subcommittee is going to be able to fix it, but raise it because I think it is worthwhile for a discourse with the leadership of the United States Congress.

Mr. PERRY. I agree with you. But you certainly can understand that since it affects these other jurisdictions, that they feel in the duty of oversight that there is a nexus there. However, I think it is probably important that we visit and revisit the issue to make sure that we are being prudent in what we do. It is not just for show. It is meaningful. It is not wasting time and resources. So I think it is a great point to make.

Mr. PEARL. I would only say, Mr. Chairman, that, and Mr. Totonis from BENS and the Business Executives for National Security have looked at this from a National security standpoint, in terms of DOD, and how it has been able to have more consolidation and not every committee and subcommittee in the United States Congress can assert jurisdiction.

Mr. PERRY. Right. So it can be done. But there has got to be the will. I get that. I have questions for everybody but my time is running out. So I am going to stick with you, Mr. Pearl. We will see if there is second round.

When you talked about the separate agency processes and that they each have their process. Of course, it is hard to impose your will, so to speak, as the larger organization over the smaller one. What is your recommendation, where is the cart and where is the horse? Who is first and maybe one example of that, like where do you start I guess is maybe the better way to put the question?

Mr. PEARL. This is something that, in fact, Elaine Duke and I have talked about continually, in terms of is there, in essence, a common operating platform within research and development? Is there a common operating platform with regard to acquisition? If every single component can do its own acquisition process without any, without anybody kind-of overseeing it to coordinate it, if every single component can do its own research and development without anyone from Science and Technology Directorate to be able to kind of impose a sense of coordination coming from the Secretary, then people are going to do what they think is best.

This is not a nefarious approach. It is just that they think their culture, their way of doing it is the best. I am not saying the Coast Guard has it right all the time or that Secret Service or FEMA or CBP or TSA has it right all the time. But what we are saying is that part of the problem is, as I pointed out, is there are some good things happening in various components. There is, there seems to be if not a reluctance, at least a challenge in trying to, in essence, take those models of best practices in acquisition, in research and development, in program planning, whatever it might be, and try to bridge that to other components so that everyone can begin the process of meeting what Secretary Johnson calls a Unity of Effort or what, in fact, Secretary Ridge called, you know, a DHS 2.0 or "One DHS" of Secretary Napolitano.

We want to see these, as I said in my statement, more than just become logos. We want to see the aspirations of a Secretary become truly operational enterprise-wide.

Mr. PERRY. It makes sense. It may be too big of a job for one individual over the course of the tenure to get there. With that in mind, it would be interesting from your perspective to get a prioritization, if it is acquisition should be first, if it is R&D, which one should be first? Then, you know, try and look at the process

for getting that. But that might be time for another discussion or a continued discussion. I appreciate your time.

Mr. PEARL. Thank you.

Mr. PERRY. At this time, I am going to turn to the Ranking Member, Ms. Watson Coleman.

Mrs. WATSON COLEMAN. Thank you, Mr. Chairman. Thank you very much for your testimony. It is really quite illuminating. You kind-of connected the things and themes that we have heard consistently.

I want to ask you, I have got a million questions too but I am going to start—is everyone aware of the Secretary’s Unity of Effort and what that means and what he intends? Can you tell me whether or not you think that Unity of Effort as it is conceived, addresses the deficiencies that and the expectations of a better outcome in the Department?

Can you just tell me yes or no, do you think it is efficient? Do you think it is missing a mark anywhere? Because I would like to start from there.

Mr. PEARL. Let me just say the following, in my testimony, I say that we are, as an organization, very supportive of the essence of the aspirations of the Unity of Effort and things as has been discussed, the Joint Requirements Council, the DMAG, the task forces, the Southern Border Campaign. Those are important things.

But in the 18 months or less that we have left under this particular administration at the Department of Homeland Security, we want it to become a foundation, a legacy, so that it doesn’t, we don’t just go to the next logo of the next Secretary. So yes—

Mrs. WATSON COLEMAN. That is where I am trying to go.

Mr. PEARL. It provides a foundation.

Mrs. WATSON COLEMAN. We believe that this provides the foundation, that it addresses the issues, and will help this Department to operate more effectively, and efficiently and—

Mr. PEARL. It could.

Mrs. WATSON COLEMAN. Okay.

Mr. TOTONIS. It is also a matter of execution. It sounds great. It is the right mission. The devil is in the details, you know, how do you take that and actually execute it?

Mrs. WATSON COLEMAN. What I don’t know is under this Unity of Effort, are there like goals and time tables? Do we have any indication whether or not the Secretary feels that certain goals are being achieved within the time frames?

Ms. DUKE. I do know that they have identified specific groups for the Joint Requirements, the Secretary has chartered five groups. I do not know if they have specific time tables. I do know through the Senior Leadership Council and the Deputies’ Management Action Group they are tracking those and they are meeting regularly. I think that is a huge step forward for the leadership of DHS to be acting unified.

That is a change. But they have to do something and they have to do it quickly. I think in terms of priorities, it should be something in the infrastructure area, whether it is facilities or IT.

Mrs. WATSON COLEMAN. So is there something, taking on what the Chairman said, is there something that we should be doing, if we agree that this effort that is there, this vision that is there, rep-

resents the sort-of best pathway for the Department and its various components to move forward, is there something that we should be doing now, thinking and doing right now to ensure that we don't go off track into some different area when the next President comes, that there is some continuity and some building that takes place, just asking?

Mr. PEARL. Absolutely. I think that the nature of the existence of an oversight committee and a management and oversight subcommittee can go to, for example, the chief procurement officer has a very important acquisition, innovation in motion product right now. I hope that it has been shared with members of your staff. That goal, that aspiration should be reported back to you as to how, in essence, it is moving forward.

What the Joint Requirements Council, the re-energization, I mean, it was there before, Admiral Allen was the chairman of it at the time years ago. It is now back in place. We would very much like to see after a year or so what progress is being made.

Industry is looking for that as well, Madam Watson Coleman. We want to know what progress is being made and if Congress through the Oversight Subcommittee can, in essence, get their feet to the fire, we would very much appreciate it.

Mrs. WATSON COLEMAN. I am going to want to know a few more things as we move forward. One of the things that I want to know right now is you said something about the vetting of contractors.

If one element, one component vets a contractor, why isn't that vetting appropriate for the other components that would use the same contractor? My question is: Is that part of the Unity of Effort?

Ms. DUKE. It is part of the Unity of Effort. I know it has got the attention of DHS leadership. I strongly think that is one that can very much help. It has to do with clearance versus suitability. Each component has its own suitability process. They recognize the clearance. That is something that DHS can work within itself.

Mrs. WATSON COLEMAN. I yield back. Thank you.

Mr. PERRY. The Chair thanks the gentlelady. The Chair now recognizes the gentleman, Mr. Duncan, for questions.

Mr. DUNCAN. I thank the Chairman. Thanks for continuing the work we started in the last Congress on this effort. It is important that the agency really start adopting the best management practices and best practices in general of the private sector. They work in the private sector because they work in the private sector.

One year ago, the Department of Homeland Security embarked on Secretary Jeh Johnson's Unity of Effort which we have heard about today. Something that I support. I mean, I think it is the right, I supported it then, I support it now, I think the right, at least, mindset of trying to bring this massive new Government agency that is still in its infancy in a lot of ways, relatively speaking, into a One DHS which I think Janet Napolitano started but with the right mindset.

But it just can't seem to grab a foothold and actually take off. The best-laid plans, and I think this is, I say it to Secretary Johnson, I think it is the right mindset for managing the agency that, look, we are One DHS, we are not 22 separate components, we have got to start acting as One DHS, we have got to start working together.

It comes to similar contracts, similar approaches to outsourcing operations, and with the vendors. So I will say this, in April 2015, the Center for Strategic and International Studies' publication listed cultural resistance as one of three overarching challenges to the Unity of Effort initiative. This document stated there appears to be strong cultural resistance to approaching homeland security in a cohesive, unified fashion across the Department's components and office.

I have been here 4½ years. We have heard that over and over and over. I was on the OME subcommittee before I chaired it in the last Congress. I am back on it again. This is a continual theme. You would think after 14 years since this agency has been stood up or 12 years, whatever it is, that we still wouldn't be having these challenges of the individual components still holding onto their identity.

Because the Nation suffers, National security suffers when we don't have that. I will ask Mr. Totonis, how would you recommend the Department resolve the remaining cultural issues with the consolidation of the 22 preexisting component agencies? I mean how do we get to that One DHS mindset?

Mr. TONONIS. Well, to stay on that point, from a public—as a CEO of a company, if I faced the same set of issues, the way I would approach it, if my board and my shareholders said the Unity of Effort is the thing we need to execute, my responsibility would be to execute it. So that means I would communicate my goals and objectives throughout the organization so everybody in the organization understands that this is the issue.

If we did not make progress, I would make the changes in my executive managers, as well as my mid-level managers, and bring in the people that understand that this is mission No. 1.

Mr. DUNCAN. Let me just interject this, because we see a lot of corporate takeovers but we see a lot of mergers. I think this was both. This was a corporate takeover in the fact that the committee in Congress, Congress in general said we are going to bring all these agencies together into one big DHS because we felt like at that time it was the right thing for the Nation to have everyone talking to each other, to have them working on the same page for the same goal and that is the safety and security of the Nation. So that was a corporate takeover.

But in a lot of ways it was also a merger because, by golly, we are all Americans and we are all part of the American Government that all have the same goal of securing the country. So it is really a blend of corporate takeover and merger. It happens every day in the world. Has DHS talked with the companies that have been very successful in mergers and takeovers to find out how do you bring these two, before the merger, separate identities together to start riding for the brand, the new brand?

Mr. TONONIS. One other challenge, is that, if I think about corporate mergers, in corporate mergers, you would never merge organizations that are very different. One of the questions that I have in my mind in bringing in the 22 different agencies is there is so much diversity that it is hard to merge those entities together.

Mr. DUNCAN. I don't disagree with you there. I mean, American Airlines and US Air were both airlines, right?

Mr. TOTONIS. Right.

Mr. DUNCAN. It is just a matter of which cup you are going to use, and which fuel you are going to use and which vendor, I get some of that.

Mr. TOTONIS. Exactly.

Mr. DUNCAN. But the ultimate goal is the same for everybody that merged into this, right, is the safety and security of the company. You don't think so? Mr. Pearl, I will let you jump in. If you don't think the safety and security of our Nation is the same goal between 22 components, then we need to have a talk.

Mr. PEARL. No. No. That is an overarching goal. But when you have the different cultures of what your responsibility are, you have groups that are law enforcement organizations, you have emergency management groups there, you have different motivations for getting to that goal. Not every merger, Time-Warner and AOL, even they may be in, "communication," is going to work out. The question becomes how do you get to a joint common operating platform with the right people? That is something that Elaine Duke and her predecessors and successors through the management tried to do and continues to work on.

But there are so many exigencies, there are so many, in essence, pushes and challenges that sometimes you stay in your swim lane and you do what you have to do and it is very difficult in the beltway of Washington to get there. We see it, however, we see it going on on ground in Nogales, in Otay Mesa, in the Pacific Northwest, in Miami, in the Keys, we see this kind of coordination of all of the agencies and components working together? That doesn't always translate to the policy people.

Mr. DUNCAN. I agree with what you are saying. Mr. Chairman, I would end with this, I know I am over my time. But when you see those mergers like AOL and Time-Warner, whoever, what you also see is strong leadership that sets a vision for that merger and the ability of those less than senior management officials and senior management to actually fire people that aren't willing to ride for the brand, that are creating some of that friction.

That is the problem with Government is it is not easy enough to let people go that don't have the right mindset, that are not doing the job. It is not just DHS, this is across the State Department, all the other Government agencies. We don't have the ability to fire people that need to be fired, right? So, Mr. Chairman, I yield back. I thank you for the leniency.

Mr. PERRY. The Chair thanks the gentleman from South Carolina. The Chair now recognizes the gentlelady from California, Ms. Torres.

Mrs. TORRES. Thank you, Mr. Chairman. Good morning to the three witnesses. Thank you for being here.

I want to go back to the statements of employee morale because I specifically think that it is extremely important to ensure that the people that are in charge of our security, you know, are working under conditions that, No. 1, they are receiving the proper training they need for their specific job function. No. 2, their task is not simply to come here and report to committee after committee after committee.

What has been the response, you know, from our committees of jurisdiction, what has been the outcome of number of hours that you have had to come here, prepare, and present report after report? Have you seen anything come out of, from us, I mean, what is our, what would be our grade level I would say, how would you grade?

I know that I am putting you in a very difficult position. But oversight is very important. But when you have to report to, you know, 20-some committees, it takes a toll on employees. It takes a toll on you and your work.

Ms. DUKE. I would say that it was challenging. It is very time-consuming. It is much easier to prepare for a hearing when you are not going through the clearance process. I would say two things that the Oversight Committee could do to help DHS in its path that I believe is going in the right direction.

One is recognize the positive. I do think that some of the, as they are called, bureaucrats, which to me is a positive thing, they are serving their country as civil servants, have been beaten down in a lot of ways. When good does happen, whether it is jointness, whether it is service, for the committee and the DHS leadership to recognize that.

Mrs. TORRES. Can I interrupt you for 1 minute? With that statement, I want you to address the OPM's 2014 Federal Employee Viewpoint Survey that ranked—37 of our agencies had the lowest morale ranking.

Ms. DUKE. Right. I think it is three-fold. One is the DHS mission isn't loved by everyone. It has the public interface that my fellow witnesses talked about. The work is difficult. There are a lot of American citizens that don't value the work.

I think, second, it is a 24/7 operation that is very tiring. But most people, most of the civil servants that work in DHS are passionate about serving their country. That is what we have to build on. I think communication is key from the Secretary on down and recognizing the positive. As we just heard, dealing with the negative, dealing with people that don't perform is very important.

But I think that recognizing, to try to offset some of the negative of the mission of DHS would be hugely positive in going forward. I think this committee, and I think working in a bipartisan manner, as this committee does often, really helps. I think that hearings, it is very difficult to actually move forward. They are necessary but they don't really solve the problems.

I think that this leadership is very willing to talk to the committees. I found when I was a civil servant that when I could meet with the staff or Members and really talk through issues, that really was useful in moving things forward. So I think the transparency of this leadership could really help the committee in partnering with the Department and moving some key things forward.

Mrs. TORRES. What steps can DHS HQ and its components undertake to ensure that its IT personnel is properly trained and is ready to support the Department's new IT broker model?

Ms. DUKE. I think that, No. 1, taking advantage of some of the hiring flexibilities. It needs to have an existing workforce that

knows DHS. It needs to bring in some of the cutting edge for both cyber and IT operations.

Mrs. TORRES. Because we have two models, right, the old legacy and the new, that we have to incorporate people that have only been trained under this model?

Ms. DUKE. Right. Right. I think that the blended workforce, the old and the new, brings the best of both. Understanding the specific nuances of operating an IT system in a Federal sector with bringing in the new best practices for cyber protection for agile-type deployment of IT upgrades, those type of things can partner together.

Mrs. TORRES. Thank you, Mr. Chairman. I yield back.

Mr. PERRY. The Chair thanks the gentlelady. The Chair now recognizes his good friend from Florida, Mr. Clawson.

Mr. CLAWSON. Thank you. Thank you for coming today.

So I have been coming for about a year. Let me give you a bit of a summary of what I hear because bits and pieces of what you all say we hear on the committees and subcommittees. There is a morale issue, too many meetings and reviews like this, the mission is not totally understood, financial data is generally unavailable, unaudited, no audited financial data, no operational data that I know of, but we need more money and more capital. What planet am I living on? I am accustomed to a minimum amount of data, not qualitative opinions.

I don't doubt what you all are saying at all. But I am now at a year with no operational metrics, none. I am told that I need to vote for more money and that is the way to keep the country safe. Does that seem fair? Does that seem fair? Is that fair to the taxpayer? We won't give you any data. You make us come in here too much. If you don't give us the money, the country is not safe.

The Secretary, Mr. Johnson, I have asked for the same thing, just a little bit of data. So it feels that the complaints about morale, lack of money, too many reviews, with no data for us at all from the Department feels like a diversion and unfair.

I don't mean to be partisan at all. I would love to know what they are doing. What is the return on investment for the taxpayer who is putting the money in the bucket? We want to talk about morale, let's talk about morale for the taxpayer. How are we doing with the money? It may be great. But how do I know if all I get is opinions?

You used to work there. Mr. Pearl, you are very experienced. I have been here a year now. I would love to see some operational data. You said it is too decentralized. Well, give me what you got. I don't want to make this a lecture. I feel like I am wasting my time too. You feel like you're wasting your time. I get to come to these meetings and get no data.

I am in some alternative universe of billions of dollars being spent and no data to protect the people giving us money. Then we are going to talk about morale, not having enough. I say morale is based on performance. That is a big input. If we have no performance data, how do I know? How do I know? So what do we do? You give me advice. What do we do at this level to get some level of operational data so we know how people are doing?

I like the whole idea of unified vision, unified purpose, a bit of unified data so I can tell how the progress is going, versus metrics, would be helpful. I just get so tired of coming down here and never getting any hard data, not even audited financial statements.

I'm sorry I went on so long. You all are no longer with the agency. How do we get just a little bit of operational data so we know how things really are as opposed to opinions and qualitative stuff? Mr. Pearl? Ms. Duke? I'm sorry I am emotional about it but it just feels, we are just getting the same rut over and over.

Mr. PEARL. Mr. Clawson, let me just try to take a stab at this in a small way. No. 1, there was nothing in my written testimony, other than just we need to look at the question of tamping down the budget and what that brings to strategy, with whatever the dollars are. We did not ask for any more money. I am not in a position I don't—

Mr. CLAWSON. I am not implying that you did.

Mr. PEARL. No. No. I understand.

Mr. CLAWSON. You understand, I get asked for money, and I get no data back when I ask how we are doing. That is a weird world.

Mr. PEARL. I get the same response from my children. You know, what are you going to use it for? I don't mean to say that facetiously.

I think the question is when we look at the work of this subcommittee and the topic of this particular hearing, what we are trying to address are issues separate and apart from where the dollars are or how much dollars there are going to be. The efforts on what the Secretary is trying to do and his predecessors are trying to do is within these various cultures that are different and diffuse and all over the place, how can we begin the process of bringing a horizontal to these—some people call them silos, some others call them cylinders of excellence, to these components that exist? If we can begin to do that within the budget framework that exists, I think you will get there.

A year ago December, you know, in talking with Elaine Duke's successor, Under Secretary Rafael Borrás, there was a clean audit that came through for the first time since the Department—that did come through, and I urge you to look at those, that as part of a first step. It is not—doesn't answer every one of your questions.

In short, what this oversight subcommittee can do, what industry organizations like ours are trying to do is work with the Department to identify the things that are working; ask for, as Ms. Duke said, the positives that are working and various components, and let us try to, in essence, replicate that across the entire enterprise. If we can begin to do that, then you will get the answers—

Mr. CLAWSON. But how do we know what is working if we have no data?

Mr. PEARL. Well, I—

Ms. DUKE. I think, Mr. Clawson, that I would separate employee morale and budget. I do think you need data, I absolutely think that, and I think it is important both for DHS and the oversight committees to operate on data.

Hopefully the left-hand side of Unity of Effort can identify that, by identifying what mission sets they have, by identifying the capability gaps and actually being able to come through the appropria-

tions process and show what they are performing and what they need in terms of delivering the gaps in that mission set. So that is imperative.

I don't think that is relevant on the morale issue, because most civil servants don't—they come to it for the value of the mission. I think that, especially at the junior grade, it is not a budget issue; it is an issue of feeling that the work they do is important and valued, and then the communication comes down. So I think they are both important issues.

Mr. CLAWSON. I agree morale is important, of course, I do. But I think in any organization, a scoreboard to see how you are doing might have some sort of impact on morale either up or down.

Mr. TONIS. Mr. Clawson, I think your request of getting the data is an important one. I am not part of the Government. I am much in the public sector. What I don't understand is why don't you have the data? The data exists. The only—my perspective is, as a CEO, if my board said, get me the data, they would have the data in the next 24 hours.

Mr. CLAWSON. I spent 12 years as an international CEO. I am appalled by how little data I get as a board member. I can't criticize or compliment management if I don't know anything, and I don't know anything.

Ms. Duke, I don't dispute that there is a morale problem, but if I don't know anything, how is my opinion valid?

Mr. TONIS. So why is DHS not giving you the data?

Mr. CLAWSON. Sorry. I yield back. Sorry.

Mr. TONIS. So why is DHS not giving you the data?

Mr. PERRY. I think it is a great discussion, but in the interest of time and other Members, maybe there could be a conversation between Mr. Clawson and yourself personally and your staff to the gentleman from Florida, because if the data is available, it sure seems like we should have that. There is a genuine frustration without having it to determine where we are. So I think it is a point well made and worthy of follow-up.

That having been said, the Chair thanks the gentleman, and recognizes the gentleman from Georgia, Mr. Loudermilk.

Mr. LOUDERMILK. Thank you, Mr. Chairman. I want to pick up on the morale issue. I have seen, in most organizations that I have been in, I was in the military, I worked in an environment that was a very mission-critical environment. In intelligence, you were in a position where you didn't get a lot of public accolades, because of a lot of what you did never happened. I expect the same thing in the Department of Homeland Security. Much of what we avoid never gets out to the public.

But as was mentioned, morale, from what I have seen, is based on commitment to the mission, having the tools to complete the mission, and self-gratification that you are doing something for the Nation.

I have also seen that in most efficiently-run organizations, there is high morale, and it is the "boots on the ground" that have the best ideas and solutions to make the organization more efficient because of their commitment to the mission.

So I am greatly concerned that the concern that you guys are having and that I am having of how low the morale is in the De-

partment of Homeland Security. In fact, there was a study, 2014 Partnership for Public Service Best Places to Work rankings, and DHS was last. Especially with a critical mission of National security, I would expect it to be not dead last, but near the top. Because, again, the motivation factor and the morale is a lot driven by the mission that you have.

I have also experienced that when there is low morale, it is a management issue. A lot of times, it is politics that are overriding the mission. A lot of times it is management seeking promotion of themselves, not promoting the mission to the people. I have been to the border, and I have seen the frustration of Border Patrol of accomplishing their mission of stopping people from coming across the border just to have them released back into society. They are risking their life to do a mission, but they can't accomplish the mission because of politics.

Can any of you give us an idea? Am I on track? Is the morale as bad as we are anticipating? What is the problem so we can, hopefully, together come up with a solution?

Mr. PEARL. If I can, and I am sure there will be multiple opinions, just briefly. What goes on within the beltway of Washington by the people who are involved in policy and program is sometimes disconnected from the boots on the ground.

So for that reason, about 5 or 6 years ago, we began to take our senior executives out to those folks that are working the land borders and sea borders and airports across the entire plain. What we found is, morale is extremely high. The people that are doing the work, no matter what rubber band or gun is sent from Washington, they are going to make it work, and they are extremely tied to the mission. That is at least part of what we saw, the people that are doing the work that we have asked them to do.

There is no question that this is not really a morale issue, certainly, that I talked about today. It was really about how do we train people to feel that they are getting the skill sets that they need in order to do their job. That is what—if there is any “complaint” that we have heard from people who are doing acquisition work, who are doing program work across the board is that they want to get trained; they want to raise their level of skill set because they entered this field in the first place for altruistic reasons, and that remains. They really do want to serve the country in no way different than the person who puts on a uniform.

So from that standpoint, our perception is that I think it is a little bit further to the right, you know, to the center of a better-run agency when the people on the ground feel that way and you have things like what Secretary Johnson has put forward and his leadership has put forward, which is a structure by which they can work within that. Mr. Totonis talked about, now the question is, how do you implement that?

I talked about, how do you bridge the gap between aspirations and actual operation? That is what industry is working with Government about. We are working very closely with them. We just launched what we call a 2020 vision project that is going to look at what the state of Homeland Security is, not just now but in the year 2020. We have to look ahead to see what that Department is

going to look like. We are all in it together, the Congress, the Department, and industry.

Mr. LOUDERMILK. Ms. Duke, could you respond to that question as well?

Ms. DUKE. Yes. My personal experience is part of the morale is feeling disenfranchised. They do have pride in their work, but my experience is it is more politicized in DHS. More issues—and I did work in DOD also. More issues that you wouldn't think would be political, are political.

So the role of the—especially, the senior executives, the supervisors, it is hard to connect in terms of them feeling part of the mission, because a lot of the mission set and a lot of the decisions are made politically and not by—as much by the senior civil servants as was my experience in DOD.

Mr. LOUDERMILK. Okay. I would like to continue this on, Mr. Chairman, but in respect of the time, I see that my time has expired, so I yield back.

Mr. PERRY. The Chair thanks the gentleman. With your indulgence, I think we will try for a second round, if you are interested in sticking around, and of course if the witnesses are, at least up until the time of votes if that occurs.

I would like to start another line of questioning with Ms. Duke. You mentioned in your statement something I found a little bit intriguing. I don't mean to be naive about the situation, but Presidential transition, can you give us specifics of what you were thinking and what we can expect and what the potential pitfalls are and what the trepidation, apparently, is in regard to this?

Ms. DUKE. Well, the person in DHS charged with leading the Presidential transition is the under secretary for management. So I did it for President Obama. DHS has about 200 political appointees, which you lose.

Also, during transition, if the future is like the past, there is a heightened sense of terrorist potential insecurity. So DHS employees have a daily role. They have to sit at their desk and do their role. But during transition are they ready for the heightened state of security and the possibility of an act of terrorism while they are missing 200 of their most senior leaders.

We will probably start losing the political appointees in August, September of next year, so you have really a 6-month period there. So is everybody ready and prepared from an operational standpoint to perform and to carry the Department administratively through that time?

Mr. PERRY. So employees in anticipation, your senior management starts departing; they don't wait until the last minute—

Ms. DUKE. Correct.

Mr. PERRY [continuing]. Which is understandable completely. Those who are left in the agency that have been doing the nuts and bolts work, the not at-will employees, so to speak, they are non-political employees, are left holding the bag.

What is you—do you have a recommended solution set, or is it just the reality of, you know, do we just accept it and try to make the best of it?

Ms. DUKE. My recommended solution is that Under Secretary Deyo prepares as the leader of transition, but has a career team

in, because he will be submitting his resignation, and whether the new President accepts it or not, but just in case he does, that you have a career team.

Putting them together and exercising them right now, making sure they know each other, making sure they know their roles, you know, some of the basics, reach each other on an operational status.

Mr. PERRY. So that is your proposed solution set. Is that occurring?

Ms. DUKE. I believe it is. Also having succession planning in place. But, yes, I believe they are starting now.

Mr. PERRY. I mean, is that something that we should ask, particularly, as an oversight body, or do we make the presumption? You know, again, we don't want to unnecessarily drag people in for a hearing, but quite honestly, from my perspective, sending a letter, I won't say we—we do get a response. We get responses that are often, I hate to say it, untimely. Even more to the point, they are political, and they don't really answer the question, which is why we are compelled to drag people in, because we feel like that if we are face-to-face, we can finally you know, pin somebody down, and say, come on, quit playing words to hide the ball here, give me the answer.

So is this an innocuous enough question, I guess, to believe that if we make the request, we will get an honest answer and in a timely fashion?

Ms. DUKE. My interaction with Under Secretary Deyo is that you would, and that he could tell you who he is naming as his career lead, and that they would be willing to talk to you. I believe it is worth a try.

Mr. PERRY. All right. Thank you for that.

Let me see. I just got so focused on the answer to that, that I didn't think about all my other notes here.

Let me tell you what, in the interest of time, I am going to turn to the gentlelady, if you are interested and prepared.

Mrs. WATSON COLEMAN. Thank you very much.

Mr. PERRY. Yes, Ma'am.

Mrs. WATSON COLEMAN. First of all, every department in Federal Government experiences a transition. But for some reason, it has a harsher impact in this Department, because this Department has not really jelled yet with all of its various components. Is that accurate? Plus its mission.

Ms. DUKE. Right. I think partly because its mission is diverse and most of the operational instance have been natural disasters, not acts of terrorism, which has a little bit different operational response. I think some of the—the geographic dispersion of especially the senior leaders, they don't have that daily contact that you have in the Pentagon where you kind of run into each other.

Being all over the—not having an operational center that they meet in regularly. Even natural disasters are handled from different operation centers. FEMA has its own, because we don't have the vision of the St. E's Op Center that we had. So I think that that makes them not prepared. There aren't as many exercises in DHS that you might have in some other operational agencies. I think that is really important.

Mrs. WATSON COLEMAN. So the complex, is it St. Elizabeth, that would be the proposal to bring all these series of entities together, right? It is really important that we kind-of stay focused on that.

Mr. Loudermilk, he spoke something that I had just been thinking. It is sometimes hard to defend how efficient the Department has been in certain areas, not the natural disaster areas, but in the prevention of other areas like terrorist attacks, of that nature. It is kind-of hard to say, well, we stopped 75 da, da, da, da, da, you know. We need to keep that in mind.

So when I am listening to you all, because you all didn't come here just to talk about morale, obviously. You talked about, you know, operational efficiencies, effectiveness. That is what, I think, you were doing. I look at this huge entity, and at the top of this, you know, is this. At the top of this, there is this, and so there is connectivity there. Then you have these entities, these elements or components they call them—but there is very little of this at that level.

So are you proposing—am I making sense? Are you proposing that we don't need this sort-of horizontal interaction as much here as we do up there? If we have it up there, we are have unity of effort, unity of mission, unity of value, unity of service, unity of expectation, and the resources to implement that this will kind-of happen?

Ms. DUKE. From my perspective, I was suggesting that you have to drive change through leadership. So leadership has to drive the change. I think at the lowest level, it is imperative that we have that. I think some of the facilities consolidations that are happening in certain geographic areas will hopefully help that. Because then you start with the overhead and then can get to the mission. But I think it has to be both sides.

Mrs. WATSON COLEMAN. So you know, we talk a lot about morale issues and how important they are. Then you mentioned something about the morale issues, sort of in the higher level, more highly-paid employees of the Department. I am thinking of the people on the border. I am thinking of people at the airport. Like, no one likes them. So by the time I get through security, I am like, oh, God do I have to take another thing off, you know.

So for me, it is really important that the Department not only deals with the morale issues at the sort-of leadership level, which they are paid well enough to be self-motivated and have high morale, but also we need to figure out a way to reward, acknowledge, and appreciate those that really have boots on the ground.

Mr. PEARL. I would just say, I will repeat, in terms of the visits that we have been trying to take to get out of Washington to see what is going on, we have been surprised, impressed—

Mrs. WATSON COLEMAN. Yes.

Mr. PEARL [continuing]. By the foot soldiers on ground and what they are doing. To see the OFO, the blues and the greens, at the Border Patrol working closely together in Nogales, in Detroit, in the Southwest. We see those. They are forced to work together. They are sharing the same footprint. They are not like in Washington, 70—I think it is 70 officers spread over 50 locations with regard to the Department inside the Beltway, inside of Washington. They are getting along.

We have met with task forces; we have met with fusion centers. We are seeing it with State and local, with Federal. When we go to Seattle next month, we are having a joint meeting with all of the DHS folks in the Pacific Northwest to find out where the level of coordination and cooperation is going, to find out a little bit more about where the morale issues are.

But it really is, from my standpoint, about the morale. You are in a job at TSA, you are going to be yelled at by the passenger. The question is: Are you receiving support from the people that are your supervisors?

Mrs. WATSON COLEMAN. Right. Exactly.

Mr. PEARL. That is what training does; that is what the private sector, as Mr. Totonis talked about, that is what we want to see more of. Within the acquisition space, the Homeland Security Acquisition Institute has done incredible work to try to get the program managers and the contracting officers on the same page with respect to the training. We need that across enterprise-wide to all the components.

Mrs. WATSON COLEMAN. So I think that—yeah. I think that this notion of appreciating down to this level, and then appreciating down to the boots-on-the-ground level, and to stop saying that this Department has the worst morale, that this is the worst place in the world to work, you know, but to start talking about the important work that it does and how we are so grateful to be safe in this country because of this Department, will help us sort-of transition out of the negative into the positive.

Thank you, Mr. Chairman.

Mr. PERRY. The Chair thanks the gentlelady. The Chair now recognizes the gentleman from Georgia, Mr. Loudermilk.

Mr. LOUDERMILK. Thank you, Mr. Chairman.

I have another line of question, but I still want to pick up where we left off. Ms. Duke, I think you were getting into the area, I am sensing that there is maybe a bit of disagreement from Mr. Pearl and your perspective. Because I saw a different perspective when I went to the border.

Now I don't know if—you talked to some of the folks who are, "boots on the ground." But real quickly, when you went, did you go with supervisors with you, or did you go pull these folks aside and talk to them one-on-one without upper level management directing you and—because when I went to the border recently, I pulled these folks aside. Yeah, there is good cooperation. They believe in the mission, but they are frustrated with the politics that prohibits them from completing their mission.

I mean, you can see it if you go to almost any airport with the TSA, customer services are reflected by the morale within that organization, and I can tell you, especially at this airport, the customer service that I see out of there is pretty pitiful and the morale seems to be in the tank.

So I think there is a disconnect here somehow, because, yeah, when we would go to the border, and you have got upper level or mid-level management that is directing you, you get a different story from the folks than if you pull them off one-on-one and talk to them. That is my concern, for some reason there is a report coming out saying that DHS is the worst place to work. That is what

I am trying to get at. I am not saying that you are not being forthright with us, because I think you are. I think we are seeing a different picture.

Mr. PEARL. I am trying to paint a picture maybe in response that it is not as bad as it appears.

Mr. LOUDERMILK. Okay.

Mr. PEARL. But I will tell you, and I don't want to bleed into the money, okay, but when we went to Los Angeles International Airport, when we talked to the folks from TSA both without their supervisors and with their FSDs, with the field office supervisor, No. 1, there was one common theme.

First of all, you have a number of part-time employees who are TSA inspectors. When money comes in to the TSA at an airport, it is spent on the whistles and the bells, the X-ray machines, and all of the baggage stuff that they have to look at. They showed us how these multiple employees at TSA have to fill their shift bids for the next quarter on legal sheets of paper like you and I did when we were in college, that they have to fill it out on a piece of paper, then it is kind-of coordinated, and then they get to pick their time, their terminal, et cetera.

They are using computers that were IBM computers, not Lenovo Thinkpads that are not necessarily network-connected. Because when the money does come in, the money that they are going to use, they know they have to put it towards safety and security, not internal operations. That is just one little example. They are very aware of that here in Washington. They are very aware of that exigency. But where do you place your dollars that you get?

So will morale be bad when you are sitting around for an hour-and-a-half waiting to bid on your shift, when United Airlines flight attendant in the air has a mobile app that can get her his bid for the next 3 months on every flight that they want to take while they are in the air? Does that kind-of—is there a disconnect there? That is one example, sir. That is one little example of the kinds of morale, efficiencies, coordination system-wide that is not necessarily being addressed.

Mr. LOUDERMILK. Ms. Duke, could you respond?

Ms. DUKE. One thing I think that DHS can do to address some this internally on a more tactical level, is as compared to DOD, it hired technicians in its rapid growth and didn't focus a lot on, as much, as my experience in DOD, on leadership and supervision, leadership from the higher level, how do we keep employees motivated; how do we deal with some of these skills? But supervision, how do you deal with performance in the Federal space effectively, because you can, it is just maybe harder?

So I think DHS is trying to, in its workforce management now, make sure that supervisors both supervise and lead. I think that is something that can be done internally, and I think that they are looking at now that would be helpful.

Mr. LOUDERMILK. Mr. Totonis, would you like to weigh in?

Mr. TOTONIS. No. You know, as a private citizen, you know, when I go through TSA, I experience such things as you, sir. The challenges identified is how do we, on the leadership side, communicate and make everyone within that organization feel proud that they are keeping this Nation safe and not doing scanning or screening,

right? So what is the bigger purpose for the mission, and that has to come from the top.

Mr. LOUDERMILK. Okay. Again, Mr. Pearl, I wasn't trying to discredit your testimony at all. I was just trying to get what perceived to be a different outcome, and I appreciate it. Mr. Chairman, I would yield back.

Mr. PERRY. The Chair thanks the gentleman. The Chair recognizes the gentlelady from California, Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman.

Continuing on in this conversation, we are facing yet another Government shutdown.

When it comes to the security of our Nation, specifically at airports, I know from being a first responder, that certain positions are exempt. As a former 9-1-1 dispatcher, my position was never exempted. How do folks—how do they think that first responders, for one, would be able to respond to an emergency if there wasn't someone there answering the phone? I don't get it.

But let's talk about those nonexempt positions, the person that is in charge of having to write all of those legal documents and forms, whose work is piled up or who has to come in to work thinking about how are they going to make their mortgage? How do we address that morale from the perspective that that is an issue that we are creating here, and it is outside of any management skill or unskilled performance level that we can, you know, point a finger to except ourselves?

Ms. DUKE. I do agree with you, and, you know, you can take a Civil Service career path, and a lot of people that take the career path are like, because they like the mission; they like the security as opposed, to say, maybe a contractor support. So I do think it affects our ability to draw the best people into Federal Government, because as a young person is considering their career, that would go into the "con" column of public service.

Mrs. TORRES. Bank of America doesn't take an IOU, we know that. So you know, having to face that month after month, you know, with what we are creating here as Members of Congress, the problems that we are creating for these folks—

Ms. DUKE. I think also it does. It adds to the stress. It adds to the feeling of not being valued, because if you think you cannot do your job for weeks—it also, for those that are nonexempt, it hurts so far, and I think it is the right thing, we have ended up paying—backpaying the people. But they still have the stress, because they don't know if that is true.

But also then you have the haves and have-nots, the ones that got paid for staying at home, and the ones that had to go to work despite anything, and that is a real challenge in terms of morale, too, balancing that.

Mrs. TORRES. Balancing that.

I would like to ask another question regarding the small business community and our level of outreach.

What can you suggest? Where are the areas where we can improve to ensure that our departments are doing, you know, a better job at reaching out to small business? What I am hearing from, you know, the very, very small businesses that I represent in my district, is that they have to go through all of these certification proc-

esses only to find out that once the RFP has been issued, they didn't get it because maybe they spent a quarter of a million dollars certifying, you know, their components to meet certain qualifications. But the person who received, or the contractor that received that contract did not have to go through that. Oftentimes, they are someone that is not even in country.

Ms. DUKE. I would say, one is training. I know that DHS will go out throughout the country and help small businesses understand the system. I think that is really important, to understand the qualification process. They partner with Small Business Administration, and I think that is really important.

I think the second thing is communicating. Unfortunately, you can't even hear the communications unless you know the system. So I think that workshops, the seminars with the departments and Small Business Administration throughout the country, not just in the District of Columbia, are imperative to solve that problem, ma'am.

Mr. PEARL. But let me give another perspective, if I may. The private sector has a role in that as well. There is no question that the Department—when I talked to the folks at the management directorate, we hit our “small business goals,” but that doesn't necessarily go to the issue of capabilities. You picked a small business that may have been the squeaky wheel, but that doesn't necessarily go to the capability of the problem you are trying to solve, particularly at the Department of Homeland Security.

There are mentoring programs by many of the large businesses who bring in and identify small businesses, and they will work with them to get through the necessary clearance processes.

Mrs. TORRES. Who knows about these mentoring programs?

Mr. PEARL. The small businesses who—if you want to align yourself and you see that you have a capability set that aligns with an IBM or a Lockheed Martin, or a Booz Allen Hamilton, you know, the question is, you can identify them. It takes just—it is a little Google research, who is in that field?

So the private sector has a role. The incentive that in essence that the Government can give to the private sector is is that when they do bring in these small businesses, and you get three or four small businesses to be part of a teaming process, versus giving one small business one contract, you can, in essence, leverage that to the betterment of more small businesses. Because when your contract is involved in south California or northern Maine, you can, in essence, find the small businesses that are already there and not have to move people.

So how this Congress, how the Government can incentivize the big businesses, to in essence utilize small business capabilities is something that I would like to see, we would all like to see Congress and the Government to explore more. It is a bigger question than just DHS. But in point of fact, small businesses could benefit by the private sector, the large business involvement with them.

Mrs. TORRES. Thank you. Mr. Chairman, I yield back.

Mr. PERRY. The Chair thanks the gentlelady. I finally found my notes. Mr. Pearl, what you mentioned was examining incentives, which I think you just kind of fleshed out there a little bit. So it didn't answer all the questions, but just a couple of things.

First of all, thank you very much, my colleagues, for taking the time and interest in, and for you for taking your time to come in and testify. We certainly very much do appreciate it.

We would hope that you would continue the conversation. As many, you know, of course, we have got a lot of big issues on the plate, and oftentimes in Congress your hair is on fire, it seems like 24 hours a day, metaphorically, at least. So we would like you to continue to provide the feedback in the form of maybe—from my standpoint anyhow, you know, this is the challenge. This is our proposed solution set, and then a follow-up meeting.

Because we would like to try to actualize on some of this stuff as opposed to just continue to have the circular conversation about it. I really mean that, even if the context that it is difficult.

You know, I think that, too oftentimes, and maybe particularly in this case, that the agency is mischaracterized; that employees/bureaucrats is pejorative. It is not meant to be. We understand and recognize and acknowledge that these employees from the bottom to the top, have taken a mission of civil service of protecting their country and being on a mission, and that is really important.

So this isn't meant at all to disparage. We are trying to make things better, quite honestly. I think the questions regarding morale reflect that.

I will tell you from my perspective, having run my own organization and served in the military for over 30 years, anywhere from the rank of private to colonel, that leadership starts at the top, and it makes an incredible difference. Quite honestly, in kind of working and agreeing with the Ranking Member, you know, their morale is self—they are self-motivated. They get paid well. They have the trappings of the position, and the expectations appropriately so, on our part, are high, and they should be.

You know, we are the stewards of the taxpayer's money, and this committee, in particular, it is our job to provide that oversight and ask those tough questions and be demanding, and so we will be. It is not meant to be personal, but it is appropriate for our mission.

So I guess with that—you know, just one other comment on the shutdown prospect. I understand the point that is being made, but I will tell you, having worked in the private sector and talking to people every single day, dealing with my wife, who works in a very large business in human resources and watching the challenges every single day of people, businesses change, contracts change, employees, no matter who you are or where you are, there is always a specter of a lost paycheck, a lost job, having to move, what have you. The Government is not sacrosanct in that.

Maybe—I hate to say this, and I think some people may find this not palatable, but if your job application, let's say, you take this job and accept it willingly knowing that this is no different than the rest of the real world. Things happen, things change. It is imperfect. We are trying to do the best we can. You might not get a paycheck. You might be required to move. You might have the same thing that everybody else on the planet has to deal with.

Thank you very much for your service. We invite you to participate, and we want you to come. I mean, really. So maybe that is enough of that.

Let me get on with the perfunctory portion of this. The Chair thanks the witnesses for their valuable testimony and Members for their questions. The Members of the subcommittee may have some additional questions for the witnesses, and we will ask you to respond to those in writing.

Pursuant to committee Rule 7(e), the hearing record will be open for 10 days.

Without objection, the subcommittee stands adjourned.

[Whereupon, at 11:40 a.m., the subcommittee was adjourned.]

APPENDIX

QUESTION FROM CHAIRMAN SCOTT PERRY FOR MARC A. PEARL

Question. In recent years, the American public has grown increasingly dissatisfied with our Government. A February 2015 *Forbes* article stated, “. . . more people in the United States place their trust in business before the government . . . a 60 percent trust level in business as opposed to the government’s 41 percent.” This is not hard to believe considering the numerous failed programs, wasted monies, and misconduct among Federal employees. What recommendations do you have for DHS, specifically, to promote transparency, increase trust with the American public, and improve individual accountability?

Answer. DHS, as an agency, is not well-understood by the general public. Some of the negative image and distrust that the public has towards DHS comes from a lack of understanding as to its history and mission. Many in the public see DHS as a newly-created agency, one that only came into existence as a result of 9/11. Some people have the mindset that if we did not have the agency before 9/11, then we probably do not really need it now. They see DHS as bureaucratic bloat and waste that we did not have prior to 9/11. Most people fail to realize that the majority of the individual agencies and areas of responsibilities that make up DHS (e.g. immigration, customs, border security, FEMA, Secret Service, Coast Guard) have long existed in our Government, just under different names or different organizations. While many people are familiar with the Coast Guard and Secret Service, they may not know that these agencies are part of DHS.

To the extent that the public is familiar with a component of DHS, they likely have a limited and skewed understanding of what the agency actually does. Their knowledge comes from their limited exposure with the agency or to what they see and hear on television. They may see FEMA as the people who bring water during disasters or the Coast Guard as the people who patrol the waters and rescue people. They may have the impression that TSA are the people who search and delay you at the airport or that CBP agents are the people who hassle you when you come back from vacation.

To help improve transparency and increase trust, it would be helpful for DHS to develop a marketing and awareness campaign that helps educate the public on all of its mission areas. DHS has many important missions that protect and strengthen National security, the public health, and the economy but they are invisible to the average citizen. There is always National media attention on the things that DHS does wrong vs. the things it does well. DHS and the administration need to find more ways to advertise successes, highlight the bad things that DHS has stopped, and explain the benefits it provides so that the public can gain a greater appreciation for the agency.

As an example, the public hears that DHS is allowing illegal immigrants into the country, but it does not understand the economic gains associated with facilitating lawful trade and travel at our borders. It does not hear about the drugs, weapons, and contraband that are seized everyday by border agents. It does not hear about the illegal immigrants that are caught and returned to their country. It does not hear how agents at the border protect our economy from counterfeit goods or protect our agriculture from pests and diseases. DHS plays an important role in safeguarding our country, but few people know or understand its mission or achievements.

QUESTIONS FROM RANKING MEMBER BENNIE G. THOMPSON FOR MARC A. PEARL

Question 1. Mr. Pearl, you identified the Office of Biometric Identity, or OBIM as an example of an effective operation. There is discussion of moving OBIM to an operational component, specifically CBP. Do you see any risks in transferring OBIM?

Answer. Our members do not support or reject any decision to move OBIM to an operational component of DHS. However, there are considerations of risk that should be carefully thought through in advance of moving the office.

OBIM provides biometric capabilities, services, and data across the Federal enterprise as well as to some State, local, and international partners. Its Federal customers currently include or will soon include the State Department, Department of Justice, Department of Defense, the intelligence community, the Office of Personnel Management, and the many components of DHS (CBP, CIS, TSA, FEMA, USCG, ICE, NPPD, Secret Service, and Management). While CBP is currently the largest consumer of OBIM services, that is likely to change in the future as more people become reliant on biometrics for identity proofing, including industry. To fulfill its growing mission, OBIM will need to focus on developing new and improved services and business processes, technical capabilities, and models for rapid delivery of services to a wide range of customers.

If OBIM is moved to CBP or any another operational component of DHS, it will become a *consumer, manager, and broker* of the data. Therefore, legislators need to ensure that the agency does not become narrow-minded in its thinking and decision making. By placing OBIM in an operational component of DHS, there is a risk that strategy, operational, technological, and financial decisions are made within the mindset of and to the benefit of a specific component vs. other users of the system.

The office and its capabilities should be viewed as a National asset within a larger and evolving National construct on biometrics. Given its National and perhaps international significance, the agency must be able to think and act objectively beyond the interests and priorities of a single operational component. It will be critically important to ensure that the office maintains a level of autonomy and accountability separate from its "owner."

The system that OBIM uses to store and analyze the data is the Automated Biometric Identification System (IDENT). This database is part of a larger "system of systems". Its effectiveness is reliant on both an upstream and downstream of data from many partners. Developing and maintaining engagement and relationships with all stakeholders is critical to the success of OBIM and the entire biometric ecosystem. No matter where OBIM gets moved to, legislators must ensure that the office has the authority and ability to think and make decisions in a broader National context. The implications to National security cannot be understated.

Question 2. What factors prevent DHS from responding to private-sector firms, regardless of their size in terms of packaging its acquisitions and procurements in a manner which will allow companies to fairly compete for contracts?

Answer. To answer this question, it is important that the committee understands two different factors are in place. First, let me explain the factors that influence a private-sector firm's decision whether or not to bid on a Federal contract. Then you will have a better understanding of the factors at DHS that have the effect of either encouraging or discouraging companies from competing for Federal contracts.

The decision by a private-sector firm (whether large, mid-tier, or small) to compete for a Federal contract involves a careful assessment of risk. Financial investments in pursuit of opportunities are significant. On average, companies spend approximately 1–2% of the total value of a contract in the proposal phase alone. This may not sound like much, but it could cost between \$500,000–\$1 million to pursue and bid on a \$50 million opportunity. Because the costs of getting to know a prospective client, understanding the requirements, developing a technical approach, selecting a team, and preparing a proposal are so high for industry relative to the return on that investment, industry tries to make decisions on whether or not to bid as early in the acquisition life cycle as possible. That is why both the substance and timing of communication with industry is so important.

Overhead, bid and proposal costs limit dollar expenditures, and companies do not want to submit a bid if they do not think they have a good chance of winning, and can successfully provide the capabilities and/or needed solutions. They would rather devote their resources to procurements for which they can be successful. Industry does its investment planning, particularly as it relates to investments in pursuit of new business, over multiple years. Therefore, procurement forecasts play a significant role in determining their priorities. Industry tracks the status of DHS procurements and devotes substantial time and energy to learning about DHS's needs and thinking through ways to meet them. Decisions on whether to compete are often based on the level of information that can be obtained in advance about an opportunity.

As much advance and relevant information about future requirements is used to focus industry's attention. The earlier that industry has specific forecasting and procurement strategy information from Government, the more likely they are to devote their resources to the Government's needs and/or decide they should not waste their

resources. For small businesses, these issues take on even greater importance. While a small business can partner with a bigger business to perform the work, they need working capital (e.g., the ability to make payroll) to pursue multiple contracts. A small company (whether or not it “fits” into the Government definition) often cannot pursue multiple contracts at the same time because of the resources involved. They need to invest their funds in only a few opportunities and make decisions wisely. This concept of risk management is often overlooked or under-appreciated by Government officials.

Industry must have the ability to meet with the appropriate Government officials early in the process so that they can understand their requirements and assess the risk associated with bidding. Firms must be able to gain information that allows them to answer the following types of questions:

- Do we clearly understand what the Government is trying to achieve and accomplish through the contract?
- Can we do the work and succeed in execution?
- Do we have a competitive advantage?
- What is the likelihood that we can win the contract?
- Can we make a profit? (Requirements must be specific enough that industry can come up with a realistic cost estimate. This increases confidence that industry can deliver profitability at their bid price.)
- What are the business practices and history with procurements of that Government customer?
- What are the opportunity costs?
- What is the anticipated length of the process (e.g., what is the likelihood of a delay of award after proposals are submitted?)

Industry days and other engagement forums that share information with industry well in advance of Requests for Proposals (RFPs) generate interest in a greater number of companies, enabling them to make more informed and earlier decisions on whether to bid. When information is available early in the process, it gives companies an opportunity to consider technical approaches sooner, and build teams around those approaches rather than selecting teams at the last minute based on other factors.

While DHS is working hard to establish earlier and more substantive communication with industry in advance of procurements, there are several factors that prevent or discourage it from having or providing the needed communication and engagement with industry:

- Acquisition schedule and the desired speed of procurements
 - Communication with industry is often schedule-driven. The end-date of a procurement does not change for the end-user so the Government schedule is ruled by this date. This often impacts what type of communication Government will have with industry. There are sometimes concerns that additional communication with industry will create delays that the schedule does not afford.
- Fear of acquisition integrity and lack of understanding of what the Federal Acquisition Regulation (FAR) allows leads to no or poor communication.
 - Despite several mythbusting efforts, there are still acquisition staff, particularly those that are young and less experienced, that do not understand what the FAR allows. There is a lack of understanding as to the who, what, when, where, why, and how of allowable communication between Government and industry before the issuance of the RFP.
 - Procurement lawyers are also causing too much fear. There is a lot of inconsistency in the advice that procurement lawyers give to different components as to how to engage with industry.
- Internal communication and coordination of information across DHS
 - There are so many decisions and actions going on at the same time within the Government during an acquisition that it is challenging for DHS to determine how to coordinate information through the organization and push it out to industry. The result is that information is sometimes either not provided or is inconsistent.

In addition to the need for early communication and greater engagement, there are two other factors that strongly influence whether a private-sector company will decide to compete for Federal work:

1. DHS’ ability to clearly define and stick to the requirements in their procurements
 - Requirements must be clear and specific enough so that private-sector firms can come up with a realistic cost estimate and make the cost-benefit determinations that are central to determining whether they will pursue the work. Any ambiguity or change in requirements increases risk. The effect is that

industry either decides not to bid or they increase the price of their bid to offset the increased risk.

2. Impact of Delays in Awards and/or Cancellation of Solicitations

- Delays (or cancellations or withdrawals of planned acquisitions) cost contractors significant amounts of money, which means they may not have sufficient funds to bid on future activities. Contractors start preparing to bid months or sometimes years in advance of an upcoming RFP by forming teams, identifying potential staff, ensuring that especially key staff have the right certifications and experience, and sometimes making research investments to better position the team for the opportunity. When the Government delays an RFP by months, contractors must continue to spend money to keep the teaming, potential solutions, and possible staff in place. Similarly, when the Government delays issuing an award or task order after proposals are submitted, contractors must figure out how to keep staff ready and available to work once an award is made. This means that contractors either pay the salaries of existing, highly-skilled staff for extended periods of time even when the employees do not have revenue generating work to do or they incur termination expenses for the existing staff and hiring expenses for replacement staff when the award is made. In the end, the company expenses that are incurred when an opportunity is delayed or cancelled often drive up the company's G&A rate, with those costs effectively being passed on to the Government.
- Procurements that are awarded too long after the proposal is submitted present substantial risk because pricing for the bids was based on a specified award time frame. The vendor thus bears the burden of rising labor costs with diminished margins in supporting the program.
- Extended delays of actual awards contribute to increased financial risk because dollars dedicated in the pursuit of the opportunity are expensed in 1 fiscal year and potential earnings are extended to a later fiscal year. Companies tend to become more reluctant to bid on these programs. Spending money that does not have the potential to generate revenue for more than 2 years is a difficult move for many companies to make, especially small businesses.

Thank you, again, for the opportunity to present the collective perspective of the members of the Homeland Security & Defense Business Council in answer to your follow-up questions to the recent hearing.

The Council looks forward to continuing our long-standing relationship with the committee on the critical issues you are tackling.

QUESTIONS FROM CHAIRMAN SCOTT PERRY FOR HARRY TOTONIS

Question 1a. In your testimony, you stressed the importance of a "Shared-Services Organization" and pointed out that a key function for an organization as diverse as DHS would include "real property management." A recent Inspector General report regarding the Department's warehouse inventory stated: "Because the warehouse inventories are inaccurate, DHS cannot manage warehouses or demonstrate compliance with requirements to limit the size of real property inventories and reduce costs."

While the Department did concur with the report's recommendations, what advice would you give to DHS to better manage its inventory?

Answer. My knowledge of inventory management is limited to a CEO's perspective. Based on my experience, in order for DHS to better manage its inventory, I would examine DHS's entire sourcing approach/strategy. By optimizing the every step in the sourcing chain DHS will most likely be able to reduce costs across several areas and significantly improve inventory management. The good news is that significant progress has been made in sourcing and inventory management (including processes and technology) starting back in the '90's. Many experts exist in this area that could help DHS.

Question 1b. Why is real property management so important to an organization's effectiveness and efficiency?

Answer. I have found real property management is no longer just about square footage costs. It impacts an organization's effectiveness, efficiency, and employee morale. For example, the questions that I typically ask when I am evaluating real estate include:

- Is this property located near employee pools that can I access to meet the organization's people needs?
- Is this facility at a location where employees will find it attractive to live?

- Is the layout consistent with today's best practices? Open layout; access to technology; spaces that facilitate employee interaction, ideation, and problem solving?
- Do the facilities include technologies that allow employees to interact, exchange knowledge, drive innovation and foster collaboration?

Question 2. In recent years, the American public has grown increasingly dissatisfied with our Government. A February 2015 *Forbes* article stated: “. . . more people in the United States place their trust in business before the government . . . a 60 percent trust level in business as opposed to the government's 41 percent.” This is not hard to believe considering the numerous failed programs, wasted monies, and misconduct among Federal employees. What recommendations do you have for DHS, specifically, to promote transparency, increase trust with the American public, and improve individual accountability?

Answer. Unfortunately the *Forbes* article (February 2015) you quote appears to capture the sentiment of the American public these days. However, while one can point to failed programs, the contributions of Government over the years have been many, enormous and invaluable. I believe the perception of the American public today is been shaped by four attributes:

1. The perception that Government never has enough funds and a need exists to constantly increase taxes. Businesses improve productivity, reduce costs, and live within their means. Quality improves while prices come down. The perception of the Government is exactly the opposite. When was the last time that a Government agency significantly reduced operating costs?
2. The poor handling of key “touchpoints” or very visible activities. Examples that come quickly to mind include VA, TSA, and the Secret Service:
 - a. Reports that veterans are dying while they wait for months to receive care
 - b. TSA employees that overstep their authority
 - c. The reported exploits of Secret Service Agents.
3. Despite of the above, very few people (if any) lose their jobs.
4. Many reports that Government agencies are engaged in highly-secretive activities collecting information on American citizens, listening to conversations, etc.

To make progress on transparency, trust, and accountability I would recommend that Government become leaner, improve execution, and be more aggressive on terminating employees that don't deliver.

QUESTIONS FROM RANKING MEMBER BENNIE G. THOMPSON FOR HARRY TOTONIS

Question 1. As an executive in the private sector, what have been some of the key features of on-boarding programs that you have experience with, and what made those features important to the operation of the programs?

Answer. By “on-boarding programs”, my assumption is that the question is asking about employee on-boarding programs. In my experience, the following practices are key:

- Strong orientation programs for all new employees on company culture and definition of success
- A training program to make sure employees are confident and ready to begin their job with the first 3 to 6 months
- Mentor(s) for all incoming employees
- Access to resources to quickly address any issues that surface
- Holding mentors and managers responsible for developing new employees
- Formal reviews at 3 and 6 months and at the end of the first year
- Statistical evaluation of new employee success as input to shaping the on-boarding program.

Question 2. What are some of the performance metrics and assessment criteria that your companies have used to measure the effectiveness of on-boarding programs?

Answer. I have used the following performance metrics for evaluating the effectiveness of on-boarding programs:

- *The attrition rate for new employees.*—A strong on-boarding program should translate into lower turnover.
- *New employee productivity.*—A strong on-boarding program should translate into achieving rapid productivity.
- *Overall employee morale.*—An on-boarding process helps new and existing employees. In my companies, I make the execution of on-boarding program the responsibility not of the human resources department but of existing employees. When existing employees are responsible for the on-boarding program they tell

and retell the company “story”. They are reminded the criteria that makes the company a success and take responsibility of new employees. I measure and look at existing employee participation to on-boarding programs.

QUESTION FROM CHAIRMAN SCOTT PERRY FOR ELAINE C. DUKE

Question. In recent years, the American public has grown increasingly dissatisfied with our Government. A February 2015 *Forbes* article stated: “. . . more people in the United States place their trust in business before the Government . . . a 60 percent trust level in business as opposed to the government’s 41 percent.” This is not hard to believe considering the numerous failed programs, wasted monies, and misconduct among Federal employees. What recommendations do you have for DHS, specifically, to promote transparency, increase trust with the American public, and improve individual accountability?

Answer. DHS can promote transparency through clearly and timely communicating to the appropriate body (Congress, GAO, IG, American public) what actions they are taking to secure the homeland, and equally important why they are taking them. This communication can be done within the appropriate classification levels, including Unclassified for the American public. If the public generally understands the threat to the homeland, and how DHS’s actions are developed and changed to address those threats, most of the American public will be more understanding. This is especially important when changes in those actions affect the public. Information, done well, will not inject fear into the public, but will help them understand and adapt to the changing terrorist threat.

In terms of individual accountability, DHS must take actions related to the workforce. The necessary actions are revealed by the Employee Morale Survey, and related to accountability, include both rewarding exceptional performers and taking action against poor performers. This requires a good performance evaluation system with evaluation factors that are meaningful and directly tied to the most mission-driven aspects of the employee’s work. It also requires supervisors that are knowledgeable in employee performance management, so they can take appropriate actions. Along with that, supervisors should be rated on their management of the workforce, not just technical aptitude. Finally, DHS should continue to expand how it appropriately include all employees in its plans, priorities, and missions. DHS employees will be more accountable if they understand and are engaged in mission. That must flow down to all levels of the organization, to ensure accountability of each employee.

QUESTIONS FROM RANKING MEMBER BENNIE G. THOMPSON FOR ELAINE C. DUKE

Question 1. As the committee proceeds with its reauthorization of language for the Department, inclusive of its acquisition practices, what suggestions could you offer to DHS to become more proactive and effective in its engagement with industry?

Answer. DHS must do more to engage industry very early in the acquisition process, well before a contract is contemplated. DHS procures most of its services and products as commercial and nondevelopmental items. DHS must talk with industry early in its process, when it first is researching an unmet mission capability and determining how to best meet that capability. Industry is invaluable to helping DHS understand what is currently available, and how those products/services would have to be modified to meet DHS’s mission needs. Additionally, these early discussions help industry plan and effectively spend its IRAD dollars. The earlier and better DHS can communicate its plans and potential needs, the better and more efficiently industry can plan to meet those needs.

Question 2. Is the Department now better-positioned to implement reforms and achieve management integration given its current senior leadership and initiatives?

Answer. Yes, for two reasons. First, Secretary Johnson’s Unity of Effort memo reflects a maturation of the earlier management integration vision. It develops and integrates the original building blocks in a manner that should achieve the necessary reforms and integration if effectively executed. Second, the current senior leadership appears to have a good definition of roles and responsibilities. DHS headquarters (HQ) senior leadership is generally working on matters appropriate for HQ, and allowing component senior leadership the appropriate latitude to execute the individual missions. Additionally, the two DHS-wide leadership forums, Senior Leaders Council (SLC) and Deputies Management Action Group (DMAG), can provide the necessary focus on key issues as well as the top-down integration of the components.

Question 3. DHS’s track record of poor program execution decreases its buying power and in turn delays its ability to adhere to schedules for delivering program

outcomes timely. What are the most critical steps the Department needs to take to improve its acquisition management practices?

Answer. One critical step is proper staffing of both the contracting and program management offices—with the right number of people with the right skill sets. This number and type isn't one-size-fits-all, it depends on what the component acquires. However, DHS leadership should take steps to ensure each major program and acquisition office is appropriately staffed. Related to this is ensuring that each employee performing an acquisition role (such as program manager, contracting officer's representative, etc.) have performance evaluation factors related to that acquisition function. This includes law enforcement and military personnel currently performing acquisition roles.

Another critical step is to continue to strengthen and define the role of the DHS chief acquisition officer (CAO) and each component's chief acquisition executive (CAE). The CAE in each component is critical to that component's ability to successfully deliver acquisition programs. CAE's organizational placement, support of leadership, and authorities are not consistent within the various components. They should be given the necessary authority to match their delegated acquisition responsibility.

A third critical step is moving forward with the Joint Requirements Council (JRC) reestablished by Secretary Johnson's Unity of Effort memo. The JRC has the ability to greatly improve DHS' buying power by rationalizing requirements, appropriately standardizing, and eliminated duplicative systems, products, and systems. DHS has the JRC's established and meeting, it is critical that they deliver results. This will not be easy, as it requires active and positive participation of all components. Though not easy, it is essential.

