

# ACQUISITION OVERSIGHT: HOW EFFECTIVELY IS DHS SAFEGUARDING TAXPAYER DOLLARS?

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HEARING  
BEFORE THE  
SUBCOMMITTEE ON  
OVERSIGHT AND  
MANAGEMENT EFFICIENCY  
OF THE  
COMMITTEE ON HOMELAND SECURITY  
HOUSE OF REPRESENTATIVES  
ONE HUNDRED FOURTEENTH CONGRESS  
FIRST SESSION  
APRIL 22, 2015  
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## ACQUISITION OVERSIGHT: HOW EFFECTIVELY IS DHS SAFEGUARDING TAXPAYER DOLLARS?

Wednesday, April 22, 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 2:44 p.m., in Room 311, Cannon House Office Building, Hon. Scott Perry [Chairman of the subcommittee] presiding.

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

Mr. PERRY. Good afternoon, everybody. The Committee on Homeland Security, Subcommittee on Oversight and Management Efficiency will come to order.

The purpose of this hearing is to determine if the Department of Homeland Security, the DHS, is managing its major acquisition programs effectively.

The Chairman now recognizes himself for an opening statement.

The Department of Homeland Security, the DHS, spends billions of taxpayer dollars each year on a variety of programs intended to better secure the homeland, including systems to secure the border, screen travelers, protect cyber infrastructure, and respond to disasters, among other missions.

DHS' current major acquisition program ultimately may cost taxpayers over \$200 billion. Needless to say, strong accountability and oversight is absolutely necessary to guard against waste, fraud, and abuse.

Since its creation, DHS has had its share of acquisition failures. Customs and Border Protection's Secure Border Initiative network, SBInet, and the Coast Guard's Deepwater Program remain models of how not to manage an acquisition program. SBInet alone cost taxpayers over \$1 billion, with few results from that investment.

Since 2005, watchdogs at the Government Accountability Office have had DHS' acquisition management on its high-risk list. Despite steps taken by DHS to issue an acquisition policy that reflects program management practices and create an office focused on acquisition oversight, programs continue to put taxpayer dollars at risk.

Most importantly, acquisition mismanagement also puts our security at risk. Men and women on the front line securing our borders, protecting our airports, and defending our shores will need to

wait longer for systems that may not fully meet their operational needs. This is just simply unacceptable.

Several examples in a GAO report released today highlight systems being delivered later than promised: CBP's integrated fixed towers, over 6 years late; Coast Guard's long-range surveillance aircraft, 9 years late; and its National Security Cutter, 4 years late.

In addition, of seven programs that GAO reviewed, cost estimates increased by 40 percent over what DHS originally approved. As a result, DHS expects to spend almost \$10 billion more than they originally estimated on these programs.

GAO also found that DHS authorized programs to deploy capabilities without operational testing, including three programs managed by CBP and the Coast Guard. Having served as a combat aviator in Iraq, I am incredulous that DHS expects its personnel to use equipment that hasn't been field-tested, not to mention the fact that I am sure we paid for testing. In other instances, testing may have been done after key decisions were made.

The bottom line is testing isn't about checking the box. It is about ensuring that tools we give to front-line operators actually work.

DHS must, simply must, do better oversight of its acquisition programs. A GAO report issued last month showed that DHS has an ad hoc approach for some of its oversight efforts because of a lack of written roles and responsibilities. DHS also has done a poor job over the years of holding programs accountable to its acquisition policy. As DHS Inspector General John Roth noted in our first hearing this Congress, "There aren't really any consequences for that disobedience."

Exactly 1 year ago today, Secretary Johnson announced his Unity of Effort initiative to improve the execution of DHS missions. Although DHS has created several new mechanisms to discuss key decisions, it remains to be seen if these efforts are leading to improved outcomes and better safeguarding of taxpayer dollars.

Improving acquisition outcomes at DHS remains a priority for this committee. Last Congress, the House passed the first-ever bill that comprehensively reforms the DHS acquisition process. The bill empowered senior DHS officials to hold programs accountable, establish strong accountability for programs with significant cost and schedule growth, and required an effective strategy to inform DHS major purchases. This legislation was praised by numerous stakeholders, including the comptroller general, DHS inspector general, Secretary Johnson, and industry groups.

As the committee re-engages acquisition legislation this Congress, this hearing will provide areas on which to focus. I certainly look forward to examining DHS' acquisition programs and processes to better understand what must be done to fix long-standing problems. Until these problems are resolved, we can't be certain that billions that DHS spends will result in better acquisition outcomes for the taxpayer and front-line operators.

[The statement of Chairman Perry follows:]

## STATEMENT OF CHAIRMAN SCOTT PERRY

APRIL 22, 2015

The Department of Homeland Security (DHS) spends billions of taxpayer dollars each year on a variety of programs intended to better secure the homeland, including systems to secure the border, screen travelers, protect cyber infrastructure, and respond to disasters, among other missions. DHS's current major acquisition programs ultimately may cost taxpayers over \$200 billion. Needless to say, strong accountability and oversight is needed to guard against waste, fraud, and abuse.

Since its creation, DHS has had its share of acquisition failures. Customs and Border Protection's (CBP) Secure Border Initiative Network (SBInet) and the Coast Guard's Deepwater program remain models of how not to manage an acquisition program. SBInet alone cost taxpayers over \$1 billion with few results from that investment. Since 2005, watchdogs at the Government Accountability Office (GAO) have had DHS's acquisition management on its "High-Risk List." Despite steps taken by DHS to issue an acquisition policy that reflects program management practices and create an office focused on acquisition oversight, programs continue to put taxpayer dollars at risk.

Most importantly, acquisition mismanagement also puts our security at risk. Men and women on the front lines securing our borders, protecting our airports, and defending our shores will need to wait longer for systems that may not fully meet their operational needs; this is unacceptable. Several examples in a GAO report released today highlight systems being delivered later than promised: CBP's Integrated Fixed Towers, over 6 years late; Coast Guard's Long Range Surveillance Aircraft, 9 years late; and its National Security Cutter, 4 years late. In addition, of seven programs that GAO reviewed, cost estimates increased by 40 percent over what DHS originally approved. As a result, DHS expects to spend almost \$10 billion more than they originally estimated on these programs.

GAO also found that DHS authorized programs to deploy capabilities without operational testing, including three programs managed by CBP and the Coast Guard. Having served as a combat aviator in Iraq, I'm incredulous that DHS expects its personnel to use equipment that hasn't been field tested. In other instances, testing may have been done after key decisions were made. Bottom line, testing isn't about checking the box, it's about ensuring that the tools we give to front-line operators actually work.

DHS must do better oversight of its acquisition programs. A GAO report issued last month showed that DHS has an ad-hoc approach for some of its oversight efforts because of a lack of written roles and responsibilities. DHS also has done a poor job over the years of holding programs accountable to its acquisition policy. As DHS Inspector General John Roth noted in our first hearing this Congress, "[there aren't] really any consequences for that disobedience." Exactly 1 year ago today, Secretary Johnson announced his Unity of Effort initiative to improve the execution of DHS missions. Although DHS has created several new mechanisms to discuss key decisions, it remains to be seen if these efforts are leading to improved outcomes and better safeguarding of taxpayer dollars.

Improving acquisition outcomes at DHS remains a priority for this committee. Last Congress, the House passed the first-ever bill that comprehensively reforms the DHS acquisition process. The bill empowered senior DHS officials to hold programs accountable, established strong accountability for programs with significant cost and schedule growth, and required an effective strategy to inform DHS major purchases. This legislation was praised by numerous stakeholders, including the comptroller general, DHS inspector general, Secretary Johnson, and industry groups. As the committee re-engages acquisition legislation this Congress, this hearing will provide areas on which to focus. I look forward to examining DHS's acquisition programs and processes to better understand what must be done to fix long-standing problems. Until these problems are fixed, we can't be certain that the billions DHS spends will result in better acquisition outcomes for the taxpayer and front-line operators.

Mr. PERRY. The Chairman will now recognize the Ranking Minority Member of the subcommittee, the gentlelady from New Jersey, Mrs. Watson Coleman, for any statement she may have.

Mrs. WATSON COLEMAN. Thank you very much, Mr. Chairman, and thank you for holding this important hearing.

This is a very important discussion to improve the efficiency of some of the Department of Homeland Security's most essential operations.

In adopting the Acquisition Management Directive and by creating the Office of Program Accountability and Risk Management, the Department has taken constructive steps towards utilizing the information derived from the acquisitions program's own work to assess the program's readiness to move through the successive stages of investment and capability development.

At the same time, both of the recent GAO studies we will discuss today have identified deficiencies in the compilation, approval, and currency of acquisition program baselines at DHS—a concern which dates back to the first edition of GAO's DHS "Quick Look," published in June 2010.

GAO's analysis related to last month's report on DHS acquisition oversight found that, in the DHS master acquisition oversight list from this fiscal year, 25 of 72 Level 1 or Level 2 acquisitions listed have received waivers from DHS reporting requirements. In other words, 35 percent of the programs on the list with life-cycle costs initially estimated at \$300 million or more have received waivers from requirements to update a range of acquisition-related information, including cost estimates.

To exercise our oversight responsibility, Members of the subcommittee must understand the circumstances in which the waivers for requirements the acquisition programs report on, previously acknowledged as indicators of their progress. The subcommittee has asked the Department to provide a May 2013 memorandum from the under secretary for management granting these waivers, and it is concerning that we have just received that memo, making it very difficult to thoroughly and appropriately assess DHS guidance on the issue.

Furthermore, GAO's recent assessment of 22 of the Department's costliest acquisition programs now underway finds that 6 of these programs have not received approval of their acquisition program baselines from DHS leadership, though Department policy requires such. GAO additionally finds that, despite the lack of fully approved baselines, these six programs have spent a total of \$5 billion as of GAO's review. Of the 16 programs in the sample that GAO could assess against the APBs, 2 met cost and schedule baselines as of the review.

Major system acquisitions at the Department of Homeland Security spend billions of dollars each year and provide our country's front-line operators with the capabilities they need to achieve their critical missions. When a DHS acquisition program falls short in terms of effectiveness or efficiency, it crowds out investment in other high-priority missions.

I am aware that Chairman McCaul intends to introduce a bill to reform DHS acquisition, similar to legislation that was passed by the House in last Congress. Members on this side look forward to working with you to help to develop and improve the bill in this subcommittee.

I would like to focus on making sure this new legislation reflects the strong preference on the part of Congress for DHS leaders and program managers to collect and use knowledge developed by pro-



gram offices. This information reduces the risk incurred and enhances the value DHS receives when the Department makes major acquisition investments.

In addition, I believe that DHS acquisition reform legislation should require that the Department show good cause to an acquisition decision authority in any case when DHS departs from best practices and knowledge-based acquisition management.

I would like to thank the panel of witnesses for appearing before the subcommittee today. I look forward to hearing their perspectives on this proposal.

I am very interested in hearing from the Department of Homeland Security. I am sure you will use this hearing as an opportunity to outline for the committee how the Secretary's Unity of Effort initiative will reverse the Department's troubling effort.

I thank you very much for this opportunity, and I yield back my time.

[The statement of Ranking Member Watson Coleman follows:]

STATEMENT OF RANKING MEMBER BONNIE WATSON COLEMAN

APRIL 22, 2015

This is a very important discussion to improve the efficiency of some of the Department of Homeland Security's most essential operations.

In adopting the Acquisition Management Directive, and by creating the Office of Program Accountability and Risk Management, the Department of Homeland Security has taken constructive steps toward utilizing the information derived from acquisition programs' own work to assess the programs' readiness to move through successive stages of investment and capability development.

At the same time, both of the recent GAO studies we'll discuss today have identified deficiencies in the compilation, approval, and currency of acquisition program baselines at DHS, a concern which dates back to the first edition of GAO's DHS Quick Look, published in June 2010.

GAO's analysis related to last month's report on DHS Acquisition Oversight found that in the DHS Master Acquisition Oversight List from this fiscal year, 25 of 72 Level 1 or Level 2 acquisitions listed have received waivers from DHS reporting requirements.

In other words, 35 percent of the programs on the list with life-cycle costs initially estimated at \$300 million or more have received waivers from requirements to update a range of acquisition-related information, including their cost estimates.

To exercise our oversight responsibilities, Members of the subcommittee must understand the circumstances in which the Department waives requirements that acquisition programs report on previously-acknowledged indicators of their progress.

The subcommittee has asked the Department to provide a May 2013 memorandum from the under secretary for management granting these waivers—and it is concerning that the Department provided the memo to the committee minutes before the start of the hearing, making it difficult to thoroughly and appropriately assess DHS guidance on this issue.

Furthermore, GAO's recent assessment of 22 of the Department's costliest acquisition programs now underway finds that six of these programs have not received approval of their Acquisition Program Baselines (APBs) from DHS leadership, though Department policy requires such approval.

GAO additionally finds that despite the lack of fully-approved baselines, these six programs have spent a total of \$5 billion as of GAO's review. Of the 16 programs in the sample that GAO could assess against APBs, two met cost and schedule baselines as of GAO's review.

Major system acquisitions at the Department of Homeland Security spend billions of dollars each year, and provide our country's front-line operators with the capabilities they need to achieve their critical missions.

When a DHS acquisition program falls short in terms of effectiveness or efficiency, it crowds-out investment in other high-priority missions.

I am aware that Chairman McCaul intends to introduce a bill to reform DHS acquisition, similar to legislation that passed the House last Congress. Members on

this side look forward to working with you to develop and improve the bill in this subcommittee.

I'd like to focus on making sure this new legislation reflects a strong preference on the part of Congress for DHS leaders and program managers to collect and use knowledge developed by program offices. This information reduces the risk incurred and enhances the value DHS receives when the Department makes major acquisition investments.

In addition, I believe that DHS acquisition reform legislation should require that the Department show good cause to an Acquisition Decision Authority in any case when DHS departs from best practices in knowledge-based acquisition management.

I would like to thank the panel of witnesses for appearing before the subcommittee today, and I look forward to hearing their perspectives on these proposals.

I am very interested in hearing from the Department of Homeland Security's acting chief acquisition officer, Mr. Fulghum, who I hope will use this hearing as an opportunity to outline for the subcommittee how Secretary Johnson's Unity of Effort initiatives will reverse the Department's troubling record of acquisition management challenges, several of which I've outlined.

Additionally, I am eager to hear from GAO's Ms. Mackin, whose experience in leading assessments of DHS acquisition activities will enable her to focus on critical open recommendations to DHS, and offer her perspective on how the Department could best prioritize and implement open recommendations from GAO reviews.

I also look forward to hearing from Dr. Sims, whose combination of experiences at the DHS component level in the Secret Service, at the headquarters level as executive director of the Office of Program Accountability and Risk Management, and in the private sector advising DHS contractors will help this subcommittee as we look for ways to tackle significant management concerns for DHS.

These concerns strain the DHS budget and threaten the Department's operational effectiveness.

Mr. PERRY. The Chairman thanks the Ranking Member.

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

[The statement of Ranking Member Thompson follows:]

#### STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

APRIL 22, 2015

I thank Acting Under Secretary Fulgum for serving as under secretary for management, and I wish him well as he goes from wearing multiple hats at DHS to hopefully just one. I am pleased that last Thursday, the Senate confirmed Russell Deyo as DHS under secretary for management—a position whose duties include service as the Department's chief acquisition officer.

Last April, Secretary Johnson issued a "Unity of Effort" memorandum to the Department's senior leaders, expressing his commitment to better linking DHS "strategic objectives, budgeting, acquisition decisions, operational planning, and mission execution."

Agency management performance—including DHS acquisition management—affects the Department's long-term financial sustainability, DHS operators, and the American people's security. Recently, the Government Accountability Office assessed DHS acquisition management. GAO's assessment presents troubling evidence that even though DHS has taken steps to improve performance, execution and management of the Department's major acquisitions offer little evidence of incorporating widely-acknowledged best practices.

In fiscal year 2014, DHS spent \$10.7 billion—a bit more than one-sixth of its total budget authority—on acquisition of systems with life-cycle costs estimated at \$300 million or more. These acquisitions cost real money. We must ensure that each dollar is spent wisely, can be accounted for, and advances the homeland security mission. The Department's front-line operators depend on systems like Coast Guard ships and helicopters to work when they go into harm's way.

The safety of the American people often depends on the Department's ability to buy enough reliable technology—like baggage-screening systems—that provides DHS with capabilities they need to accomplish their critical missions. Assessing the progress of a major acquisition program toward specific objectives by reviewing that program's performance against its budget and schedule seems as much common sense as a key insight from management science: But GAO has identified deficiencies in the development and use of program baselines to manage major DHS ac-

quisitions. As Ranking Member Watson Coleman noted, GAO could not even assess nearly a quarter of the major DHS acquisitions selected for their sample, because there has never been a successful completion of all of the reviews required by the Department's own acquisition policies.

What is concerning is that in the absence of required procedures to check the feasibility of these programs, GAO reports that six DHS acquisitions have spent \$5 billion to date. This raises several red flags for me because I am too familiar with the Department's history of throwing money at programs that have been unsuccessful. This is a cycle that cannot continue.

I want to hear witnesses' best ideas about how Congress can strengthen and deepen acquisition reforms pursued to date by DHS management, so that major acquisitions will produce significantly better results in terms of affordability and effectiveness. At the same time, I would appreciate hearing from witnesses how DHS leaders can better engage the innovation, efficiency, and competitiveness exemplified every day in small and minority businesses.

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. I will introduce each of you first and then recognize you each for your testimony.

Ms. Michele Mackin—did I get that correct?

Ms. MACKIN. Yes.

Mr. PERRY [continuing]. Is a director at the U.S. Government Accountability Office in the Acquisition and Sourcing Management team. Ms. Mackin joined the GAO in 1988 as an evaluator in the National Security and International Affairs Division. Ms. Mackin has led complex reviews of Federal contracting issues, including high-risk contract types, the Coast Guard's Deepwater recapitalization project, and Navy shipbuilding programs.

The Honorable Chip Fulghum is the acting deputy under secretary for management, acting chief acquisition officer, as well as the chief financial officer for the Department of Homeland Security. Mr. Fulghum joined DHS in October 2012 as its budget director. Prior to joining the Department, Mr. Fulghum served for 28 years in the United States Air Force, retiring with the rank of colonel. He is also a graduate of The Citadel, the Military College of South Carolina.

Thank you for your service, sir.

Dr. Cedric Sims is a partner with the Evermay Consulting Group. From 2010 until 2012, he served as the director of DHS' Office of Program Accountability and Risk Management. Dr. Sims also held other positions in the Department, including the executive director of the Enterprise Management Business Office. Dr. Sims holds a doctorate in engineering from Texas A&M University.

Thank you.

Thank you all for being here today.

The Chairman now recognizes Ms. Mackin for her testimony.

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

Ms. MACKIN. Thank you, Mr. Chairman. Good afternoon, Ranking Member Watson Coleman and Members of the subcommittee.

Thank you for having me here today to discuss DHS acquisitions, an issue we have reported on for quite some time. My statement today is based on two of our recent reports. One, as was mentioned, was issued just last month, and the other is being released today.

DHS buys a wide range of systems and technologies to meet its many missions. In fact, the Department spends about \$11 billion per year on its largest acquisitions, those estimated to cost \$300 million or more.

I will briefly touch on three issues today: First, how these large programs are performing in terms of cost and schedule; second, the status of testing; and, third, the quality of information available to Congress and DHS on these large programs.

To assess cost and schedule, we selected 22 major acquisition programs. These included Customs and Border Protection systems, TSA screening technologies, and Coast Guard ships and aircraft, among others.

We found, as was mentioned, that six of these 22 programs did not have Department-approved acquisition baselines. These baselines are critical because they establish agreed-upon cost, schedule, and performance targets. Without having approved baselines, accountability is obscured, and neither we, Congress, nor DHS can know if the programs are performing as intended. This is an issue we have highlighted in our past work, as well.

Of the remaining 16 programs in our review, we found that 14 had experienced schedule delays, and some also had increases to their cost estimates. In fact, on average, these programs had a 3½-year schedule delay and, in total, a \$9.7 billion increase in expected costs.

While each program has its own story, in general, we identified the following reasons for this: Challenges in meeting requirements, for example, due to technical difficulties; funding shortfalls, where there is a gap, sometimes quite significant, between what a program expects to receive and what it actually receives in a given year; a decision to pursue different or new capabilities after the program has begun; and, for some programs, the initial cost or schedule estimates simply weren't sound in the first place and had to be revised.

In terms of the testing, 19 of the 22 programs we reviewed had delivered some capabilities to end-users such as border agents or airports screeners. Fifteen of these programs had been operationally tested, and six had passed the tests. For many of those that did not pass the test, DHS' Office of Test and Evaluation has recommended follow-on testing.

Also, in our review of 30 DHS test assessments, we found that about a third did not clearly indicate whether all key performance capabilities had been demonstrated. We recommended, and DHS agreed, to reflect this in future test assessments.

Finally, regarding the quality of information, good data of course is critical to sound decision making about acquisition programs; however, we found problems with DHS' own system for reporting acquisition information. Program managers are supposed to enter certain information into this system, and senior acquisition officials at the components are responsible for validating it. But we found inaccuracies in cost estimates and blank data fields for some important information, such as expenditure amounts or key program milestones.

These issues call into question whether DHS management has the information it needs for effective acquisition oversight. Because

this data feeds into DHS' reports to Congress, that means Congress is not getting accurate and complete information. DHS agreed with our recommendation to determine how to hold programs and components accountable for entering and validating the data in the system.

That completes my statement. Thank you very much. I will be happy to answer questions at the appropriate time.

[The prepared statement of Ms. Mackin follows:]

PREPARED STATEMENT OF MICHELE MACKIN

APRIL 22, 2015

Chairman Perry, Ranking Member Watson Coleman, and Members of the subcommittee: Thank you for the opportunity to discuss acquisition management at the Department of Homeland Security (DHS). Each year, DHS invests billions of dollars in its major acquisition programs to help execute its many critical missions. In fiscal year 2014 alone, DHS planned to spend almost \$11 billion on these acquisition programs, and the Department expects it will ultimately invest more than \$200 billion in them. DHS and its underlying components are acquiring systems to help secure the border, increase marine safety, screen travelers, enhance cybersecurity, improve disaster response, and execute a wide variety of other operations. Each of DHS's major acquisition programs generally costs \$300 million or more and can span many years. We have reported that DHS's acquisition policy is generally sound, in that it reflects key program management practices. Due to shortfalls in executing the policy, however, we have highlighted DHS acquisition management issues on our high-risk list and made numerous recommendations to improve acquisition management practices.<sup>1</sup> In recent years, DHS has taken steps to improve acquisition management by dedicating additional resources to oversight and documenting major acquisition decisions in a more transparent and consistent manner. However, many of our recommendations have not yet been implemented, including that DHS ensure all major acquisition programs fully comply with DHS acquisition policy.

My statement today draws from two recently completed reviews and addresses: (1) The health of 22 DHS major acquisition programs and (2) the underlying systems in place to oversee and manage such programs.<sup>2</sup> For the first review, issued in April 2015, we assessed all 14 of DHS's largest acquisition programs (with a life-cycle cost estimate of \$1 billion or more) that were in the process of obtaining new capabilities as of June 2014. To provide additional insight into factors that can contribute to poor acquisition outcomes, we also included 8 other major acquisition programs that we or DHS had identified as at risk of not meeting their schedules, cost estimates, or capability requirements. For all 22 programs, we reviewed acquisition documents required by DHS policy, including test plans, and interviewed program managers and headquarters acquisition management and test and evaluation officials. We verified the cost and schedule data reported for these programs on the basis of a data collection instrument and interviews with agency officials, and we determined these data elements were sufficiently reliable for our purposes. For the second review, issued in March 2015, we assessed DHS policies and procedures and interviewed oversight and acquisition officials from all nine DHS components that had at least one of the Department's largest acquisition programs. From these components, we selected a non-generalizable sample of nine major programs for a more in-depth analysis of oversight activities and reported program data. We also assessed the data reliability of Next Generation Periodic Reporting System (nPRS) and determined that the data were not sufficiently reliable for our purposes; therefore we used these data only for illustrative purposes. More detailed information on our scope and methodology can be found in the respective reports.

We conducted the work on which this statement is based in accordance with generally accepted Government auditing standards. Those standards require that we

<sup>1</sup>GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, DC: January 2005); *Homeland Security Acquisitions: DHS Could Better Manage Its Portfolio to Address Funding Gaps and Improve Communications with Congress*, GAO-14-332 (Washington, DC: Apr. 17, 2014). Also see, for example, *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs*, GAO-12-833 (Washington, DC: Sept. 18, 2012).

<sup>2</sup>GAO, *Homeland Security Acquisitions: Major Program Assessments Reveal Actions Needed to Improve Accountability*, GAO-15-171SP (Washington, DC: Apr. 22, 2015) and *Homeland Security Acquisitions: DHS Should Better Define Oversight Roles and Improve Program Reporting to Congress*, GAO-15-292 (Washington, DC: Mar. 12, 2015).

plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

#### BACKGROUND

DHS policies and processes for managing its major acquisition programs are primarily set forth in Acquisition Management Directive (MD) 102-01 and DHS Instruction Manual 102-01-001, Acquisition Management Instruction/Guidebook. DHS's under secretary for management (USM) is the Department's chief acquisition officer and, as such, is responsible for managing the implementation of the Department's acquisition policies.

DHS's deputy secretary and USM generally serve as the decision authorities for the Department's largest acquisition programs: Those with life-cycle cost estimates of \$1 billion or greater. Component Acquisition Executives—the most senior acquisition management officials within each of DHS's component agencies—may be delegated decision authority for major acquisition programs with cost estimates between \$300 million and \$1 billion. The decision authority is responsible for reviewing acquisition programs at a series of five predetermined acquisition decision events to assess whether the program is ready to proceed. See figure 1 for DHS acquisition life cycle and acquisition decision events.

**Figure 1: DHS Acquisition Life Cycle and Acquisition Decision Events**



Source: GAO analysis of MD 102. | GAO-15-541T

An important aspect of a decision event is the decision authority's review and approval of key acquisition documents, including the program baseline. This baseline is important because it represents the agreement between the program manager, component head, and acquisition decision authority as to how systems will perform, when they will be delivered, and what they will cost. The acquisition decision authority is supported by DHS's Acquisition Review Board, which reviews major acquisition programs for proper management, oversight, accountability, and alignment with the Department's strategic functions at acquisition decision events and other meetings as needed. This board is chaired by the acquisition decision authority and consists of individuals who manage DHS's mission objectives, resources, and contracts.

The Office of Program Accountability and Risk Management (PARM) is the lead body responsible for overseeing the acquisition process and assessing the status of acquisition programs, although other DHS offices also have oversight roles. Nearly all of DHS's program management offices are located within 13 Department organizations, including components such as the Transportation Security Administration (TSA), U.S. Coast Guard, and U.S. Customs and Border Protection (CBP). Within the components, program management offices are responsible for planning and executing DHS's individual programs. They are expected to do so within the cost, schedule, and performance parameters established in their program baselines. If they cannot do so, the programs' decision authority is to rebaseline the program—that is, establish new cost, schedule, or performance goals.

The Director of Operational Test and Evaluation (DOT&E) is responsible for approving major acquisition programs' operational test agents, operational test plans, and Test and Evaluation Master Plans. As appropriate, DOT&E is also responsible for participating in operational test readiness reviews, observing operational tests, reviewing operational test agents' reports, and assessing the reports. DOT&E also provides a letter of assessment that includes an appraisal of the program's operational test, a concurrence or non-concurrence with the outcome, and any further independent analysis.

PROGRAMS ARE EXPERIENCING MIXED OUTCOMES, THOUGH DHS IS TAKING STEPS TO  
ADDRESS ENDURING CHALLENGES

In April 2015, we found that of the 22 major programs that we reviewed, two were on track to meet initial schedule and cost parameters, that is, the initial schedules and cost estimates DHS leadership approved after the Department revised its acquisition policy in November 2008.<sup>3</sup> Fourteen programs had experienced schedule slips, or schedule slips and cost growth. These programs' life-cycle cost estimates increased by \$9.7 billion, or 18 percent.<sup>4</sup> I would like to highlight a key point: That we were unable to assess schedule and cost progress for 6 of the 22 programs because DHS leadership had not yet approved baselines establishing their schedules and cost estimates. We recommended in 2012 that DHS ensure all major programs fully comply with DHS acquisition policy by obtaining Department-level approval for key acquisition documents before approving their movement through the acquisition life cycle.<sup>5</sup> DHS agreed with this recommendation but acknowledges that it will take some time to fully implement.

Part of the reason for the schedule slips and cost growth, as we have reported in the past, is program staffing, funding, and requirements issues. We previously reported, in 2012, that these issues were prevalent Department-wide and we have found this to still be the case.

*Programs Are Experiencing Mixed Outcomes*

CBP's Automated Commercial Environment program and TSA's Electronic Baggage Screening Program were on track to meet their schedules and cost estimates established after November 2008. Fourteen other programs experienced schedule slips, including 7 that also experienced cost growth. Six programs did not have Department-approved baselines. Table 1 summarizes our findings.

<sup>3</sup> See GAO-15-171SP. DHS issued an updated version of MD 102-01 in January 2010 and subsequently updated the guidebook and appendixes.

<sup>4</sup> We tracked how each program's schedule and cost has changed over time by comparing the schedule and cost estimate from the program's initial baseline, approved by DHS after the Department's current acquisition policy went into effect in November 2008, to the program's expected schedule and cost estimate as of January 2015, based on an update provided by each program.

<sup>5</sup> GAO-12-833.

TABLE 1.—MAJOR ACQUISITION PROGRAMS' PROGRESS AGAINST SCHEDULES AND COST ESTIMATES

Component	Program	On Track Against Initial Baselines	Schedule Slips	Cost Growth	No De- part- ment- approved Baseline
Analysis and Operations Customs and Border Protection	Homeland Security Information Network*	.....	X	.....	.....
	Automated Commercial Environment	.....	.....	.....	.....
	Integrated Fixed Towers*	X	X	.....	.....
	Land Border Integration	.....	.....	.....	X
	Non-Intrusive Inspection Systems	.....	.....	.....	X
	Strategic Air and Marine Program*	.....	.....	.....	X
Federal Emergency Management Agency	Tactical Communications Modernization*	.....	.....	.....	X
	TECS (not an acronym) Modernization*	.....	X	X	.....
	Logistics Supply Chain Management System*	.....	.....	.....	X
	TECS (not an acronym) Modernization*	.....	X	.....	.....
	National Cybersecurity Protection System	.....	X	X	.....
	Next Generation Network—Priority Service	.....	X	X	.....
Transportation Security Administration	Electronic Baggage Screening Program	X	.....	.....	.....
	Passenger Screening Program	.....	X	.....	.....
	C4ISR**	.....	X	.....	.....
	Fast Response Cutter*	.....	X	.....	.....
	HH-65 Conversion/Sustainment Projects	.....	X	.....	.....
	Long Range Surveillance Aircraft	.....	X	X	.....
U.S. Coast Guard	Medium Range Surveillance Aircraft	.....	.....	.....	.....
	National Security Cutter	.....	X	X	X
	Offshore Patrol Cutter	.....	X	.....	.....
	Transformation	.....	X	X	.....
	U.S. Citizenship and Immigration Services	.....	.....	.....	.....
	U.S. Citizenship and Immigration Services	.....	.....	X	.....

Source.—GAO analysis of DHS documentation and data. GAO-15-541T

\* At risk program that we reviewed to provide insight into some factors that can lead to poor acquisition outcomes.

\*\* C4ISR is an acronym for Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance.



Fourteen programs have at least one major milestone that slipped since DHS revised its acquisition policy in November 2008. On average, these program milestones slipped more than 3½ years. Seven programs' costs have grown beyond the thresholds initially approved by DHS leadership. In total, the 7 programs' acquisition cost estimates have increased by 40 percent, and their overall life-cycle cost estimates have increased by almost 18 percent, or \$9.7 billion as mentioned above.

As noted above, we reported in April 2015 that six programs lack DHS-approved baselines, even though these baselines are required by DHS policy. This situation prevented us from assessing whether the programs were on track to meet their cost estimates and schedules:

- Four of the programs are sponsored by CBP: Land Border Integration, Non-Intrusive Inspection Systems, Strategic Air and Marine Program, and Tactical Communications Modernization. These 4 programs received more than \$5 billion in appropriations through fiscal year 2014.
- A fifth program, the Federal Emergency Management Agency's (FEMA) Logistics Supply Chain Management System, also lacks a Department-approved baseline. In April 2014, based on the preliminary results of a DHS Office of Inspector General report that identified this deficiency, the acting USM directed FEMA not to initiate the development of any new capabilities for this program until further notice.
- Finally, as a relatively new program, the Coast Guard's Medium Range Surveillance Aircraft program has not yet had its baseline approved. This program was established in October 2014 when DHS leadership directed the Coast Guard to restructure the HC-144A Maritime Patrol Aircraft program to accommodate the addition of 14 C-27J aircraft.

PARM officials said it is realistic to expect DHS leadership can approve baselines for five of the six programs by the end of fiscal year 2015 (the exception being the FEMA Logistics Supply Chain Management System).

#### *DHS Is Taking Steps to Address Enduring Challenges*

DHS acquisition programs continue to face staffing shortfalls, funding instability, and requirements changes that we previously identified were prevalent Department-wide. These challenges increase the likelihood that acquisition programs will cost more and take longer to deliver capabilities than expected. DHS leadership is aware of these problems and has taken some steps to address them, but it will likely take years to fully resolve them.

##### *Workforce shortfalls*

As part of an effort to evaluate whether its acquisition programs have sufficient numbers of trained, qualified, and experienced acquisition staff, DHS headquarters reported that 21 of the 22 programs we reviewed faced shortfalls in their program office workforce in fiscal year 2014. These shortfalls can pertain to such positions as program managers, systems engineers, and logisticians. However, officials from 15 of the 21 programs did not identify negative effects from these shortfalls, suggesting that officials at DHS headquarters and program offices have different views on staffing needs. The executive director of PARM acknowledged that standardized staffing templates used in the evaluation do not always account for the varying quality of people, or particular aspects of specific programs, and said that PARM officials developed the templates to help prioritize future staffing assessments. This is an issue the Department will continue to pursue.

##### *Funding gaps*

For the 22 programs in our review, we compared their estimated funding needs for fiscal years 2014 to 2018 to the expected amounts set forth in the Future Years Homeland Security Program report DHS submitted to Congress in fiscal year 2014. We found that 11 of the 22 programs face funding gaps of 10 percent or greater over this period, including 5 programs that face funding gaps of 30 percent or greater. These funding gaps can be caused by cost growth, unreliable cost estimates, requirements changes, revised funding priorities, and other factors.

We previously found that DHS's chief financial officer had identified a 30 percent funding gap, from fiscal years 2014 to 2018, across the Department's entire major acquisition portfolio.<sup>6</sup> While this acknowledgment was a positive step toward addressing the Department's funding gap, funding gaps of this extent are likely to impede effective program execution. For example, officials from 6 of the 22 programs in our review attributed schedule slips to past funding gaps. In response to one of our earlier recommendations on this topic, as of June 2014, the Acquisition Review

<sup>6</sup>GAO-14-332.

Board is now to specifically address affordability issues during all program reviews, and as necessary, document explicit tradeoffs among cost, schedule, and capability requirements. This is an important step toward closing the Department's acquisition funding gap.

#### *Requirements changes*

Finally, we found that requirements changes were common across the 22 acquisition programs in our review. These are situations where programs have revised their requirements after they initiated efforts to obtain new capabilities. We have previously concluded that relaxing requirements can help mitigate affordability and schedule risks.<sup>7</sup> These changes, however, can also indicate that a program is facing execution challenges or expanding its scope beyond what was initially envisioned. We found that programs changed requirements for various reasons, such as to respond to technology development challenges or to address evolving threats. In some cases, program requirements were not defined properly in the first place.

#### DHS HAS TAKEN STEPS TO IMPROVE OVERSIGHT OF MAJOR ACQUISITION PROGRAMS, BUT LACKS KEY INFORMATION NECESSARY TO MANAGE ITS PROGRAMS

As we reported in March 2015, DHS leadership has undertaken efforts that are intended to improve its oversight of major acquisitions.<sup>8</sup> I'll highlight two of these. First, in September 2014, a USM policy memorandum clarified the responsibilities of the Component Acquisition Executives within the component organizations. These senior officials play an important role in acquisition oversight because they are responsible for establishing acquisition processes and overseeing the execution of programs in their components. The memo sets forth oversight responsibilities for these officials—particularly for the programs for which they are the acquisition decision authority—and clarifies the acquisition oversight chain of command within the Department. Now, for example, it has been made clear that for purposes of acquisition oversight for specific acquisition decisions, program managers report to their Component Acquisition Executives and these executives report to the USM. This clarification is useful, as we had found differences in these officials' roles and responsibilities prior to the memo's issuance. DHS's longer-term goal is to standardize the Component Acquisition Executives' acquisition authorities and experience levels.

A second example concerns the roles and responsibilities of PARM, which as mentioned above has responsibility for overseeing the acquisition process and assessing the status of acquisition programs. We found that the roles and responsibilities of PARM staff—who carry out day-to-day oversight of, and support to, major acquisition programs—were not defined in DHS acquisition policy. Thus, we recommended that PARM develop written guidance that defines roles and responsibilities of these staff. DHS agreed with the recommendation and has already taken action to address it.

The actions cited above are positive. However, good information is critical to sound decision making about acquisition programs. Unfortunately, we have found problems in this regard. I've already mentioned that 6 of the 22 major programs we recently assessed did not have Department-approved acquisition baselines. There are three other areas related to incomplete or inaccurate information that I would also like to discuss.

#### *Assessments of Operational Testing*

DHS's DOT&E is responsible for numerous aspects of operational testing, including an appraisal of programs' operational test events, known as a letter of assessment. In our April 2015 report, we found ambiguity across DOT&E's letters of assessment in that they did not always clearly identify whether the systems tested met all of their key performance parameters—capability or system attributes that are required to successfully meet the DHS mission. DHS testing policy establishes that the primary purpose of test and evaluation is to provide timely, accurate information to managers, decision makers, and other stakeholders to reduce programmatic, financial, schedule, and performance risk. To this end, DOT&E generally identified whether the programs' systems were operationally effective and suitable. However, without a specific discussion of whether systems met all of their key performance parameters in each letter of assessment, DHS leadership may not have all of the information needed to make deployment authorization decisions. Thus, we recommended, and DHS agreed, to ensure DOT&E explicitly address all of the relevant key performance parameters in each letter of assessment appraising operational test results.

<sup>7</sup> GAO-12-833.

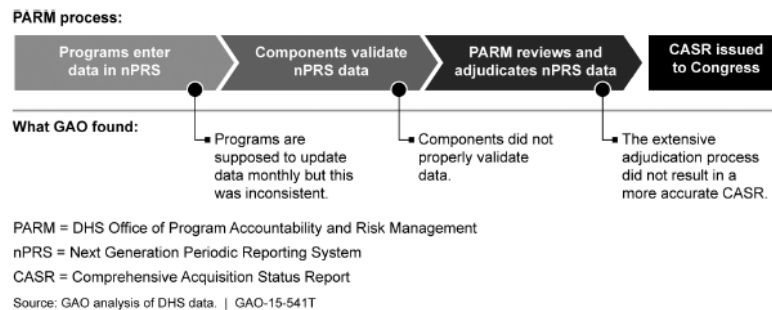
<sup>8</sup> GAO-15-292.

In addition, while 19 of the 22 programs we reviewed had deployed capabilities, meaning that some capabilities had been delivered to operators, DHS leadership had exempted 4 of these programs from operational testing for various reasons. Under DHS's test policy, which was established in 2009, programs generally should be operationally tested before deploying capabilities. The risks and benefits associated with deploying capability without operational testing vary on a program-by-program basis. For example, DOT&E determined that CBP's Non-Intrusive Inspection Systems program does adequate acceptance testing on commercial-off-the-shelf systems, and that it does not need a test plan or operational testing until CBP begins to pursue the next generation of capabilities. In another case, DOT&E acknowledged that the Coast Guard's HC-130J long-range surveillance aircraft was previously demonstrated by the U.S. Air Force and determined that it did not need additional operational testing.

#### *Comprehensive Acquisition Status Report to Congress*

In recent years, DHS has been required to submit an annual report to Congress addressing a variety of issues pertaining to major acquisition programs. PARM is responsible for preparing this Comprehensive Acquisition Status Report, or CASR. The most recent report, for fiscal year 2014, included 82 major programs and drew information from a data system called nPRS, which is DHS's official system of record for acquisition program reporting. But we found that nPRS, and hence the CASR, contained inaccurate and out-of-date data. For example, we found persistent discrepancies between the CASR and nPRS for life-cycle cost estimates for some programs even after efforts to update or fix the data inaccuracies through an extensive adjudication process. Some programs had reported no expenditures for the entire fiscal year. Others did not clearly reflect the cost, schedule, and technical risks that are supposed to be included in the CASR. Although DHS programs are responsible for entering accurate data into nPRS, this was not happening consistently. Further, the Component Acquisition Executives are responsible for validating the information, but this was not occurring consistently either. See figure 2 for our assessment of the CASR development process.

**Figure 2: GAO's Assessment of the DHS Comprehensive Acquisition Status Report Development Process**



PARM officials have acknowledged on-going problems with the data reported in both nPRS and the CASR, and noted that they are working to improve the data quality. We recommended in March 2015, and DHS agreed, to determine mechanisms to hold programs accountable for entering data in nPRS consistently and accurately and to hold Component Acquisition Executives accountable for validating the information.

#### *Oversight of operations and maintenance costs for programs in sustainment*

DHS does not have a structure in place for overseeing the costs of 42 programs whose acquisition documentation requirements were waived by the USM in May 2013.<sup>9</sup> This waiver covered certain programs in sustainment—programs that have

<sup>9</sup> Office of Management and Budget guidance calls for agencies to perform annual assessments of the operations and maintenance performance of IT investments to ensure these investments continue to meet mission needs. We previously assessed DHS's efforts in this area. See GAO,

Continued

been developed and delivered to the end-users and are now being operated and maintained. The USM determined that it would be cost-prohibitive and inefficient to recreate documentation for previous acquisition phases.

However, an important point is that only 1 of these 42 programs had an approved life-cycle cost estimate, which would have delineated expected acquisition costs as well as the costs to operate and maintain the system. Operations and maintenance costs could run in the billions of dollars for these 42 programs, as they can account for more than 80 percent of program life-cycle costs. We recommended in March 2015, and DHS agreed, to produce operations and maintenance cost estimates for programs in sustainment and establish responsibility for tracking sustainment programs' adherence to those estimates.

In conclusion, DHS has acknowledged the significant challenges facing its portfolio of acquisition programs—such as the \$9.7 billion increase in life-cycle cost estimates across just seven of its programs—and taken steps to improve program information and designate oversight responsibilities. However, our analysis shows that DHS's oversight and management of its programs remain a work in progress. Further efforts, particularly ensuring DHS programs fully comply with acquisition policy, would put DHS in a better position to make important decisions about its acquisition priorities.

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

Mr. PERRY. Thank you, Ms. Mackin.

The Chairman now recognizes Mr. Fulghum for his testimony.

**STATEMENT OF CHIP FULGHUM, ACTING DEPUTY UNDER SECRETARY FOR MANAGEMENT AND CHIEF FINANCIAL OFFICER, U.S. DEPARTMENT OF HOMELAND SECURITY**

Mr. FULGHUM. Chairman Perry, Ranking Member Watson Coleman, and other distinguished Members of the subcommittee, thank you for the opportunity to appear today and to discuss acquisition management at DHS.

First of all, let me express my appreciation to my colleagues from the GAO for their long-standing and dedicated work to support the transformation of acquisition management at DHS. Over the past several years, we have forged an excellent working relationship with GAO and reached common ground on many issues.

I am gratified by the recent comments that recognize the substantial progress the Department has made to address its high-risk areas, especially those that fall within acquisition management. We are committed to sustaining this progress and ensuring program managers effectively execute our acquisition programs.

As the acting deputy under secretary for management and acting chief acquisition officer, I am the one responsible for overseeing policies, processes, procedures used to acquire and oversee goods and services for the Department.

The momentum gained from the Secretary's Unity of Effort initiative has accelerated the work undertaken by previous under secretaries for management as well as directors of acquisition review to build a stronger management framework much earlier in the investment cycle.

It has been exactly 1 year today since Secretary Johnson formally launched the Unity of Effort initiative to better integrate the Department's people, organizational structures, and operational capability, while emphasizing the need to improve acquisition man-

agement. Later today, the Secretary will release an update outlining the excellent progress we have made to implement Unity of Effort. While progress has been made, more needs to and will be done.

In this update, the Secretary will direct me, the USM, to begin a new effort called Acquisition Innovations in Motion, or AIM. AIM is simply a set of on-going and recurring activities designed to enhance how the Department does business and its continued improvement of our acquisition process and industry engagement to maximize our capability to deliver and procure the best solutions possible.

I was pleased when GAO reported our acquisition policy framework is generally sound and reflects key program management best practices. This framework serves to bind the DHS acquisition community around a common operating procedure.

In addition to a more substantive policy framework, we have engaged the community in the following areas:

We now have an active Joint Requirements Council consisting of senior operational executives from every component in headquarters. The JRC works with cross-component mission portfolio teams to identify common capability needs and challenges across DHS, then oversees and conducts rigorous analysis and assessments. Ultimately, this work will be codified into a lasting and functional framework for the Department's requirements process.

Our acquisition management improvements are due to strong acquisition leadership, commitment, and the dedication and expertise of our workforce. We are building a solid foundation of strong acquisition policies and practices to make us better. We are hiring and training the next generation of acquisition professionals through our intern programs. We are committed to attracting and retaining top talent to effectively and efficiently plan and execute our acquisition programs.

We will continue to apply ourselves to acquisition management improvement through better processes and increased oversight, which will lead us through the next phase of acquisition reform. To sustain our success, we will continue to institutionalize a more integrated approach to acquisition management that will result in sound, empirically-based decisions around strategy, planning, acquiring needed capabilities, and oversight of acquisition programs.

In closing, I want to reiterate that it is our fundamental responsibility to manage the Department effectively and efficiently. Sound management is critical to our ability to execute our mission successfully, and it is incumbent upon us as guardians of the public trust to be mindful of how we expend public funds.

You have my commitment that I will continue to focus intensely on strengthening the Department's acquisition management functions and that I will work closely with this committee and with GAO to achieve that goal.

Thank you, and I look forward to the discussion.

[The prepared statement of Mr. Fulghum follows:]

## PREPARED STATEMENT OF CHIP FULGHUM

APRIL 22, 2015

Chairman Perry, Ranking Member Watson Coleman, and other distinguished Members of the subcommittee, thank you for the opportunity to appear today to discuss acquisition management at DHS. My comments will focus on: (1) The impact of *Unity of Effort* on improving acquisition management; (2) our progress and challenges in addressing GAO's recommendations.

I wish to express appreciation to my colleagues from the Government Accountability Office (GAO) for their long-standing and dedicated work to support the transformation of acquisition management at DHS. Over the past several years, we have forged an excellent working relationship with GAO and have reached common ground on many issues. I am gratified by their recent comments that recognized the substantial progress the Department has made to address its high-risk areas, especially those that fall within the acquisition management area. We are committed to sustaining this progress and working to ensure program managers effectively execute our policies, procedures, and instructions.

As acting deputy under secretary for management and acting chief acquisition officer, I am ultimately responsible for overseeing the policies, processes, and procedures used to acquire and oversee goods and services for the Department. The momentum gained from the Secretary's *Unity of Effort* initiative has accelerated the efforts undertaken by previous under secretaries for management to build a stronger management framework much earlier in the investment life cycle. Exactly 1 year ago, Secretary Johnson formally launched the *Unity of Effort* initiative to better integrate the Department's people, organizational structures, and operational capability. The Secretary also emphasized the need to improve acquisition management through enhancements to policies, structures, and processes.

More importantly, the *Unity of Effort* initiative has institutionalized stronger, more centralized governance structures through the establishment of the Secretary's Leaders Council (SLC) and the Deputy's Management Action Group (DMAG). Strategy and resourcing decisions made by these governance boards ultimately feed the existing acquisition process, which continues to oversee acquisition investments—from the mission needs phase through completion of a program.

In the past year, the SLC and DMAG have made critical decisions around strategy, resource allocation, requirements, and operational planning. The decisions have produced: A leaner, more mission-focused fiscal year 2016 budget; a campaign plan for the Southern Border; the launch of three (3) pilot Joint Task Force(s) to unify operational planning, and the re-establishment of the Joint Requirements Council (JRC) to improve the quality and validity of the Department's requirements generation and oversight process. By virtue of a stronger "left side" of the investment life-cycle process, DHS is better positioned to execute strategies to close capability gaps. I will discuss the JRC and its impact on acquisition management later in this testimony.

While there is always room for improvement, there are positive trends in the way we manage our acquisition programs. In February 2015, DHS was identified as one of 16 departments and agencies on GAO's "High-Risk List." In its report to Congress,<sup>1</sup> GAO once again noted the Department's good progress in addressing 30 recommendations and outcomes and stated that DHS is on a path to getting off the High-Risk list. Specifically, GAO noted that since its last report in 2013, DHS has "fully addressed" 9 of 30 risk areas and has made significant progress toward addressing the remaining 21. Overall, GAO has stated that DHS is a "model" for how Federal agencies can work to address GAO's high-risk designations. GAO also stated:

"DHS's top leadership, including the Secretary and Deputy Secretary of Homeland Security (who assumed leadership of the department after our 2013 update), have continued to demonstrate exemplary commitment and support for addressing the department's management challenges. For instance, the department's Deputy Secretary and Under Secretary for Management, and other senior management officials have frequently met with us to discuss the department's plans and progress, which helps ensure common understanding or the remaining work needed to address our high-risk designation."

The Department has worked diligently to improve its acquisition processes and these efforts have produced more effective governance and significant improvements to future and health of current acquisitions. For example, we have established

<sup>1</sup> GAO, *High-Risk Series: An Update*, (GAO-15-290).

metrics to track program health, compliance with processes and policies, and program staffing. In recent years, the Acquisition Review Board (ARB) has increased its oversight reach and has taken action to cancel or pause several poor-performing or higher-risk programs that were not achieving the pre-established cost, schedule, and performance goals.

In a recently-released report,<sup>2</sup> GAO examined 22 acquisition programs on our Major Acquisition Oversight List (MAOL). I am pleased with GAO's acknowledgment that DHS is continuing to take steps to address challenges related to keeping DHS programs within cost and schedule parameters. As GAO recognized, we have already taken significant steps to improve acquisition management, such as dedicating additional resources to acquisition oversight and documenting major acquisition decisions in a more transparent and consistent manner. In addition, we are in the process of making policy changes in Management Directive (MD) 102-01 based on GAO's recommendations in a September 2012 report.<sup>3</sup> These on-going efforts highlight the Department's commitment to better acquisition and resource management.

In the past 12 months, we have increased the scrutiny of our Headquarters oversight responsibility by holding 24 ARBs. During my tenure as acting deputy under secretary, I have personally chaired 13 of those ARBs.

During these ARBs, substantive decisions were made that significantly influenced the performance of these programs. Some key decisions included:

- USCG's National Security Cutter and National Automated Identification System; TSA's Electronic Baggage Screening Program; and TSA's Passenger Screening Program for Explosive Trace Detection were all authorized to enter the deployment phase.
- OHA's BioWatch 3 was cancelled.
- FEMA's Logistics Supply Chain Management System was directed to halt any new development until an assessment of its operational capability and capability gaps is completed.
- USCIS Transformation and ICE TECS Modernization (MOD) programs were both removed from breach status.
- TSA's Technology Infrastructure Modernization Program was paused until TSA completes a re-baseline of the Surface and Aviation segments and updates acquisition documentation and strategy.
- CBP's Strategic Air Marine Program was brought into compliance with MD-102 and is working to address actions assigned by the ARB.
- USCG's Medium Range Surveillance Program was directed to re-baseline costs for the HC-144 and the C-27J aircraft that were transferred from United States Air Force.

The impact of this enhanced oversight has been acknowledged by both GAO and the DHS inspector general (IG). For example, GAO acknowledged that the Automated Commercial Environment (ACE) program which struggled for many years to develop the needed capabilities has remained on track to meet its approved schedule and cost estimates. The DHS IG has recently come to similar findings regarding the ACE program.

While much has been accomplished, more is being done to address the challenges that remain. One of these on-going challenges is to ensure that acquisition programs are sufficiently staffed with trained and certified acquisition professionals. Recruiting and retaining top talent in the program management area is a challenge faced across the entire Federal Government. We have completed an analysis of the staffing gaps and I am working with component heads to develop aggressive action plans to close those gaps by Quarter 2 of fiscal year 2016. In the mean time, I am holding components accountable for meeting their staffing goals or face the possibility that their programs will not be allowed to proceed to the next phase of the acquisition cycle.

In a February 2015 report (GAO-15-290), GAO identified five (5) outcomes and recommendations in the Department's acquisition program management area. Of the 5 identified outcomes, one is "fully" addressed and we believe another will be "mostly addressed" by the end of calendar year 2015. We agree with GAO that we need to do a better job with producing and/or updating some of our acquisition documentation in a timelier manner. In response to this recommendation, I directed the Office of Program Accountability and Risk Management (PARM) and Component Ac-

<sup>2</sup>*Homeland Security Acquisitions—Major Program Assessments Reveal Actions Needed to Improve Accountability* (GAO-15-171SP).

<sup>3</sup>*Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs* (GAO-12-833).

quisition Executives (CAE) to execute a plan to complete all outstanding documentation for acquisition programs by the end of fiscal year 2015.

With regard to improving acquisition capabilities, I am pleased that GAO has determined that this recommendation is “fully addressed.” This has been accomplished in large part due to the solidification of the CAE structure, which serves as the single point of entry into each operational component. Each CAE is operating from a standard operating procedure that defines roles, responsibilities, and expectations. We will continue to refine this structure and support the success of each CAE.

As mentioned earlier in my testimony, we have made good progress addressing the requirements-development process. As indicated, this progress was accelerated in June 2014, when the Secretary formally re-instituted a Department-wide Joint Requirements Council (JRC). The JRC is comprised of senior operational executives from all major operational and headquarters components. It is chaired by a senior executive, currently a Rear Admiral from the Coast Guard, and reports directly to the Secretary’s office.

Since June 2014, the JRC has worked to create an effective component-driven joint requirements process that analyzes, validates, and recommends courses of action to leadership on DHS-wide capabilities and requirements that enhance operations, and more effectively and efficiently manage the Department’s investments. To date, the JRC has stood-up a support staff and 5 cross-component teams to assess and analyze capabilities across a broad array of portfolios which include: Aviation Commonality; Information-based Screening and Vetting; Information Sharing; Chemical Biological Radiological Nuclear (CBRN) and Cybersecurity. On April 14, 2015, I approved a Joint-Operational Requirements Document (J-ORD) for aviation assets that was analyzed and validated by the JRC. Additionally, the JRC is in the midst of developing an enduring Component-driven joint requirements process.

The JRC has already achieved initial operating capability and projects full operating capability by the end of fiscal year 2016. The JRC recently received budget authority in the DHS’s fiscal year 2015 appropriations to solidify the staff and develop a requirement generation process. Ultimately, the processes and procedures for the requirements-development phase will be codified into policy, which will ensure a lasting, functional framework for the Department’s requirements process.

Finally, we are in the process of implementing broader improvements to the acquisition process, beyond those mentioned previously. I have asked the senior procurement executive, chief information officer, and executive director for PARM to implement several initiatives by the end of fiscal year 2015. The first of these initiatives is engagement with industry councils. This engagement will facilitate honest conversations about the Department’s vision and strategic plan, to include mission-specific priorities, as well as challenges and gaps in current capabilities. Another of these initiatives focuses on obtaining feedback on how best to improve the quality and timeliness of our contracting process, which includes “learning events” on how we can improve debriefings, market research, and requests for information.

In addition, industry feedback may be utilized to make changes to MD-102, as well as to determine how best to normalize the acquisition life-cycle management review process across all Department-wide acquisitions (e.g., Information Technology, Research & Development, and professional services). We will also create a “Procurement Innovation Lab” that leverages the best practices from both the Federal Government and industry to improve how we procure innovative technologies.

It is our fundamental responsibility to manage the Department effectively and efficiently. Sound management is critical to our ability to execute our mission successfully, and it is incumbent upon us as guardians of the public trust to be careful and scrupulous in our expenditure of public funds. You have my commitment that I will continue to focus intensely on strengthening the Department’s management functions, and that I will work closely with this committee and with GAO to achieve that goal.

While there is still much work to do, we have made significant strides in improving acquisition and investment management for the Department’s portfolio of major programs. I believe we are making progress in shifting the paradigm so investment decisions are more empirically driven and there is qualified technical expertise to support program managers at each phase of the life cycle.

Thank you for the opportunity and the privilege to appear before you.

ATTACHMENT.—MEMORANDUM FOR DHS LEADERSHIP

APRIL 22, 2014

FROM: Secretary Johnson  
SUBJECT: Strengthening Departmental Unity of Effort



The Department of Homeland Security has many strengths, starting with the professionalism, skill, and dedication of its people and the rich history and tradition of its Components. These strengths have allowed the Department to achieve many successes in the short time since its creation. It is clear to me, however, that DHS has yet to reach its full potential as an organization. Such potential is difficult to achieve and takes even the best organizations many years. Complicating matters is the difficult budget environment we currently face.

Resource constraints also provide the impetus to build and mature our organization into one that is greater than the sum of its parts—one that operates with much greater unity of effort. As I noted in my recent testimony on our FY 2015 budget request, I am committed to improving our planning, programming, budgeting, and execution processes through strengthened Departmental structures and increased capability. We must have better traceability between strategic objectives, budgeting, acquisition decisions, operational planning, and mission execution, in order to improve both Departmental cohesiveness and operational effectiveness.

To be clear, these changes are not designed to centralize decision-making authority and processes within an opaque DHS Headquarters. To the contrary, these changes are intended to transparently incorporate DHS Components into unified decision-making processes and the analytic efforts that inform decision making. Our collective goal is to better understand the broad and complex DHS mission space and empower DHS Components to effectively execute their operations.

To accomplish this task, we will capitalize on existing structures and create new capability where needed—for example, as revealed by our recent Integrated Investment Life Cycle Management pilot study, which tested the linkages between inter-related strategy, capabilities and resources, programming and budgeting, and major acquisition oversight processes. That effort underscored the need to further strengthen all elements of the process, particularly the upfront development of strategy, planning, and joint requirements. Our collective task is to institutionalize improvements to support our primary objective: The effective execution of our missions. I have identified several initial focus areas that are intended to build organizational capacity, in order to develop action plans and implement change. Each requires our immediate attention.

*1. Departmental Leadership Forum.*—The Department has not had a forum for its most senior leadership—Component heads, Under Secretaries, and the heads of select other offices—to gather regularly with me and the Deputy Secretary in an environment of trust, and openly place on the table issues, arguments, and disagreements concerning our most challenging issues. This is changing. The Department's Chief of Staff is now scheduling twice-monthly Department Senior Leaders Council meetings, hosted by me, to discuss issues of overall policy, strategy, operations and Departmental guidance. The Deputy Secretary is hosting weekly Deputies Management Action Group meetings, and will use that group to move forward specific initiatives in joint requirements development, program and budget review, acquisition reform, operational planning, and joint operations.

*2. Departmental Management Processes for Investments.*—The strategic decisions of the Department's senior leadership are only as good as the processes that support and give effect to those decisions. Although much work has been done to date in the areas of joint requirements analysis, program and budget review, and acquisition oversight, more needs to be done to turn strategy into results. To that end, in order to improve our investment processes, I direct the following:

- a. Under the direction of the Under Secretary for Management, the Chief Financial Officer will strengthen and enhance the Department's programming and budgeting process by incorporating the results of strategic analysis and joint requirements planning into portfolios for review by issue teams. Substantive, large-scale alternative choices will be presented to the Deputies Management Action Group as part of the annual budget development. This review process will also include the Department's existing programmatic and budgetary structure, not just new investments. It will include the ability for DHS to project the impact of current decisions on resource issues such as staffing, capital acquisitions, operations and maintenance, and similar issues that impact the Department's future ability to fulfill its mission responsibilities.
- b. The Deputy Secretary, through the Deputies Management Action Group, will lead an expedited review to provide strategic alternatives for developing and facilitating a DHS Component-driven joint requirements process. This joint requirements process will include oversight of a development test and evaluation capability, identification of priority gaps and overlaps in Departmental

capability needs, provision of feasible technical alternatives to meet capability needs, and recommendations to me on the creation of joint programs and joint acquisitions to meet Departmental mission needs.

- c. The Under Secretary for Management will conduct a full review of the Department's acquisition oversight framework, and update the processes described in Directive 102-01. The result must be a transparent, coherent continuum of activities that link and integrate Departmental strategy and planning, development of joint requirements, programming and budgeting decisions, capital investment planning, and the effective and efficient execution of major acquisitions and programs.

3. *DHS Headquarters Strategy, Planning, and Analytical Capability.*—The actions directed in this memorandum require a focused, collaborative Department-level strategy, planning, and analytical capability that fully understands Component capabilities in these areas and coordinates with similar Component-level functions, in order to support more effective DHS-wide decision making and operations. As the Secretary of Homeland Security, it is my responsibility to understand from a Departmental perspective how the activities, operations, and programs of each individual Component fit together in order to best meet Departmental mission responsibilities in a constrained resource environment. In some cases, this involves developing a fuller, broader understanding of how the Department meets its operational responsibilities, such as securing our air, land, and sea borders. In other cases, this involves understanding how individual Component resources and activities are collectively integrated and employed in a unified Departmental framework that is agile and flexible to meet current and emerging threats when needed. We used this approach in a limited way for the development of the *Blueprint for a Secure Cyber Future*, TSA's Security Strategy for Mass Transit and Passenger Rail, the QHSR study on countering biological threats and hazards, and the cross-Departmental Inbound Threat Study.

My goal in focusing the collective DHS Headquarters strategy, planning, and analytic capability, which will harness a number of existing planning and analytic cells throughout DHS, is not to eliminate the need for Component-level planning or analysis. To the contrary, I intend for this focused DHS Headquarters capability to work together with the planning and analytical organizations within each Component to develop a comprehensive picture of the Department's mission responsibilities and functional capabilities, and to identify points of friction or gaps, thus framing the corresponding choices that must be made. This capability must be integrated into, not created and employed in isolation from, existing Departmental functions that are critical to day-to-day mission execution and mission support activities. In addition to supporting the other actions in this memorandum, I direct the following specific tasks:

- a. The Assistant Secretary for PLCY's Office of Strategy, Planning, Analysis & Risk will stop work on the current version of the FY14-18 DHS Strategic Plan, and instead will be prepared to lead the Department's senior leadership in a strategic planning effort through the Department Senior Leaders Council to set the vision and specific, mission-focused outcomes for DHS for the next 5 years. Annual resource planning guidance and operational planning guidance must be based on the Department leadership's strategic plan for addressing challenges over this time period. The decisions we reach now, especially with respect to investments, will dictate what capabilities our successors will have in the future. The Assistant Secretary for PLCY's Office of Strategy, Planning, Analysis & Risk will work with representatives from all of your organizations to develop the Department's FY14-18 Strategic Plan from that vision. The Department Senior Leaders Council meeting and subsequent meetings will be scheduled on release of this memorandum.
- b. The Deputy Secretary and the Department's Chief of Staff, supported by the Assistant Secretary for PLCY's Office of Strategy, Planning, Analysis & Risk, will provide direction, focus, and harmonization of current operational planning and coordination activities and the analytic capability of the Office of Program Analysis and Evaluation with Management Directorate's Office of the Chief Financial Officer, in order to strengthen integrated resource planning, the development of operational planning guidance, and the conduct of strategic analyses in specific portfolios and issue areas. Better synchronization across DHS Headquarters capabilities in these areas will increase DHS Headquarters' capability to effectively conduct and coordinate strategy, planning, and analytic activities.

4. *Departmental Processes for Enhancing Coordinated Operations.*—The strategic decisions of the Department's senior leadership and the investments our

Department makes in current and future capabilities will only be effective if cross-Department operations are planned and executed in a coordinated fashion. Many DHS operations are conducted solely by a single Component, although successful examples of joint operational activities exist in seaports such as Charleston, SC, Miami, FL, San Diego, CA, and Seattle, WA, and through organizations chartered under the National Interdiction Command and Control Plan such as Joint Interagency Task Force-South in Key West, FL, the El Paso Intelligence Center in El Paso, TX, and the Air and Marine Operations Center in Riverside, CA. Targeted examinations of specific mission- and function-related issues are necessary to enhance DHS-wide operational planning efforts, leading to more effective operations. Further, operational planning guided by my strategic intent, with outcomes and quantified targets, will better inform the joint requirements process and future resource decisions. Supporting these objectives, I direct the following:

a. The Deputy Secretary, through the Deputies Management Action Group, will lead a 60-day review and provide strategic alternatives for future coordinated operations. This effort will evaluate unity of effort options for enhancing DHS operational mission effectiveness in specific locations and geographic regions, or for the integration of cross-Departmental functions.

b. The Deputy Secretary, through the Deputies Management Action Group, will oversee an effort to develop a DHS strategic framework for the security of the U.S. Southern Border and approaches by August 1, 2014, along with a set of nested "campaign plans" for specific geographic areas or problem sets. As an initial part of this effort, the Assistant Secretary for PLCY's Office of Strategy, Planning, Analysis & Risk will lead an activity to develop the overall strategic guidance, including outcomes with quantified targets, upon which the framework and campaign plans will be based. Plan development will be led by a senior USCG official, working with responsible DHS Components and DHS Headquarters elements. The strategic framework and campaign plans will include approaches for improved information sharing, sensor integration, and unified command and control structures as appropriate.

c. The Deputy Secretary, through the Deputies Management Action Group, will lead a 60-day review to provide the Department's senior leadership with strategic options for enhancing DHS homeland security mission effectiveness internationally, through joint policy liaison and operational activity in overseas locations and geographic regions across all DHS components. It is imperative that we explore every opportunity to extend our homeland security efforts, in cooperation with our interagency and foreign partners, far beyond the borders of the United States. I understand that the Department has conducted several evaluations of its international footprint, but in today's budget environment we need to look more closely to make sure we are not leaving gaps nor have unnecessary overlaps in deployment and staffing.

Enhancing the effectiveness and unity of DHS operations to better fulfill our mission responsibilities is my primary reason for making these important changes. I recognize that what I am directing represents a departure in some ways from current DHS Headquarters and Component approaches to management and operations. But in adding structure and transparency, combined with collaborative, forthright senior leader engagement, we will build together a stronger, more unified, and enduring DHS. I intend to discuss these initiatives at the next Department Senior Leaders Council meeting, and will begin codifying these efforts in appropriate Department directives, beginning with the resource planning guidance for FY 2017–2021 and the DHS Strategic Plan for FY2014–2018. I look forward to your active support of these steps and your frank, forthright participation in the meetings that will follow.

Mr. PERRY. Thank you, Mr. Fulhum.

The Chairman now recognizes Dr. Sims for your testimony, sir.

**STATEMENT OF CEDRIC J. SIMS, PARTNER, EVERMAY  
CONSULTING GROUP**

Mr. SIMS. Good afternoon, Chairman Perry, Ranking Member Watson Coleman, and distinguished Members of the subcommittee. Thank you for the opportunity to appear before you today.

I am Dr. Sims, partner of Evermay Consulting Group. I was the first executive director of the DHS Office of Program Accountability and Risk Management, also known as PARM. I served DHS head-

quarters roles for over 3 years. My Federal career also includes over 8 years with the United States Secret Service, a window that also included the post-9/11 transition of Secret Service from Treasury into the Department of Homeland Security.

I am a native Texan and a graduate of Texas A&M University, and I have 22 years of experience in engineering and executive management applied to law enforcement and homeland security pursuits.

In 2011, I led the development and implementation of the Office of Program Accountability and Risk Management, with the highest-level support of the under secretary for management and my peer chief executive officers. This was a crucial time for the agency, and the creation of PARM was necessary to address on-going challenges with program management.

In the simplest terms, PARM has two fundamental responsibilities. The first is program accountability. This means that all stakeholders, not just the program manager, are accountable to the program for its success. The second is risk management. This objective is to address risks that are inherent in complex programs while supporting prioritization of investment decisions. An effective PARM will create an environment where the probability of program success increases while reducing risks that cause waste and inefficiency.

With PARM, Departmental acquisition was improved by putting in place methods to address front-end requirements and back-end program management. The goal is to minimize risk, encourage fiscal responsibility, and improve end-to-end execution across the entire acquisition life cycle.

In fiscal year 2011, acquisition programs represented nearly \$18 billion of the Department's \$55 billion budget.

In my first role at headquarters, I supported the DHS chief information officer's review of over 79 major information technology programs that accounted for the vast majority of \$6.4 billion worth of IT spend. From this rigorous effort, we observed pockets of excellence across DHS programs, but there were also many troubled programs. Despite its large budget, DHS had very little Department-wide institutionalization of program management disciplines, standards, or tools.

Coincidentally, GAO had just delivered a letter to the DHS Secretary in September 2010 advising to strengthen requirements and development processes. In the letter, perennial program management deficiencies were highlighted. The confluence of events was a clear call to action for reforms in program management.

I established PARM as an office to institute reforms with clear objectives: First, rationalize the requirements development process; second, improve and streamline governance; next, solidify the component acquisition executive role; furthermore, enhance business intelligence; and expand the acquisition workforce while strengthening program and project management training.

These were the guiding principles of PARM. By the time of my departure some 3 years later, the Department was armed with the experience gained from a review of over 100 programs and the conduct of over 70 acquisition review boards. We drew lessons from both successful and unsuccessful experiences. Acquisition decisions

were well-documented, and the expectations of program improvements were clear. The on-going body of work to be achieved was extensive but reflected shared Departmental responsibilities.

The recent report about the current state of acquisition management at DHS highlights that DHS programs are still exhibiting various levels of adherence to Acquisition Management Directive 102.

However, I am encouraged by DHS Secretary Jeh Johnson's Unity of Effort to drive more efficient and mature practices for managing investments. Acquisition processes are not perfect and are still maturing. This could only be achieved through a common discipline and set of practices that drive transparency and uniformity in decision making.

The successful delivery of major programs must continue to be a strategic business function of the Department. Those who directly carry out the mission require and deserve the tools and processes to help address their evolving mission needs effectively and efficiently.

Thank you for the opportunity to testify today. I am very happy to be here to support your efforts, and I look forward to answering your questions.

[The prepared statement of Mr. Sims follows:]

PREPARED STATEMENT OF CEDRIC J. SIMS

APRIL 22, 2015

Good afternoon, Chairman McCaul, Ranking Member Thompson, Chairman Perry, Ranking Member Watson Coleman, and the distinguished Members of the subcommittee. Thank you for the opportunity to appear before you today.

I am Dr. Cedric J. Sims, partner of the Evermay Consulting Group. I was the first executive director of the Department of Homeland Security (DHS) Office of Program Accountability and Risk Management, also known as PARM. I served in DHS Headquarters roles for over 3 years.

My Federal career also includes 8+ years at the U.S. Secret Service. This window included the post-9/11 transition for the Secret Service from Treasury to DHS. I am a native Texan and graduate of Texas A&M University. I have over 22 years of experience in engineering and executive management applied to law enforcement, transportation, and homeland security pursuits. I have had the unique privilege to serve in private sector, State, and Federal agencies.

In 2011, I led the development and implementation of the Office of Program Accountability and Risk Management with the highest-level support of the under secretary for management and my peer chief executive officers. This was a crucial time for the agency and the creation of PARM was designed to create an office responsible for program accountability and risk management. In the simplest terms, PARM has two fundamental responsibilities. The first is Program Accountability—in order to ensure that all stakeholders are accountable to the program for its success. The second is Risk Management—in order to heighten executive awareness of inherent risks to help prioritize investment decisions. Improving upon Departmental acquisition, processes and procedures were put in place to address “front-end” requirements as well as “back-end” program management, in order to minimize risk, encourage fiscal responsibility, and improve end-to-end execution across the entire acquisition life cycle.

In fiscal year 2011, acquisition programs represented nearly \$18 billion of the Department's \$55 billion budget. In prior years, I had led the development of the Concept for Future Operations for the U.S. Secret Service that became the cornerstone of its nearly \$300-million Information Integration and Technology Transformation program. In my first role at DHS headquarters, I supported the DHS chief information officer's review of over 79 major Information Technology (IT) programs that accounted for the vast majority of the \$6.4 billion DHS IT investment. There were pockets of excellence across DHS's programs, but there were also some very troubled programs. Despite its large budget, DHS had very little Department-wide institutionalization of process disciplines, standards, and tools for IT programs. Coinciden-

tally, GAO had just delivered a letter to DHS in September of 2010, advising the Secretary of Homeland Security, “to strengthen its requirements development process.” In the letter, perennial program management deficiencies were highlighted. The confluence of events was a clear call to action for reforms in program management.

I established PARM as an office to institute reforms with clear objectives:

- Rationalize the requirements development process;
- Improve and streamline governance;
- Solidify the Component Acquisition Executive (CAE) role;
- Enhance business intelligence; and
- Expand the Acquisition Corps while strengthen Program and Project Management training.

These were the guiding principles of PARM. By the time of my departure, 3 years later, the Department was armed with the experience gained from the review of over 100 major programs and the conduct of over 70 acquisition review boards. We drew lessons from both successful and unsuccessful experiences. Acquisition decisions were well documented and expectations for program improvements were clear. The on-going body of work to be achieved was extensive but reflected a shared Departmental responsibility.

The successful delivery of major programs must continue to be a strategic business function of the Department. Nearly half of the DHS budget is dedicated to obtaining goods and services to support and improve capabilities, including over \$16 billion in investments in acquisition programs. Those who directly carry out the mission require and deserve the tools and processes to help address their evolving mission needs effectively and efficiently.

There are a few points that should be kept in mind when reading the reports about the current state of acquisition management at DHS. First, consider the environment where the Department was deploying the earliest mission capabilities to meet rapidly-evolving threats. We knew the acquisition processes were not perfect and needed maturing. This could only be achieved through a common discipline and set of practices that drive transparency and uniformity in decision making.

Through Acquisition Management Directive 102-01 and subsequent revisions, we documented policy, governance, and processes requiring far more rigorous program management than previous DHS policies and practices. The DHS programs are still exhibiting various levels of adherence to the directive’s guidance. However, I am encouraged by DHS Secretary Jeh Johnson’s Unity Effort to drive more efficient and mature practices for managing investments.

Second, clear and rigorous practices absolutely needed to be established. The cornerstone of our acquisition review process is the program baseline. The acquisition program baseline formally documents critical cost, schedule, and performance parameters that must be met to accomplish the program’s goals. By tracking and measuring actual program performance against baseline, management is alerted to potential problems and can take corrective action. We implemented common tools for collection and dissemination of business intelligence such as the centralized Decision Support Tool (DST). Utilization of these tools helped us better manage the complex relationships between mission objectives, program strategy, and performance metrics for a specific program.

Finally, in order for acquisition practices to continue to mature in terms of process and oversight, DHS must continue to work collaboratively with partners across the Homeland Security enterprise. During my tenure, none of the maturation, or any of these improvements in oversight, could have occurred without the on-going discipline of reviews, done both internally by DHS and its components and externally by GAO and IG.

Ultimately, we must be ever-vigilant to perform a much better job of successfully delivering best-in-class solutions to operators, stakeholders, and citizens.

Thank you for the opportunity to testify today. I am very happy to be here to support your efforts. I am here as a citizen, fully committed to the critical missions of the Department of Homeland Security and defense of the people of the United States of America. I look forward to answering your questions.

Mr. PERRY. Thank you, Dr. Sims.

The Chairman now recognizes himself for 5 minutes for questioning. I will start with Under Secretary Fulhum.

You know, in reading the GAO report, I have to tell you, I was struck by—you know, things you didn’t know, right? The impact to our border and maritime security and the scheduled delays of several major CPB and Coast Guard acquisition programs. You have

already mentioned them, but it bears repeating: The CPB integrated fixed towers, over 6 years late; Coast Guard long-range surveillance aircraft, over 9 years late; and the National Security Cutter, 4 years late; the Fast Response Cutter, over 4 years late.

You know, with immigration being an issue—and this isn't meant to be a gotcha question, but just curiously. You know, when you talk about the integrated fixed tower system that is 6 years late, according to this, any idea of how—you know, because I think it is important to put it in terms so people understand that the failure of the acquisition process has consequences on the ground.

Any idea how many illegal aliens will—you know, is there an estimate of how many will penetrate the border at those locations where the towers are supposed to be and are not?

Mr. FULGHUM. Well, first of all, as you know, I am not the immigration expert.

Mr. PERRY. Right.

Mr. FULGHUM. But I can talk to you about what we are doing to get the program delivered.

Mr. PERRY. Okay.

Mr. FULGHUM. So, when we talk about 6 years, that is from SBI-net. As you and GAO have documented, that program did not deliver. So we stopped the program, restructured the program.

The current program is 21 months behind schedule, for two reasons. First of all, when we got the bids in, we got a lot more than we thought we were going to get, so it took us longer to go through that demonstration period. The second part is the award was protested.

We have gotten past that now, and we are now on a path to deliver that capability, albeit, as you said, later than we would have liked.

Mr. PERRY. Let me ask you this. This isn't part of the script, so to speak, or the questions, but I am just—it is a billion dollars, right? That is what I have, a billion dollars. How did we get a billion dollars into it before we figured out it wasn't working? I mean, how does that happen?

Mr. FULGHUM. So, as you know, I wasn't here then, but what I would tell you is, based on my experience, that DHS' acquisition process—and this is a key tenet of what the Secretary is driving us towards—is, if you get it right up front, you are going to be able to deliver.

So, in other words, if you get the requirements up front correctly and they are well-defined and you have operator input and you get the right mission needs statement, the right operational requirements document, if you get a well-defined requirement, you will get a better cost estimate, you will get more reliable budgets, and then you will be able to proceed through the acquisition process.

What has hampered DHS' ability in the past has been the lack of a strong requirements process. The Secretary is fixing that. Standing up the JRC is an important milestone. It is up and running, and it has actually approved its first joint operational requirements document. It has a lot more work to do. We need to get the governance underneath it in place.

But that—and I think my colleague from GAO would agree, as well as Cedric, that that is the key to a successful acquisition, is identifying requirements up front and getting them right.

Mr. PERRY. So, if I can brief you back, it sounds, you know, to make it simple for me, because it took a couple minutes, but what I heard was, we didn't know, the Department didn't know what they were asking for, or they couldn't identify the requirements and articulate them so that it is not the contractor's fault that they gave us what we asked for. We didn't really know what we were asking for, it sounds like, I mean, to a certain extent.

I just wonder how you get a billion dollars into it before you figure that out.

Mr. FULGHUM. So I would say that—

Mr. PERRY. Let me ask you this. You know, I heard, what, it was, on the one project I think that Ms. Mackin mentioned, 6 of 15 or something were untested. Like, that is essentially 50 percent or something like—how are we buying anything that is untested?

Mr. FULGHUM. So I would characterize it this way. First of all, we leverage testing of—for example, the 130s, we leverage testing of the Air Force. So while we didn't do the testing, we leveraged testing that DOD did. In another case, while we didn't do operational testing, we did acceptance testing.

Let me just be very clear. Since I have been the under secretary for management in the acting role, we have had ARBs, and every ARB, no program moves forward without Test and Evaluation looking at us and saying, "Yes, we are comfortable. We have looked at the test plan, we have an accurate assessment, and we are good with it moving forward."

So I believe we have fixed that problem. But, in the past, as she has said, some programs have not had all the KPPs, as she identified, documented in a way that said how we went through that assessment.

Mr. PERRY. So, real quick, since my time has expired, but just to finish the thought: So now that you are here and you have instituted the program, how long until people like me see results?

Mr. FULGHUM. So I think you are already seeing results—

Mr. PERRY. I will let you stop there.

Mr. FULGHUM. Okay.

Mr. PERRY. I don't want to hold other folks up, so, in the interest of time, I appreciate it. We will continue.

Mr. FULGHUM. Yes, sir.

Mr. PERRY. With that, the Chairman now recognizes the Ranking Member, the gentlelady from New Jersey, Mrs. Watson Coleman.

Mrs. WATSON COLEMAN. Thank you very much.

I have a lot of questions, so let me see if I can get really quick answers, though. I want to start with the GAO.

Do you think the Department is moving in the right direction? Is the Department organizing appropriately? Is it creating the entities necessary to ensure that there is good decision making in the first place, accountability and then verifiability? Is it moving in the right direction?

Ms. MACKIN. I think it is moving in the right direction.

As you know, there are acquisition oversight responsibilities at all—



Mrs. WATSON COLEMAN. Yes.

Ms. MACKIN [continuing]. Levels in the Department, from the USM to PARM and, importantly, the components and the program offices. I think, if I had to pick one area where I think more could be done, it is at the component and program office level. The policies, as we have said for many years, are sound. It is a matter of following them in practice.

Mrs. WATSON COLEMAN. So the component, and what was the other thing you said? Component and—

Ms. MACKIN. Program offices.

Mrs. WATSON COLEMAN. Programs.

Ms. MACKIN. So down to the lower levels in the organization.

Mrs. WATSON COLEMAN. Yes. Thank you.

Let me move on to Mr. Fulghum, because you mentioned something in testimony that I read that had to do with personnel. I don't know if it was inadequate personnel, not enough personnel.

To what extent are we having these concerns about the Department's success here having to do with personnel as opposed to systems? What is the issue with personnel?

Mr. FULGHUM. So I believe the issue you are referring to is the program office having adequate staffing and the training of those folks.

So what we have done is we have done a program assessment of the staffing needs of the various programs out in DHS. There are gaps in those programs, just like there are gaps in staffing needs across the Department, and we are working to aggressively fill those gaps.

In addition to that, we have an excellent training institute where we get interns. We have about 60 at any given time going through the pipeline. We graduate about 30 a year to feed those programs. So I believe we are on the right track.

The last thing I would say very quickly is that no program—again, every program that comes before us has to talk to us about staffing. They have to show us how many folks they have on board versus what they need. If it is not adequate, that is one of the considerations, whether they move forward or not.

Mrs. WATSON COLEMAN. So do you have an issue with recruiting people or training people or retaining people?

Mr. FULGHUM. So I think we have an excellent recruiting tool in our acquisition institute. In the past, we have had some trouble placing them and retaining them. Tight budgets mean folks were squeezing down the number of folks they had. I think we have solved that now, and we are able to place those graduates within DHS and keep them.

Mrs. WATSON COLEMAN. So the memo that I referred to that was just delivered to Congress, I guess, yesterday—or today, excuse me—referred to a number of instances where you deviated from—or not you, but the Department deviated from its practices and granted waivers.

There was an indication that there was going to be an assessment of those instances and that there was going to be, I guess, a finding, one way or the other, with regard to those waivers that were given. Has that been done?

Mr. FULGHUM. So we agreed with GAO. I issued an ADM, I believe yesterday, an acquisition decision memorandum, that said three basic things.

First of all, it told program offices to give us a 5-year projection on those programs and sustainment in terms of cost.

The second thing it did—and this is very important—is I said, “I need an end date. When is this program scheduled to be done and be complete?” Because that is important for us so it signals when we have to start looking for the next investment.

The third thing that we asked my office to do in CFO is simply to make sure that we are looking at these 42 programs as we go through our normal programming and budgeting process, that they get the appropriate visibility so that we make sure that we are not seeing cost growth or things of that nature and we can address it through the budget process.

Mrs. WATSON COLEMAN. What, if anything, do you need from us?

Mr. FULGHUM. Well, as—

Mrs. WATSON COLEMAN. Besides calling you down every other day for a hearing.

Mr. FULGHUM. I think the bill that was passed last year would certainly help us codify and give us the authority that we need. It would codify the framework that we have.

I think you are going to have to give us some time, and I know you hear that a lot from people that sit up here, but you are going to have to give us some time, in terms of maturing the joint requirements process and getting the foundation that started poured concrete over so that it is institutionalized.

But I think we are making huge improvements each and every day, and I think our acquisition process is getting better.

Mrs. WATSON COLEMAN. Thank you, Mr. Chairman. I yield back my time.

Mr. PERRY. The Chairman thanks the gentlewoman.

The Chairman now recognizes the gentleman from South Carolina, the maker of the bill, Mr. Duncan.

Mr. DUNCAN. Thank you, Mr. Chairman.

Thank you.

It is almost a year ago that we sat in this very room and had this same conversation about acquisition reform for DHS. We still see a GAO report that talks about schedule delays for up to 4 years, the need for baselines and performance metrics, the need for program oversight and performance discipline. The bottom line is we see programs and solutions which are late, cost more, and do less than originally promised.

Last year, the House passed a bill that I authored to put acquisition reform in place. Secretary Johnson assured me that it wasn't necessary, that he was going to implement the same acquisition reforms at DHS. I hope that is the case.

I hope we will continue to talk about accountability, discipline, and transparency because the Nation is \$18-plus-trillion in debt, and every dollar that is wasted through schedule delays or the lack of this acquisition process that is necessary, with the necessary metrics and oversight, is a dollar that can't be used to defend our borders, can't be used to protect our communities or protect our citizens.

So I think this is so important. I would love to see this committee and the Congress pass a version of an acquisition reform bill similar to what we passed last year, maybe with a few changes.

So the question I have—and, Ms. Mackin, you were, I believe, in this committee last year when we were having these conversations.

The question I have, Mr. Fulghum, is, what is happening over at DHS? With Secretary Johnson's assurances to me last year that he was going to continue down this track and put forth an internal policy for acquisition reform, bring me up to speed.

Mr. FULGHUM. Okay. I can tell you what we have been doing over the last year.

First of all, as I said, we stood up a joint requirements process, which is key to improving acquisition. It is up and running. It has approved its first joint requirements document. That is one document, I know that, but that is a strong signal that we are serious about getting the requirements piece right.

What Secretary Johnson was also talking about is making sure that we have the right folks doing strategy because strategy drives requirements. So we have reorganized our policy to be a strategy and planning function that feeds the requirements process.

Then, from the acquisition oversight perspective, we have conducted over 22 ARBs. They are not ARBs where we just sit around and discuss things; they are outcome-oriented ARBs. I have chaired 13 of them myself. We have had programs that have come in, like Air and Marine, that haven't been to an ARB in at least 4 or 5 years. They came, we gave them actions, and they are doing those actions. We would be happy to share with you the progress we are making in terms of each one of those programs.

So I believe that, again, we have a ways to go, but the Secretary charged us with getting acquisition right, and we are doing it.

Mr. DUNCAN. Ms. Mackin, do you agree with that assessment in the 2015 report that just came out?

Ms. MACKIN. I guess "cautiously optimistic" would be the way I would phrase it.

We have been calling for the Joint Requirements Council, for example, to be reformulated since 2008. So now it is chartered; that is good. We haven't seen any outputs yet. I know aviation requirements was first up. So we haven't seen the documentation. I look forward to looking at it but, more importantly, seeing an output. Are requirements going to be considered across the Department and in more of a portfolio aspect so that there is not some duplication that may be there right now?

I do think requirements is the most important consideration right now for the Department.

Mr. DUNCAN. All right. Do you agree that this type of oversight from Congress is important?

Ms. MACKIN. Absolutely. As was mentioned, we also did definitely support the bill from last year. I think it would go a long way toward codifying some roles and responsibilities within the Department, calling for acquisition baselines for all programs, reporting structures when there is a breach of cost, schedule, or performance thresholds and so forth.

Mr. DUNCAN. I want to thank you. Thank you for all your work, your work, and also at the Department with Secretary Johnson. I

would love to see where a new program, not some of these that we have talked about in the past, but where a new program is brought forward, you have advised Congress that this is how you are going to acquire, this is the baseline, this is the metrics, this is the performance standards we have put in place, this is sort of the review that we are going to do, and let us track that process, as well. Because I think it is important that we save our taxpayer dollars in these times.

Mr. Chairman, it is 3:15 in the afternoon, 3:20. It is not the grooviest time slot, whether you are on TV or whether you are in Congress in a Congressional committee. C-SPAN is probably not covering this. This isn't the grooviest topic that is out there. But it is so important when we talk about saving taxpayer dollars, because every dollar is important, so I commend you for that.

I yield back.

Mr. PERRY. The Chairman thanks the gentleman.

You know, as I read through the briefing, you know, you look at up to \$10 billion in acquisition-cost loss. I don't know, \$10 billion seems like real money to me around here, and we could probably use it on occasion, from some of the things I have seen.

But, with that, the Chairman now turns to the gentlewoman from California, Mrs. Torres.

Mrs. TORRES. Thank you, Mr. Chairman.

Mr. Fulghum, DHS has the third-largest budget in—your agency is the third-largest, with \$18 billion spent in goods and services annually.

This report has also identified that personnel has failed to follow established guidelines. What factors contribute to the on-going schedule delays, cost overruns, and the failure to complete programs as intended?

I know that you have been asked this over and over, and we will continue to ask over and over because of the seriousness, you know, of the reports that we are receiving. I tend to agree with my colleagues, that we have to protect taxpayers' dollars, and this is the only avenue that we have to do that.

Mr. FULGHUM. We agree with that.

I will start with, again, the requirements process. A better-defined requirement leads to a better cost estimate, which then leads to a better budget build. That alone won't do it, but that puts the program on a good start.

As a part of that requirements process, one thing I need to mention is that our S&T Directorate is a key member of that body because they need to look at the technical aspects of what the requirement is and how we are going about solving that requirement to make sure it is technologically feasible. Because, as she has mentioned in her report, at times you have a good requirement but it is just not technologically mature.

So why are programs over cost? Because, again, we need better-defined requirements, and it will get you a better cost estimate. But I will be frank with you; budget uncertainty has certainly contributed to this. You know, our budgets have been going up and down, and the timing associated with getting those budgets has definitely been a contributing factor.

Mrs. TORRES. So how do you intend to complete the 22 acquisition programs as conceived? How will the Department address the shortfalls in funding that have already been identified?

Mr. FULGHUM. So, for the six programs that have been mentioned here today that need an approved program baseline, they will have one by the end of this year. Because what I have told those programs is simply this: I need a goalpost, first of all. Then we will get a revised cost estimate, and then we will be able to come to closure on those programs.

Each one of them are in various stages of their acquisition life cycle, but I can tell you that, where they are missing a cost estimate, by the end of this year we will have 7 of the 10 that need cost estimates done. The other three will be done by the first quarter of 2016. So we will have that done.

Then those that are in breach will come back in front of the ARB, and they will be told, I need to hear from you how you plan to get the program back on track.

Mrs. TORRES. Last, will you walk me through the process, the actions that DHS is taking to ensure that the ARB is meeting consistently to review the major acquisition programs?

Mr. FULGHUM. So, a couple things.

One, we have had 22 ARBs, I think, in the past 12 months, 13 while I have been there. So it is the responsibility of the director of PARM to look out and see when the next major acquisition milestone event is. Or if we have said, I want to see the program every 3 to 6 months, whether there is an acquisition decision event or not, it is his job to make sure those programs are coming in.

As I said before, coming before us is interesting; that is good. But then what are the actions and outcomes that we want and that we codify in an ADM? So it is the director's responsibility to tell me how we are progressing on those actions, which he does.

Mrs. TORRES. So the next step would be for us to call the director of PARM in here and say, what are the action items, and why have we not seen the follow-up that we need to see in order to ensure that you have meetings—

Mr. FULGHUM. So I—

Mrs. TORRES [continuing]. And that you have actual—you can show for something. I don't want meet-and-greet meetings.

Mr. FULGHUM. No.

Mrs. TORRES. You know, we want results.

Mr. FULGHUM. That is right. We can provide, and we do provide, the ADMs. Every acquisition decision memorandum that we write, we do provide a copy of it to the Congress. We are happy to do that. We are also happy to come talk to you about the outcomes that we have had and where we are on each one of those.

Mrs. TORRES. Thank you.

Mr. PERRY. The Chairman thanks the gentlewoman.

The Chairman now recognizes the gentleman from Florida, Mr. Clawson.

Mr. CLAWSON. Thank you all for coming. Thank you for doing this hearing, this committee meeting.

I was in Foreign Affairs, and so what happens is we are often double-booked. So I apologize for being here late, but it does not indicate a lack of interest.

I showed up in June of last year and came in on a special election. It is kind of—having come from the private sector, where we normally try to get as much information as we can before we make a decision, it has been an odd change for me to be in an environment where we are asked to make decisions and there is very little data.

So we keep coming to these committee meetings, and we get real, live, meaningful anecdotes, of which I do not in any way criticize, but when it comes to baseline information of any sort—capital expenditure information, historical or otherwise; cost information; return on investment to the taxpayer—whichever part of Homeland Security it is—and I am not trying to be partisan at all—I just can't get any baseline data.

So sometimes I am asked, well, will you approve a certain, you know, new border investment or something else, and I always feel befuddled because, with no data, nothing that demonstrates any kind of, you know, adherence in the past, it is hard to make a choice. I don't know how much capital expenditures are being spent here. I don't know where it goes. We just don't know anything. The reports I see from the GAO says there is really no baseline.

So I kind of say to myself, how did we get here, where we spend all these millions and billions, don't know where it goes, can't measure how we are doing, and no baseline in place? Does that make sense?

When I go see—for example, I went to see Mr. Fugate at FEMA. He says he is setting—he never had it before—he is setting in the baseline. We believe him; looks like he is doing all the right things. But, on a general sense, I would like to help in a nonpartisan way, but I don't know how to do that without any data, and I don't know how to get it.

So you all are probably getting better data than we see, and I don't know how much of that is because Congress becomes partisan. I would just like to be able to get some data so we would know whether taxpayers are getting a fair return and people are doing a good job. That doesn't seem too complicated. No matter who I ask, who have sat in your chair, I have never received any data. I am not trying to be critical or criticize; I would just like to know where things stand.

Now, does what I just laid on you, does that seem par for the course, or am I missing something obvious here on how to get enough data to where we can really do our jobs as kind of the board of directors? I will let you all respond to that one by one.

Because, with no data, I can't say who is doing a good job and who is not. I am sorry if any of this repeats what has already gone on today.

Ms. MACKIN. I guess I would comment, just speaking about major acquisition programs. There is a database that the Department has that was part of the work we did. We went to look at how good the data was. So that database is supposed to have cost estimates for all these programs, baseline data, schedules, changes to those schedules, all the information that you might be talking about.

We did find inaccuracies. In fact, the data wasn't reliable enough for us to really assess. But that was one recommendation we made.

Again, it goes back to program managers and the components. They are supposed to be going in there and entering the correct data for their programs and validating it. DHS agreed to see why that wasn't happening.

Mr. FULGHUM. So, as she said, it is not the data; it is the quality of the data. The data is there. So let me tell you what we are doing about it.

We have talked to each and every chief acquisition executive and said what is in the system she is referring to needs to be updated monthly and it needs to be accurate. So what we are going to do is, each month we are just going to start measuring the validity and accuracy of that data.

Because what she is also referring to is we provide Congress a comprehensive acquisition status report every year that has all the things she just described in it. The criticism in the past is some of that data is not accurate. It is better than it was, but more work needs to be done. But we do have a comprehensive acquisition report that we provide each year, and we provide quarterly status updates.

Mr. CLAWSON. Who sets the goals?

Mr. FULGHUM. With regard to?

Mr. CLAWSON. With regard to how much improvement on the baseline, how much implementation on the baseline.

Mr. FULGHUM. So, one of my jobs is to say how much better are we going to get over time. That is one of my jobs, working with the component acquisition executives and the program managers.

Mr. SIMS. Sir, it is a pleasure to meet you. My name is Cedric Sims.

I would share with you that one of the things that I would share with the program staff is that the programs often—the way that they began is how they are going to end. So there are a lot of complex programs at the Department that had a rocky start and probably haven't quite gotten right yet.

With respect to data, there was a number of systems that were implemented to support data collection. Some of those programs were on their own; some of them were at headquarters. Finding a common way to get that data in one place was a key objective of PARM. I believe the GAO report refers to some of those systems.

At some point, realizing the data at the beginning is not going to be pretty, and understanding that sometimes there is training so people understand and agree the same number means the same thing—when we talk about a cost estimate, let's all agree to what a cost estimate actually is. Then, from that point, improvements can be driven.

So, from that, certainly, PARM as an organization had traditionally helped do the validity and the validation work around the data collection, and PARM's role as an independent arbiter of that is very critical and continues to need to be reinforced.

Mr. PERRY. If the gentleman would yield, it is my understanding that the report—there is a report given with some of the data or much of the data that you have asked for, but, by statute, it goes to Appropriations, who is not always or often willing to give to it this committee.

In the legislation that is being offered, there would be a solution set there where we, too, would get the data. So that should be helpful to you.

Mr. CLAWSON. Right.

I guess my point is, or one of my points is, data against a baseline, against a goal, that has been previously discussed then allows folks to be able to make some sort of rough judgment on performance and in terms of accountability. If we have a baseline in this committee on much of the cost data and capital expenditure data of the Department, we haven't seen it. Therefore, if you show us progress, it is hard to measure progress without having had a baseline.

When we had the hearing here on capital expenditures, we were given a list of capital expenditures from 2010, as I recall. I was embarrassed.

So, as much as you all can put it in a package that the board of directors or the committee can understand in a summary state and, therefore, be able to make some sort of judgments and some sort of conclusions, then we can be supportive on the direction of the Department. Does that make sense to you all?

So on every group that comes in here, I am always urging, please give us data in a way that we can draw performance conclusions in a clear managerial way, just like the folks that are running the departments.

Massive data that is uncollated or unconnected in systems that aren't integrated and in managerial cost data that is not defined across the organization probably won't—it just swamps me, you know, and probably won't—I think, Dr. Sims, you understand what I am saying here.

So if you are not integrated yet inside enough to where you can come up with common data for yourselves to manage the organization, it will be impossible for us to do so from this side. Then we just get into partisan criticizing based on anecdotes as opposed to real data.

I don't mean to sound, you know, like I am going on and on here, but, Dr. Sims and both of you all, does that make sense? Where are we on that? How close would we be in order to come up with some sort of managerial summary?

I am sorry if I am taking too long.

Mr. PERRY. We are going to move on. We are going to do a second round here just to make sure we get all the questions—give an opportunity for all questions to be asked.

Mr. Sims, you are the former executive director, as stated, of PARM. A couple things: I am just wondering what you see the challenge is. Is it more poor oversight by DHS? Is it more—or would you characterize it as poor program management from a component and systematic approach, if you had to choose?

Mr. SIMS. Well, you give me a difficult set of choices there.

Mr. PERRY. Yeah. We have them every day here.

Mr. SIMS. Indeed.

I apologize, but I wouldn't characterize it as either, if you don't mind, sir.

I would say that what we have is a circumstance where, when a program is put under the hot light of an acquisition review,



things get right. They really do. There is no question. I think that that has been a very effective process.

But DHS has a very vast enterprise, and so scalability is important. Baselines are absolutely the first thing that must be established for programs. If we don't have a baseline, if we don't have anything to evaluate, we have no way to measure progress.

It would be a welcome thing, I think, at some point, to see a number of baselines coming and being reported as being rebaselined as programs mature their processes and really understand what those baselines should be and how the program can ultimately deliver on the performance expected.

We have a phenomenal program management corps at the Department of Homeland Security. I would recognize that there are several outstanding program executives at DHS, but there are also some areas for improvement. I think, often, when you see a successful program, you can point to a very successful program executive running that program.

Mr. PERRY. Let me continue with you. This is a little bit of an uncomfortable question, but I think it is important to determine, if we can, some of the facts here or at least your perception. Because there is potentially a trust issue, and, of course, the public may see this differently than maybe what might be alleged.

But there was the wife of a former DHS inspector general, Mr. Charles Edwards, who I am not familiar, so—who faced serious—Mr. Edwards apparently faced serious allegations of a lack of independence and nepotism. Apparently, Ms. Edwards was one of the employees at PARM.

Can you flesh that out for us at all? Can you tell us, is that normal? Is there a policy—and it may be one thing to be two members of the same family in the organization, but when one is the inspector general, you can see the perception, if not the reality, that it creates.

Is there anything that you can impart to us to kind of allay our fears that this was just purely nepotism, that there might have been undue influence, et cetera?

Mr. SIMS. Yes, sir. I would be happy to. I don't find that uncomfortable at all.

We have the benefit of being able to scale PARM fairly significantly in terms of staff and put out some job announcements for opportunities. As I recall, I believe her name was Madhuri Edwards. She was selected as one of the individuals for PARM.

At that time—and I just want to be very clear—I was the executive director of the office. I had a number of staff that were responsible for staffing those positions. I hired my deputy directors and told them to run with it from there. Her degree of candidacy and the degree to which she was the appropriate selectee for a role, I can only believe that the process worked as it should.

She was not an employee of mine. I had departed PARM by the time she actually reported to work. So I can't speak to her performance thereafter.

Mr. PERRY. Thank you. I appreciate it.

With that, I will yield to the Ranking Member, Mrs. Watson Coleman, for questions.

Mrs. WATSON COLEMAN. Thank you, Mr. Chairman.

Dr. Sims, I want to talk to you a little bit because you have been inside and now you are outside, and I would like to just kind of get your perspective on a couple of things.

What impact do you think that the Secretary's One DHS initiative is having on increasing morale among the acquisition personnel and on producing better outcomes regarding program management?

Mr. SIMS. Madam, thank you again for the opportunity to appear before you.

I think that that is yet to be seen. I think the opportunity to improve morale is there. I think that most employees at the Department—I am just reflecting upon my time—had a good opportunity to mentor a number of employees that were seeking opportunities to come into the Executive Service at some point in their career. I found that most were seeking authenticity, consistency, clear messaging, and so forth. Certainly, I can see out of the message, the unity message from Secretary Johnson, very, very strong intent there to drive that kind of consistency and authenticity in message.

Also, too, DHS has a phenomenal mission, and every time we had an employee that was detailed from another component, they found that they were enriched by that opportunity. I think the Unity of Effort will likely open avenues for components to share the best and the brightest across the organization and, quite frankly, utilize resources where they are best needed at the Department.

So I see it as a positive opportunity, but, you know, the time for that to actually be shown as effective, I think we will still see that.

Mrs. WATSON COLEMAN. Yeah.

Whenever we hear from someone, when we have a discussion with the Department, we hear of this great effort, this Unity of Effort that Secretary Johnson has advanced, and it is always spoken of in a very encouraging and supportive way. So we look forward to the fruit that it will bear, because it does seem as if we are moving in the right direction in a number of areas.

That it is at a department with such diversity and just so many things happening at one time is amazing. We will never be perfect. I mean, as long as we are human beings, we will never be perfect. So we need our systems and our accountability there so that we don't continue to make the same mistakes over and over and over again.

To that extent, what additional steps do you think that the under secretary for management and executive director of PARM should take to ensure that the acquisition personnel have the training and tools to implement effective baseline measurements? Do you think that there is any need for additional policy authority or legal authority? If so, what would that be?

Dr. Sims.

Mr. SIMS. Well, madam, I had an opportunity to take a look at the bill from the prior Congress, and I believe that that would be a fantastic product to support institutionalization of some of the best practices at the Department.

I do believe that, within the Department, that policies that are in place are very robust. I think more of an understanding of how to actually apply them in different contexts will continue to enhance the application of that, so, you know, a guidebook that says,

this is how you do this. DHS has provided one in the past regarding this. As we continue to refine the kind of capabilities that are delivered, we need to continue to provide that guidance to the programs—a playbook, a roadmap, some way that kind-of helps everybody understand what this is about.

Finally, I am encouraged and heard recently that there are some efforts to rationalize roles and responsibilities. Unfortunately, we see some things as black-and-white, and they never were intended to be.

I note there are several efforts on-going to strengthen the role of the CIO at the Department. I think that that should be in direct support of efforts to strengthen acquisition management at the Department. Those things don't need to be in conflict. Again, I benefited from a prior career and working very closely with the DHS CIO and would hope that that will continue at the Department.

Mrs. WATSON COLEMAN. Both you and Mr. Fulghum have both mentioned the issue of maturation and institutionalization of the changes that are taking place. I agree that we do need to be mindful of that also.

Mr. Fulghum, you referred to having issued an ADM recently with regard to the memo that we received. I am just wondering, is there a time frame for, sort-of, the, you know, execution of the elements that are identified? What are we looking at in terms of a response?

Mr. FULGHUM. So we have asked for the program offices to come back by the 29th of May to give us, again, that 5-year cost assessment. Then we well—as well as, again, that program end date.

Then in the next current budget cycle, which is the fiscal year 2017 budget cycle, we will take a look at those 42 programs in terms of where they are in their life cycle against that cost estimate and make the appropriate budgetary adjustments.

Mrs. WATSON COLEMAN. Thank you.

Thank you very much, Mr. Chairman.

Mr. PERRY. The Chairman thanks the Ranking Member.

We are expecting votes anytime, but, in the mean time, we will recognize Mr. Clawson again, the gentleman from Florida.

Mr. CLAWSON. Mr. Fulghum, do we have integrated systems in IT purchasing, HR, financial, across the different areas of the organization?

Mr. FULGHUM. No, sir.

Mr. CLAWSON. Is there a program under way to do that, or is the thinking to leave it decentralized?

Mr. FULGHUM. No. We are looking on our financial systems—for example, we are well under way with a modernization effort, a shared services solution, wherein we go look at the current state of the market, and then we—my words—ride on those systems. So we have TSA, Coast Guard, and DNDO scheduled to begin that process at the end of this fiscal year, and then we will move each one in a successive year.

Right now, we have six core financial systems in the Department, and the goal is to reduce those and go to a shared service solution.

Mr. CLAWSON. Yeah. That is a good idea. How long will that take?

Mr. FULGHUM. Given our current budget, we are scheduled to be done in 2020. What I would like to do is see us accelerate that, but it will be budget-dependent.

Mr. CLAWSON. Right now what you do is you integrate the data at headquarters level; is that right?

Mr. FULGHUM. So, from a financial systems perspective, we have some business intelligence that takes those disparate systems and integrates the data. But it is not ideal.

Mr. CLAWSON. Do you have integrated purchasing?

Mr. FULGHUM. We do not have integrated purchasing integration with our financial systems across the board. We have some but not a complete integration in the systems, which is, again, a fundamental requirement of our financial systems modernization effort. They have to provide procurement integration.

Mr. CLAWSON. So do we have a way to measure how good we buy things or not? Or you let each entity do that now.

Mr. FULGHUM. So we do have metrics on how well we are performing in buying good and services. Our procurement officer has that. Can we be better? Yes. But we do have metrics on how well we are doing.

Mr. CLAWSON. Okay.

Then the last question: How long before—you are not going to have an integrated system until 2020 unless you get more money to go quicker. I understand that. So, in the mean time, you integrate at a middle level or an upper level—I understand that—because management has to run the operation. I got all that.

Even if you measure on a local basis, how long before all of your different entities or organizations have baselines? What is the goal so that everybody has the measurable baselines that all of you all referred to earlier?

Mr. FULGHUM. So, if we are talking on our acquisition programs—so we have six programs that she referenced that will have acquisition program baselines by the end of this year, from which to measure them going forward.

Mr. CLAWSON. Sorry if I missed that when I was gone.

Mr. FULGHUM. I would note that, several years ago, we had 42 programs. We are down to six. We will get those six done this year.

In terms of cost and schedule, particularly cost, we have 10 programs left that don't have a good cost estimate. We will have seven of those done by this year, the remainder done in early 2016.

Mr. CLAWSON. Your IT system will have a managerial cost function that you can spread across each one of the acquisitions, right?

Mr. FULGHUM. So, as we move towards a modernized solution, we will have a common account structure, which is another challenge for DHS. We came from lots of different agencies. That common account structure will give you what it is you are looking for.

Mr. CLAWSON. Okay.

So the final word I have and the most important: It feels to me like you are dealing in 1990 or 1985. So, good luck. You have a lot of work to do. Anything we can do—I mean, you know, I am being totally serious here. You have a rough way to go ahead of you. You have a lot of work to do. So you are integrating while you are improving performance at the same time, and that is not easy in any environment.

Mr. FULGHUM. Yes, sir.

Mr. CLAWSON. So anything that we can do and I can do to support, the door is open and we are ready to do so. Any information that would be helpful so that we could see how you are doing, that is also appreciated.

Mr. FULGHUM. Yes, sir.

Mr. CLAWSON. Thank you for all your work, because I know this is a tough job.

Mr. FULGHUM. Yes, sir.

Mr. PERRY. The Chairman thanks the gentleman.

Just one final note before we leave to vote and adjourn the meeting. It is our understanding that there has been emphasis put on joint requirements. I think the Department has about, roughly, 220,000 employees, and, for the joint requirements, 6 staff members have been designated or are designated.

So if, Mr. Fulghum, if you can verify that and tell us that that is appropriate, and then if Ms. Mackin can also validate that, or if you have concerns about that, that would be great.

Mr. FULGHUM. Yeah, I believe we do have six on board today. I believe that is accurate.

Mr. PERRY. That is the appropriate number?

Mr. FULGHUM. I think we are still looking to expand that capability. We are leveraging, as I said in my opening statement, five portfolio teams as an underpinning, but I believe we are going to have to expand that, not only at the headquarters but also within the components, because that is where the requirements come from.

Mr. PERRY. Ms. Mackin, any thoughts?

Ms. MACKIN. Yeah, I don't know what the right number is. I think it is really important, though, to have an outcome. If that means getting more people on board at the components, I think that that is what will need to happen. So we will be keeping an eye on that and getting briefed on how the JRC is doing.

Mr. PERRY. Okay. Thank you very much.

I thank the witnesses for their valuable testimony and the 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 these 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 3:56 p.m., the subcommittee was adjourned.]



## APPENDIX

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### QUESTION FROM RANKING MEMBER BENNIE G. THOMPSON FOR MICHELE MACKIN

*Question.* Ms. Mackin, throughout my tenure on this committee, I have asked the Government Accountability Office to look into the DHS acquisition process. Each report GAO does yields troublesome information. How can DHS “fix” the acquisition process? What is the realistic time line for “fixing” the process? Where else you see the need for Congressional intervention?

*Answer.* DHS has established an acquisition policy that is generally sound and reflects key program management practices, but due to shortfalls in executing the policy, we have highlighted DHS acquisition management issues in our high-risk updates for several years. Perhaps most troubling, DHS has allocated more than \$5 billion to programs that do not have baselines approved by DHS leadership even though the baselines were required by DHS policy. A program’s baseline is the agreement between the program manager, component head, and acquisition decision authority—often DHS’s deputy secretary or under secretary for management—establishing how systems will perform, when they will be delivered, and what they will cost. Without an approved baseline, there is little assurance that tax dollars are being used in an effective and appropriate manner, which is particularly problematic since we previously found DHS’s portfolio of acquisition programs is not affordable. Additionally, it is difficult to objectively determine whether programs without approved baselines are performing well or poorly; whether programs should be case studies for good practices, or whether DHS managers should be held accountable for bad outcomes. For these reasons, DHS must do a better job of implementing its acquisition policy to improve acquisition outcomes. Congress could potentially encourage DHS to do so by codifying some of the key program management practices that DHS’s acquisition policy currently reflects, such as in the DHS acquisition reform bill (HR 4228) that passed the House last year. More consistent implementation of the policy would be a good step towards improving acquisition management at DHS, but it will likely take years to fully resolve the enduring and prevalent challenges affecting acquisition programs Department-wide, including staffing, funding, and requirements issues.

### QUESTIONS FROM HONORABLE CEDRIC RICHMOND FOR MICHELE MACKIN

*Question 1.* GAO has reported in the latest DHS Quick Look that out of 22 major DHS acquisition programs assessed, the cost estimates for seven have increased by \$9.7 billion, or 18 percent. How does this escalation in costs prevent DHS from executing its acquisition programs as intended?

*Answer.* When programs cost more than DHS leadership has approved, they effectively decrease DHS’s buying power and reduce the amount of capability the Department will be able to afford in the future. This is an important issue because half of the programs we reviewed face significant funding gaps, meaning they would benefit from additional funding. For example, with the \$9.7 billion lost to cost growth, the Department could have fielded three times as many border inspection systems as currently planned. These systems help identify weapons of mass destruction, contraband, and illegal aliens being smuggled into the country. This is only one example of a program that faces funding shortfalls, and we identified several others responsible for supporting border surveillance, cybersecurity, search and rescue, law enforcement, and other missions.

*Question 2.* GAO’s March 2015 report indicated that DHS lacks adequate information related to the operations and maintenance costs for 42 acquisitions programs. What are the ramifications of this information gap?

*Answer.* In May 2013, DHS waived the acquisition documentation requirements for 42 programs in sustainment, meaning that these programs have been developed, delivered, and are currently being operated and maintained. This phase of a pro-

gram can account for more than 80 percent of its life-cycle costs. Most troubling, we found that only 1 of the 42 waived programs has a Department-approved life-cycle cost estimate, which would include the operation and maintenance costs. DHS lacks insight into the programs' performance and execution of their funding, which could potentially be billions of dollars. Without knowing the operations and maintenance cost estimates for these programs, DHS will not be able to fully plan for and manage funding requirements across its major acquisition programs.

QUESTIONS FROM HONORABLE NORMA TORRES FOR MICHELE MACKIN

*Question 1a.* Please discuss the Department's rationale for testing some of its programs and deploying others without testing them.

Answer. DHS policy establishes that programs generally should be operationally tested before deploying capabilities. The primary purpose of test and evaluation is to provide timely, accurate information to managers, decision makers, and other stakeholders to reduce programmatic, financial, schedule, and performance risk. However, we found that DHS leadership allowed four programs to deploy capability without operational testing for various reasons: The Non-Intrusive Inspection (NII) Systems Program, the Next Generation Network—Priority Service (NGN-PS) program, and the U.S. Coast Guard's (USCG) HC-130H/J and Command, Control, Communications, Computers, Intelligence, Surveillance, and Reconnaissance (C4ISR) programs.

DHS's Director of Operational Test and Evaluation (DOT&E) determined that the NII program does adequate acceptance testing on commercial-off-the-shelf systems, and that it does not need operational testing until the next generation of NII capabilities is pursued. Similarly, DOT&E established that the NGN-PS program could use acceptance testing, among other things, to determine whether service providers are meeting requirements. As for the HC-130H/J program, the U.S. Air Force previously conducted operational testing on the HC-130J aircraft, and DOT&E determined that it did not need additional operational testing. In the case of the C4ISR program, DHS leadership approved USCG's plan to deploy capability without operational testing. USCG officials have decided to test the C4ISR system in conjunction with aircraft and vessels, rather than on a stand-alone basis, to save money and avoid duplication. However, we did identify that the USCG C4ISR system's key performance parameters were not specifically evaluated during past aircraft and vessel tests, and in 2014 we recommended USCG fully integrate C4ISR assessments into other assets' test plans or test the C4ISR program independently.<sup>1</sup> USCG concurred with this recommendation, and stated it would implement it in fiscal year 2015.

*Question 1b.* At what juncture is approval required from the components' acquisition executives, the Acquisition Review Boards and senior leadership regarding the operational testing of programs before they are deployed?

Answer. DHS acquisition policy establishes that a major acquisition program's decision authority, which is supported by the Acquisition Review Board, shall review the program at a series of five predetermined acquisition decision events to assess whether the major program is ready to proceed through the acquisition life-cycle phases. One of these events is designated Acquisition Decision Event (ADE) 2A, and DHS policy establishes that the acquisition decision authority should approve the program's baseline at that point. This baseline should establish the program's overarching schedule, including its operational test events, if any. Subsequently, DOT&E should approve the program's Test and Evaluation Master Plan, which describes the developmental and operational testing needed to determine technical performance, limitations, and operational effectiveness and suitability. After the program's operational testing, but prior to ADE 3, DOT&E provides the acquisition decision authority a letter assessing the operational test and the associated evaluation. This letter is intended to help the acquisition decision authority determine whether the program is ready to deploy capability at ADE 3. These are key points at which DHS leadership should approve a program's operational testing.

QUESTIONS FROM CHAIRMAN SCOTT PERRY FOR CHIP FULGHUM

*Question 1.* The Deputies Management Action Group, known as the DMAG has a crucial role to play in ensuring the Department runs effectively and efficiently. This is a very important group (one step below the Department's Senior Leader's Council) and it is involved in major decisions including the development of the Department's budget and the joint requirements process.

<sup>1</sup> GAO, *Coast Guard Acquisitions: Better Information on Performance and Funding Needed to Address Shortfalls*, GAO-14-450, (Washington, DC: June 5, 2014).



What policies and procedures currently govern the DMAG and how were they established?

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

*Question 2.* Are these policies formally outlined and established in a DHS policy memorandum? If so, please provide a copy of this memorandum to the committee.

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

*Question 3.* What is the process for amending these policies and procedures?

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

*Question 4.* As chair of the DMAG, does the deputy secretary have any special privileges that allow him to set the DMAG's agenda and/or the way it operates?

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

#### QUESTIONS FROM RANKING MEMBER BENNIE G. THOMPSON FOR CHIP FULGHUM

*Question 1.* In fiscal year 2014, DHS spent \$10.7 billion—a bit more than one-sixth of its total budget authority—on acquisition of systems with life-cycle costs estimated at \$300 million or more. Throughout my tenure on this committee, I have seen the Department throw money at various companies and systems that do not yield results; thus, wasting taxpayer dollars. However, I know that there are some companies that have capabilities and still cannot seem to get in the door at DHS. When the Department makes the decision to spend this type of money, how much consideration is given to small and minority businesses?

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

*Question 2.* According to the Government Accountability Office GAO could not even assess nearly a quarter of the major DHS acquisitions assessed in the latest DHS Quick Look, because there has never been a successful completion of all of the reviews required by the Department's own acquisition policies. As you prepare to transition out of the role as acting under secretary for management, how are you planning on addressing this issue? Have you had a meeting with the Secretary about this? Do you plan on having a meeting with the incoming under secretary?

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

#### QUESTIONS FROM HONORABLE CEDRIC RICHMOND FOR CHIP FULGHUM

*Question 1.* According to GAO's latest DHS Quick Look, 14 of 22 major DHS acquisitions assessed have experienced schedule slips of up to 3 years on average. What is the Department doing to ensure that programs remain on track to deliver capabilities to end-users?

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

*Question 2.* Apparently GAO has identified some gaps in information that DHS is providing to Congress regarding its acquisitions programs. How is DHS responding so that Congress will be given accurate and current information going forward?

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

#### QUESTIONS FROM HONORABLE CEDRIC RICHMOND FOR CEDRIC J. SIMS

*Question 1.* In your testimony, you refer to the implementation of the Decision Support Tool, or DST as a mechanism to help track the performance of acquisitions programs. Since its inception, how effective has the DST proven to be in detecting potential issues with acquisitions programs?

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

*Question 2.* In your experience as former executive director of the Program Accountability and Risk Management Office, how extensive is the training provided to personnel regarding the use of the Decision Support Tool and other metrics used to assess acquisitions programs?

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

*Question 3.* What, if any adjustments or changes would you make to the Program Accountability and Risk Management Office now that you have some distance from the Department?

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

#### QUESTION FROM HONORABLE BONNIE WATSON COLEMAN FOR CEDRIC J. SIMS

*Question.* As former executive director of the Office of Program Accountability and Risk Management, what factors would you say have contributed to the irregularities in data found by GAO in the Next Generation Periodic Reporting System, or nPRS which caused Congress to receive incomplete information in the Department's Comprehensive Acquisition Status Report?

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

QUESTIONS FROM HONORABLE NORMA J. TORRES FOR CEDRIC J. SIMS

*Question 1a.* What would you characterize as your greatest successes during your tenure as executive director of the Office of Program Accountability and Risk Management, or PARM?

From your perspective, how has PARM made progress in overseeing major acquisitions programs at DHS?

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

*Question 1b.* In what ways has management of the Department's acquisitions personnel changed since PARM's creation?

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

