S. Hrg. 110–238

MANAGING THE DEPARTMENT OF HOMELAND SECURITY: A STATUS REPORT ON REFORM EFFORTS BY THE UNDER SECRETARY FOR MANAGEMENT

HEARING

BEFORE THE

OVERSIGHT OF GOVERNMENT MANAGEMENT, THE FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA SUBCOMMITTEE

OF THE

COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS UNITED STATES SENATE

ONE HUNDRED TENTH CONGRESS

FIRST SESSION

MAY 10, 2007

Available via http://www.access.gpo.gov/congress/senate

Printed for the use of the Committee on Homeland Security and Governmental Affairs

U.S. GOVERNMENT PRINTING OFFICE

35–533 PDF WASHINGTON : 2008

For sale by the Superintendent of Documents, U.S. Government Printing Office
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MANAGING THE DEPARTMENT OF HOMELAND SECURITY: A STATUS REPORT ON REFORM EFFORTS BY THE UNDER SECRETARY FOR MANAGEMENT

THURSDAY, MAY 10, 2007

U.S. SENATE,
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT
MANAGEMENT, THE FEDERAL WORKFORCE,
AND THE DISTRICT OF COLUMBIA,
OF THE COMMITTEE ON HOMELAND SECURITY
AND GOVERNMENTAL AFFAIRS,
Washington, DC.

The Subcommittee met, pursuant to notice, at 9 a.m., in Room 342, Dirksen Senate Office Building, Hon. Daniel Akaka, Chairman of the Subcommittee, presiding.

Present: Senators Akaka and Voinovich.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Good morning to all of you. I call this hearing of the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia to order.

Today's hearing, "Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management," will examine the Department's management challenges, the status of development of a comprehensive management strategy for the Department, and needed improvements. It is the first hearing this Subcommittee has held since becoming responsible for the oversight of the Department's Management Directorate. Today's hearing will establish the baseline from which we will judge progress made in reforming the Department.

Unfortunately, shortly the Indian Affairs Committee will be marking up my legislation, critical to Hawaii, and I will need to leave the hearing early, but hope to return. Senator Voinovich has asked me to begin and he will be here and he will be chairing the hearing during my absence.

DHS has a monumental challenge, bringing together 22 separate agencies with nearly 180,000 employees into a cohesive Department. The DHS Directorate for Management, led by Under Secretary for Management Paul Schneider, is responsible for ensuring the effective reorganization and management of the Department. He is here today with the Comptroller General at the Government Accountability Office, David Walker, to describe the progress the

Department has made in organizing itself and the challenges that it still faces.

Mr. Schneider's management task is vital to our national security. Despite the difficulty of the task, carrying out the successful integration of these agencies into one unified organization as effectively as possible is very crucial. Protecting the Nation against disasters, both natural and man-made, is one of the most important functions of the Federal Government today.

That is one reason that the GAO continues to place the transformation and integration of DHS on its annual high-risk list. Other factors making the reorganization high-risk include the preexisting challenges that many of DHS's component agencies faced before their reorganization and the enormous complexity of creating this new Department.

I want to highlight several key problems which I hope will be addressed in this hearing. First, as you know, this Subcommittee has had a keen interest in the Department's human capital challenges. Recruitment, retention, and training are critical elements to developing a unified workforce. The Department faces low employee morale and deep divisions between labor and management. The personnel regulations issued by DHS severely erode employee rights and protections and they contribute significantly to these internal divisions. The Department must work with and listen to employees in order to develop a fair and flexible personnel system that has employees' buy-in.

Second, we must focus on the Department's ongoing efforts to create integrated and effective systems for key management functions, including acquisition and procurement, financial management, and information technology.

Third, the Department needs a consolidated headquarters building. The Department headquarters remains scattered in offices throughout the National Capital Region.

And finally, underlying the entire effort to reorganize the Department is the Under Secretary's authority to get things done. This Subcommittee is concerned that the Under Secretary does not have sufficient statutory authority to spearhead a massive reorganization while at the same time overseeing the Department's ongoing management.

That is why I joined with Senator Voinovich in introducing the Effective Homeland Security Management Act, which has also been cosponsored by Senators Levin, McCaskill, and Carper. The legislation would elevate the current Under Secretary for Management to a Deputy Secretary with a term appointment in order to promote sustained high-level focus to management and integration efforts at DHS.

I know that some in DHS have some concerns about our proposal, but I believe that to make this Department work, it needs a management team that has the authority to manage. It has to be more than cheerleaders operating on the sidelines, but a quarterback calling the plays.

My thanks to our witnesses for being here today and for contributing in the past up to this point as to what we can do to improve DHS and the conditions that we face today.

I am expecting Senator Voinovich to come, but let me at this point ask the witnesses for their statements. Before that, as you know, we have a custom with this Subcommittee to swear in all witnesses, and we will do that. But I want to again welcome you, Paul Schneider, Under Secretary for Management, Department of Homeland Security, and also David Walker, Comptroller General of the U.S. Government Accountability Office. So if you will stand, we will take the oath.

Do you swear that the testimony you are about to give this Subcommittee is the truth, the whole truth, and nothing but the truth, so help you, God?

Mr. SCHNEIDER. I do.

Mr. WALKER. I do.

Senator AKAKA. Thank you. Let the record note that the witnesses did respond in the affirmative.

I want our witnesses to know that while their oral statements are limited to 5 minutes, your entire statements will be included in the record.

Mr. Schneider, will you begin and proceed with your statement.

TESTIMONY OF PAUL A. SCHNEIDER,[1] UNDER SECRETARY FOR MANAGEMENT, U.S. DEPARTMENT OF HOMELAND SECURITY

Mr. SCHNEIDER. Thank you, Mr. Chairman, Senator Voinovich, and Members of the Subcommittee. It is a pleasure to appear before you today for the first time as the Under Secretary for Management. I am here to discuss the major management and programmatic challenges the Department faces.

The most significant challenge we have is to continue the effort that was started with the creation of the new Department and turning it into a unified force that protects the country. DHS's size is that of a Fortune 500 company. It is the equivalent of an entrepreneurial start-up that has merged 22 agencies with approximately 180,000 employees. The major elements of our strategy are improving acquisition and procurement throughout the Department; strengthening the requirements and investment review process; hiring and maintaining human capital; seeking efficiencies across the enterprise in operations and the use of resources; and making the key management systems, such as financial and information technology, world class.

The Department is in the midst of many crucial acquisitions that are vital to the success of the Department. We are working to strengthen acquisition and procurement by implementing good processes, reviewing the major programs and investments to ensure that the requirements are clear, cost estimates are valid, technology risks are properly assessed, schedules are realistic, contract vehicles are proper, and the efforts are well managed.

We are also—part of our strategy is building the capability to manage these complex efforts by ensuring that the program offices are properly structured and staffed with the right people and skills to ensure efficient and effective program management and oversight, aggressively hiring where we have known shortages and

[1] The prepared statement of Mr. Schneider appears in the Appendix on page 29.

implementing good metrics. We have a shortage of people who are experienced in program management, not just contracting. This includes the related disciplines such as acquisition logistics, cost estimating, test and evaluation, and the like.

In response, we have initiated aggressive staffing solutions to address these personnel shortages. As part of the President's fiscal year 2008 budget, we plan to initiate our Acquisition Intern Program. We will start with 66 new entry-level positions and grow to 200 by fiscal year 2010. This program is modeled after highly successful DOD programs.

The Department did very poorly in the OPM Federal Human Capital Survey. Leadership teams across the Department are committed to identifying the underlying reasons for DHS employees' dissatisfaction and we are seeking ways to address them quickly. As an initial step toward improving employee satisfaction at headquarters and within all of the operating components, we are working to better communicate throughout the workforce, emphasize performance management training at the supervisor and employee level, and improve the recognition of good performance.

A performance-based management system compensates and rewards employees based on their performance and contribution to the achievement of the Department's mission. Based on the results of the OPM survey, this is the area that is critical and that we need to focus on first. It will foster an environment of open communication and feedback between the supervisor and the employee and reward more productive and harder-working employees.

The Department has many substantial challenges to overcome in its effort to improve its financial management processes and address GAO's expectations. Success in these areas rests on a framework of policy, processes, systems, and accountability. We have implemented a corrective action plan that includes the Federal Government's best practices for financial management. We have also developed a strategy to migrate and reduce the number of our financial management systems across the Department and to incrementally start providing greater visibility into financial activity through timely, accurate, and useful financial data.

In my early assessment of the Office of Management, I recognized that our Chief Information Officer did not have the requisite authority over each of the DHS IT components and that the documented concerns of the GAO with respect to authority of the business chiefs was valid in the case of the Chief Information Officer. The Secretary agreed with my assessment and shortly thereafter issued a management directive to provide the CIO with such authority.

The Department also needs to reduce the total number of locations that house DHS components in the National Capital Region to as few as possible in order to lower overall costs. This dispersal adversely impacts critical communications, coordination, and cooperation across the Department. Consolidating executive leadership in a secure setting is vital to the long-term success of the Department.

In conclusion, Secretary Chertoff has expressed that one of his key goals for the Department is to strengthen core management

and operational integration. This process is a marathon and not a sprint.

I want to thank you for your leadership and continued support of the Department and its management programs and for the opportunity for me to be here today. I would be pleased to respond to any questions that you may have.

Senator AKAKA. Thank you very much, Mr. Schneider.

Before I call on General Walker for his statement, let me now turn to my good friend, Senator Voinovich, for his opening statement.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you, Senator Akaka. I apologize for being late and I am going to ask that my opening statement be inserted in the record so that we can hear from General Walker and get on with the questions. Thank you.

[The prepared statement of Senator Voinovich follows:]

PREPARED STATEMENT OF SENATOR VOINOVICH

Thank you, Chairman Akaka, for holding this important hearing.

With the Department of Homeland Security still in its formative years, it is critical that Congress closely monitor its transformation. We have a responsibility to ensure the Department is living up to its full potential and is operating as we intended.

It bears repeating that the Homeland Security Act of 2002 initiated the Federal Government's largest restructuring since the creation of the Department of Defense in 1947. While carrying out its critical mission of securing the Nation from terrorism and natural hazards, the leadership of DHS must also contend with the major organizational, operational, and cultural issues associated with large mergers.

It is indeed a challenge to unify more than 200,000 employees from 22 different Federal agencies and programs into one cohesive Department. This monumental task is further complicated by the urgent demand for new policies, solutions, and investments in areas which the Federal Government has not traditionally addressed. Additionally, the response and recovery effort from the unprecedented and overwhelming devastation of Hurricane Katrina has required much of the Department's focus over the past year and one half.

I am frustrated, but not surprised, that in its fifth year the Department continues to experience severe growing pains. Weaknesses persist across the core management functions of human capital, financial management, procurement and acquisition, and information technology. The Department also continues to experience an array of programmatic challenges as it attempts to secure borders and ports of entry, prepare for and respond to disasters, protect critical infrastructure, and improve risk analysis and information sharing.

I thank both of our witnesses for being here today. It is important that we have a frank discussion about the challenges facing DHS so that we can establish a baseline and a roadmap with clear performance metrics that will allow us to determine whether progress is being made.

Mr. Schneider, though you do not serve on the frontline, your job is critical to improving our Nation's homeland security. You are charged with tackling the formidable management challenges at the Department of Homeland Security and institutionalizing long-term reforms that will last well beyond your tenure. In your fourth month on the job, I am eager to hear your assessment of the challenges, and your near-term and long-term strategic plans for transformation.

As you work to achieve reform, Comptroller General Walker will be an important resource. Since 2003, the GAO has included implementing and transforming the Department of Homeland Security on its high-risk list of programs susceptible to waste, fraud, abuse, and mismanagement. In announcing its 2007 high-risk list, Comptroller General Walker stated, "The array of management and programmatic challenges continues to limit DHS's ability to carry out its roles under the National Homeland Security Strategy in an effective risk-based way."

Mr. Schneider, I strongly encourage you to consider the GAO's recommendations for improvements as you proceed. I look forward to learning which recommendations you have already implemented.

Strengthening the management focus at DHS remains one of my top priorities as Ranking Member of this Subcommittee. During my long career in public service, including as a Mayor and Governor, I have repeatedly observed that the path to organizational success lies in adopting best practices in management, including strategic planning, performance and accountability measures, and effectively leveraging human capital.

I fully appreciate that DHS is constantly busy "putting out fires." But the connection between good management and operational success should not be lost. Unless DHS institutes day-to-day management best practices, the Department will not reach its full potential in meeting its homeland security mission.

It has become clear to me that the existing Under Secretary for Management position does not possess the visibility or authority to affect department-wide changes needed for successful transformation of DHS. To address this deficiency, I introduced the Effective Homeland Security Management Act of 2007, along with my friends Senators Akaka, Carper, Levin, and McCaskill.

The legislation would elevate the role and responsibilities of the current Under Secretary for Management of the Department to a Deputy Secretary of Homeland Security for Management. The incumbent would be appointed to a 5-year term and report directly to the Secretary in order to provide essential expertise, including continuity and sustained leadership, necessary for improving the long-term efficiency and effectiveness of the Department. Mr. Schneider, we want to promote you.

This legislation has passed the Senate as part of the Improving America's Security Act of 2007, and awaits the approval of our friends in the House of Representatives. I am confident they will agree that Department needs a stronger management focus to enable programmatic and operational success.

Mr. Walker, I understand that you recently hosted a forum of government and private sector leaders to discuss implementing Chief Management Officer positions. I thank you for your continued attention to the need to elevate and institutionalize a high level focus on management at Federal agencies.

While the Department faces considerable hurdles as it matures, I am also mindful that progress has been made. There are many capable and dedicated individuals at DHS who deserve recognition. With a firm understanding of mission and priorities, comprehensive corrective action plans, and a detailed strategy on how to achieve defined goals, I am optimistic that the Department can continue making strides.

Having served on this Subcommittee since the creation of DHS, I feel a personal responsibility to ensure the success of the Department. I will continue to closely monitor progress.

I look forward to the witnesses' testimony. Thank you, Mr. Chairman.

TESTIMONY OF HON. DAVID M. WALKER,[1] COMPTROLLER GENERAL, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Mr. WALKER. Chairman Akaka, Senator Voinovich, Members of the Subcommittee, it is a pleasure to be here. As I said, I am looking forward to my vacation in your lovely State, Senator Akaka, in August, and I have been to your lovely State within the last month or so, Senator Voinovich. But today, I am here to talk about management and programmatic challenges at the Department of Homeland Security.

Let me note at the outset that I think that it is more than a little bit ironic that arguably the two agencies with the greatest management challenges in the Federal Government are the two that relate to the most fundamental aspect of man's hierarchy of needs, namely self-preservation, and the two that are arguably among the most fundamental with regard to the roles and responsibilities of the Federal Government under the Constitution of the United States, namely the Department of Defense and the Department of Homeland Security. These are major challenges that are well represented on GAO's high-risk list and they are challenging endeavors.

[1] The prepared statement of Mr. Walker appears in the Appendix on page 41.

As you know, we put DHS's implementation and transformation effort on our high-risk list in 2003. It remains on our high-risk list in 2007 for a number of reasons. Twenty-two separate agencies were merged into one, many of which had serious problems on their own, most of which their primary mission was not homeland security before September 11, 2001, and as the Under Secretary has mentioned, it is a major challenge that will take years in order to be able to effectively address.

DHS's implementation and transformation effort remains on our high-risk list for a number of reasons, a few I will mention now since my entire statement has been included in the record. While DHS has issued guidance and plans to assist management in its overall integration on a function-by-function basis, they still lack a comprehensive and integrated strategy to make this happen and they still lack a plan to get off of GAO's high-risk list.

DHS does have a pretty good strategic plan relating to the GPRA requirement, the Government Performance and Results Act. It covers five of six of the required elements under GPRA. However, when they developed that plan, in our view, they did not have as extensive a consultation process with key stakeholders as should have been the case, and therefore, hopefully when they update it, they will modify that process.

They have yet to develop outcome-based measures to assess performance, but in fairness, there are many government agencies that have not done the same.

While the Secretary of DHS has expressed a commitment to risk management, the Department has yet to really perform a fully comprehensive risk management assessment in order to guide its allocation of resources in key areas, and I might add that it is going to need the Congress's help here, as well, because sometimes the Congress tends to want to give directions as to how the money should be spent in some circumstances that do not relate to risk. We have limited resources, so it is important to try to be able to allocate those as prudently as possible to mitigate as much risk as we can.

DHS has not been able to obtain an opinion on its financial statements, and in fact, a number of its basic financial statements cannot be audited at the present time.

They face challenges with regard to information management and also with regard to acquisitions and, as Chairman Akaka said, the human capital strategy. Let us face it. Every organization is only as good as its people, whether you are in the government, the private sector, or the not-for-profit sector. DHS has 180,000 people, very capable, committed professionals, but unfortunately, they are either ranked last or next-to-last with regard to the Best Places to Work survey. So there are serious morale and other challenges associated with the Department of Homeland Security and that won't be solved overnight.

DHS has taken some steps to strengthen a number of program activities, and frankly, to address a number of our recommendations with regard to management, but there are a number of key programmatic challenges, such as the need to strengthen cargo and passenger screening, visitor tracking, efforts to combat employment of illegal immigrants, and outdated Coast Guard asset capabilities.

It is constantly trying to struggle to balance its homeland security needs and other missions, such as disaster preparedness, and also we are all concerned with making sure that we can maximize security without undue invasion of personal privacy. There is a need to clearly define leadership roles and responsibilities in a number of areas and to take more steps to fight fraud, waste, abuse, and mismanagement, especially within the Federal Emergency Management Agency (FEMA).

In order to be removed from GAO's high-risk list, DHS is going to have to do three things. First, they are going to have to have a comprehensive and integrated plan to deal with the areas that cause them to be on the high-risk list.

Second, they are going to have to show significant progress towards effectively implementing that plan. They don't have to complete it, but they have to show significant progress.

And third, they have to demonstrate to GAO's independent and professional judgment that their leadership is committed and that their structure and staffing is capable of completing the task.

In summary, DHS is a very important agency. It is relatively new. In fairness to them, they are probably the second most challenged agency from a management standpoint. The first most challenged is DOD and it has been in existence 60 years as of this year. Management is committed to improving things. I will tell you that we have had some serious records access challenges in the past, but I am also here to tell you that I had a personal conversation with Secretary Chertoff on the phone and I had a face-to-face conversation with Under Secretary Schneider. They have told me they are committed to improve things. Things are improving, but obviously only time will tell to whether it will be sustained. And in fairness to them, they have a lot of oversight requests, not just from us, but frankly, from a lot of committees and the Inspector General and others. Therefore, it is important that we try to coordinate our efforts to minimize duplication of effort while making sure the Congress can effectively discharge its constitutional responsibilities.

Thank you, Senators, and I am happy to answer any questions you may have.

Senator AKAKA. Thank you very much, General Walker.

As I mentioned earlier, I am going to have to leave. I want to apologize to both of you and especially to my good friend, Senator Voinovich. I will be turning over the Chair to him in my absence here. Because of the critical importance of DHS's reorganization, I will be submitting additional questions for the record. But I will try to be back here. So thank you very much and thank you again Senator Voinovich. I really appreciate your chairing this Subcommittee hearing.

Senator VOINOVICH [presiding]. Thank you, Senator Akaka. I am very grateful for your calling this hearing of the Subcommittee. The two of us have worked conscientiously to perform our oversight functions of the new Department of Homeland Security. I think that General Walker's comment about the fact that two agencies that are most essential to the national security of our country are two of the worst in terms of management, underscores how important our work is to make sure that we fulfill our oversight responsibilities. The two of us are going to work together to see if in the

next couple of years, we can get their programs susceptible to waste, fraud, abuse, and mismanagement off GAO's high-risk list.

Mr. WALKER. Don't bet a lot of money on that, Senator Voinovich.

[Laughter.]

Senator VOINOVICH. The transformation of DHS is probably the biggest management challenge ever undertaken by the Federal Government. In all fairness to the agency, you are brand new and Hurricane Katrina, which is the worst natural disaster this country has encountered, superimposed itself to the extent that I am sure many projects were placed on the backburner. I am familiar enough with management to know that there is a certain amount of energy that one has to put on reorganization if it is going to take place, and if something as big as Hurricane Katrina comes along, it just interrupts that and takes your focus away from the things that you should be concentrating on. So in all fairness, that should be, I think, acknowledged.

I believe part of the problem of getting to the transformation that we want in terms of management in the Department is caused by the Legislative Branch of government and I would like your opinion in regard to the number of oversight committees that this agency has to respond to and whether or not you feel that it is incumbent on us to reexamine the oversight so that you don't spend half your time running up here to testify before committees like ours and others in the Congress.

Second, I really believe that if this Department is going to achieve the transformation necessary for mission accomplishment, we need a Chief Management Officer to drive the transformation. I feel the same way with respect to the Defense Department. I really believe that one of the reasons why the Defense Department is still plagued with management challenges is because of the changes in direction and leadership and resulting of loss momentum for transformation. I believe, you need somebody paying attention on a full-time basis to management.

There are some systemic changes that need to be made if we are ever going to accomplish real reform.

Mr. WALKER. I agree, Senator. As you know, and we have had conversations, in my view, the Federal Government is not well positioned in order to be able to effectively address the challenges and capitalize on the opportunities of the 21st Century. As you know, the Federal Government tends to be a lag indicator and there is no question that both the Executive Branch and the Legislative Branch need to reexamine how they are structured in order to be able to more economically, efficiently, and effectively discharge their respective responsibilities.

I do think there is a need to relook at how many committees are involved with regard to the oversight of Homeland Security, but not just Homeland Security, frankly, with regard to other areas of government, as well.

Second, with regard to the Chief Management Officer concept, I believe that it is absolutely essential at the Defense Department. It is strongly desirable within the Department of Homeland Security. What is needed, as you properly pointed out, is this is a major undertaking, arguably unprecedented in the history of the Federal Government, and it is going to take the full time and attention of

a number of parties in order to be able to help maximize the chance of success.

We need somebody who is responsible and accountable on a full-time basis with regard to the overall business transformation-integration process. They need to be at the right level, to have the right qualifications, and to have the right reporting lines. I believe they also should have a term appointment because this is not about policy, this is about good government. It is about economy, efficiency, effectiveness, ethics, and equity. Those aren't Republican or Democrat. They are not liberal or conservative. It is going to take a number of years for us to be able to effectively address these transformation challenges and we need some continuity in order to be able to do it.

I will also respectfully suggest that it would be desirable to have some type of a performance contract such that the individual who has this job is held responsible and accountable and could be recognized and rewarded appropriately if they do a really good job, but also could be held appropriately accountable if they don't.

Senator VOINOVICH. Mr. Schneider.

Mr. SCHNEIDER. Senator, in response to the first question, the Congressional oversight in the 109th Congress we keep track of this—there were 86 committees that exercised Congressional oversight over the Department. In the 110th Congress, there are two new subcommittees. Clearly, it is not our prerogative to recommend how many committees ought to have jurisdictional oversight, but the fact is——

Senator VOINOVICH. Why not?

Mr. SCHNEIDER. Well, that is really the prerogative of the Congress. I mean, I think the 9/11 Report made some recommendations regarding streamlining the oversight. I can tell you that since the first of the year, apparently this is the 100th hearing since the first of the year where a DHS official has testified.

Senator VOINOVICH. Well, let me tell you something. I don't agree with you. If I was the President, and the oversight by the legislative body was preventing me from performing the job that they have asked me to do, I would ask the Majority Leader and the Speaker of the House to my office and I would say to them, you guys have asked me to do a job and I can't get it done because of the harassment that I am under and implore them to better organize the way oversight is being conducted.

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH. I would like you to provide information on the number of hearings you have testified at and what you think would make sense in terms of the oversight. We ignored this part of the 9/11 Report and I think that if we have good information, we can generate support.

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH. Chief Management Officer.

Mr. SCHNEIDER. CMO. First off, relative to the need for a Chief Management Officer, I believe one of the few by my responsibilities and authority that in practice is a Chief Management Officer. I know I have no equivalent at the Department of Defense, given the fact that I have broad responsibility for—I mean, there are at least three under secretaries in DOD that have the responsibilities that

I have. So I am probably the closest, I would suspect, to a Chief Management Officer in the Federal Government within the vision or concept as proposed. And I think that is, frankly, one of the reasons why I found this job attractive when I was first asked about it, because I thought it was unique and I thought, based on the job responsibilities, that I was, in practice, the Chief Management Officer.

I also have from practice, and I cite in my testimony, the support that I receive from the Secretary. His guidance for me is very clear. If you don't think you have authority to do what you need to get done, you just give me the piece of paper and I will sign it. He has already made good on that in very short order, within days when I pointed out the issue of the information technology. So based on what I believe is the confidence that the Secretary and the Deputy Secretary have in me and their support of basically structuring the management of the Department, in this present Administration, I believe I have the authority that I need.

Based on the structure where I am, in fact, responsible for budget, IT, procurement and contracting, administration, security, I believe I meet the intent better than anyone else in terms of a Department within the Federal Government.

Senator VOINOVICH. Why don't we put that in legislation and give you or someone else a term so you have sufficient authority to perform your job.

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH. I just can't understand why your Department is opposed to having a Chief Management Officer.

Mr. SCHNEIDER. I think, Senator, I believe the Secretary testified before one of the committees, and I forget which one, in early February when this came up and I believe——

Senator VOINOVICH. It was our Subcommittee.

Mr. SCHNEIDER. And what he, I believe, talked about was, and what I believe the message was basically at this stage of maturity in the Department, having a second deputy would be cumbersome—I don't know exactly the word he used, cumbersome or difficult—relative to a unified chain of command within the Department. And I can understand where he is coming from, and I will use the Department of Defense because I came from there.

Unlike the Department of Defense, where—let us just say the operational side of combat and command and the like, there is a clear reporting chain and almost a separation of the operational forces with the sure infrastructure and support management side, and so it lends itself more to, if you will, where by law the Under Secretary of Defense for Acquisition Technology and Logistics can, in fact—I think it is Title X—direct the service secretaries in a lot of those management areas. So he has basically line execution authority over procurement, contracting, test and evaluation, and the like.

The situation at this point in time, I believe, in the Department of Homeland Security is significantly different. Our operational units, whether it be FEMA, TSA, CBP, etc., they by and large are operational commands as well as sure infrastructure support. The head of CBP is responsible for roughly 50,000 people. Many of

them patrol the borders. He also has a group that manage major acquisitions, like SBI.net.

And so at this point in time, we do not have, I believe, an operational structure that has matured where, in fact, you could effectively have two people below the Secretary exercising, if you will, line of control of authority over the operational components, and I believe that is why the Secretary has used terms like cumbersome, etc., in the unified command and control. And frankly, it took many years since the establishment of the Defense Department to—roughly 1986 for Goldwater-Nichols and then the Defense Management Review (DMR)—that they were able to give the authority to an Under Secretary of Defense for Acquisition, Technology and Logistics (AT&L) in this particular case. So I understand where the Secretary is coming from——

Senator VOINOVICH. Comptroller General Walker, how do you respond to the fact that the Defense Department today has 14 items on the high-risk list, eight of them that have been on since 1990, six of them have been government-wide, and the fact of the matter is that the place is still, pardon me, screwed up? General Walker, you have had a chance to hear Mr. Schneider. I would like your comment about this argument from the agency that says that, for some reason, they just don't need a CMO to be in charge of transformation and the conflict that he indicated that would occur if you had a deputy secretary to deal with transformation.

Mr. WALKER. Well, this hearing, as you know, Senator, is dealing with DHS, so I will focus on DHS, but I will say for the record, again, I think it is absolutely critical and essential that we have one at DOD.

Now, I am a little bit perplexed, quite frankly, with regard to the debate about this because at DOD, they don't have this position. At DHS, they do have this position in part. So it is not like you are introducing a new position that has never existed before. The Under Secretary for Management is a position that, from a conceptual standpoint, was intended to do a lot of the things that the CMO is intended to do. But I think the thing we have to keep in mind is we need to look beyond individuals and we need to start thinking about institutions.

Secretary Chertoff and Under Secretary Schneider may have a great relationship, but we don't know who the next Secretary or Under Secretary is going to be. We don't know who the next Administration is going to be, who is going to be President of the United States, and the question is what type of assurance do we have that we are going to have the right type of people in the job and that they are going to be there long enough to be able to get the job done.

And so my view is that on the level, at DOD, it has got to be level two to get the job done. At DHS, the question is, what level do you need to be to get the job done. Now, whether that is level two or level three, I think two is preferable. It is essential at DOD. It may or may not be at DHS, but you need to be at the right level.

Second, I think a term appointment is highly desirable. I think it is also fully appropriate. Why? Because this is good government. This isn't about policy. This isn't about politics. This is about economy, efficiency, effectiveness, ethics, and equity.

Now, the objections that I hear about a term appointment are that the President ought to have the prerogative and the Secretary ought to have the prerogative with every PAS appointment to be able to put whoever they want, subject to confirmation by the Senate, and remove them whenever they want.

For example, there are a number of management type positions where I would assert that it is important to have statutory qualification requirements for the persons to make sure you have the right kind of person in the job and you could have the following.

You could have an advance notification requirement by the President to the Congress of the United States, both the Senate and the House, say, on his/her intention to nominate a specific person for the job. Here are their statutory qualification requirements. I believe they are qualified. It is not a policy job, it is a management job. And if the Congress or the Senate has difficulty with that, believe me, you know as well as I do there are ways that you can express your displeasure without having a confirmation hearing.

Now, my personal opinion is the CMO ought to be PAS, and ought to be subject to Senate confirmation, because while it is primarily a professional job and it is primarily an operational management job, they are going to have to interface with the Secretary and the Deputy Secretary and there will be policy issues that they will be in discussions on from the management and execution perspective and they are the ones that ultimately will be responsible and accountable——

Senator VOINOVICH. And we agree with that.

Mr. WALKER. Right. So Chief Financial Officer (CFO), Chief Information Officer (CIO), Chief Human Capital Officers (CHCOs), Chief Procurement Officer (CPO), those kinds of jobs, I think you could think about taking an alternative approach where the Congress would still have a role to play but where we are getting the right kind of people in the job.

Bottom line, my view is that the CMO makes eminent sense. I think your legislation has strong merit. I don't really understand why there would be opposition to it. It is only going to make this job stronger, not weaker, and candidly, with regard to the term appointment issue, if I was the Secretary of DHS or the Secretary of DOD and I had a top-quality professional that was in that job to deal with these issues who was willing to make that type of a commitment, a 5 to 7-year commitment, that would be a Godsend, an absolute Godsend.

And believe me, if the chemistry is not right, which some people will say, because you were picked by a former President or a former Secretary, believe me, the level of people we are talking about here, they have plenty of other things to do. If the chemistry is not right, they will just go someplace else. It is as simple as that.

Senator VOINOVICH. Yes. Thank you. Let us talk about the strategic plan. When Deputy Secretary Jackson met with me the other day, we talked about the Department's strategic plan. Of all of the agencies on the high-risk list, it is my understanding that the only one that hasn't submitted a strategic plan is DHS. I would like to hear the explanation for why that plan hasn't been submitted.

Mr. SCHNEIDER. Yes, sir. I have also talked to Clay Johnson about that and I will tell you this. When I came into office in early

January, Clay Johnson was one of the first people that I talked to and he said, go look at the strategic plan. So I went and found the strategic plan and what I determined was, simply put, it was garbage, and so I talked to the Deputy Secretary and I said, we cannot send that out because the fact is it doesn't address really the important strategic issues, especially what we have to do to meet the requirements that have been identified by the high-risk list.

And so when I talked to Clay, I told Clay that you are not going to see that strategic plan because it is garbage, and so I told him what we have to do is we have to take the framework that has been established by the GAO, structure a strategic plan around that, and that is what we have to work to.

So one of the things that we have been doing is working with the framework that the GAO has identified, and it is a marvelous framework. It takes everything that the Department is supposed to do, breaks it into four mission categories, the four mission categories are broken down into 14 specific mission areas that address not just the management aspect, but the critical mission execution, whether it is protecting our borders, response, critical infrastructure, and the like. It further breaks it down into approximately 172 performance expectations. These are the measures by which the Comptroller General goes and takes a look at our performance. And so what we are doing now is structuring a strategic plan that is properly aligned with the four mission categories and the 14 mission areas and have basically our strategic plan be the framework to basically improve our performance in the areas that we are getting measured against.

So the bottom line is the plan that was in process when I came in place, I looked at it and I determined it was unset. We looked and one of the things we have been doing is digesting, if you will, all the GAO documentation. One of my key staff members behind me pointed out that if we were a private company, we would pay consultants, like what I used to do for a living, a fortune to basically identify the framework and the areas where we need improvement. And so as she aptly puts it, Ms. Regis sitting behind me here, she aptly put it is, you don't have to pay consultants. The government has provided that for you.

So what we are trying to do is take this framework, which I happen to think is excellent, work our strategic mission around that, and that is what we are going to get measured against. This way, the GAO can assess our performance against our plan, OMB can assess our performance against the plan, and the Congress will have measures that, as the Comptroller General says, we have to demonstrate a sustained performance over a period of time. So that is why that plan hasn't gotten issued.

Mr. WALKER. If I can clarify, Senator, I think it is important for all of us. There are really two plans that we are talking about. First, the Department does have a "strategic plan" as required by the Government Performance and Results Act and it exists and it meets five of the six criteria for a strategic plan. The big area that it is missing is linking resources to results, and there is always room for improvement. So they do have a strategic plan.

What they don't have is a comprehensive and integrated action plan to get off of GAO's high-risk list. That is what they don't have

and that is what has to be pulled together. So they do have a strategic plan. It is, in the aggregate, it is pretty good, except for the one area. But they don't have a comprehensive and integrated action plan to get off GAO's high-risk list and that is what they need, and I just told them that we won't send them a bill for our advice——

[Laughter.]

Mr. WALKER [continuing]. But we would like for the Congress to fund us a little bit more adequately.

[Laughter.]

Senator VOINOVICH. Well, as you know, General Walker, one of the things that we did with the supply chain management is OMB, the Defense Department, and GAO, to put together a corrective action plan. It would seem to me that if you had such a plan in place, Mr. Schneider, at least you could establish a baseline and measure progress.

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH. My suggestion would be that you try to accelerate that effort and work with GAO and OMB to develop a plan to address the issues highlighted in the GAO report.

Mr. SCHNEIDER. Yes, sir.

Mr. WALKER. And Senator, the other reason this is important is because we know there will be a new Administration in January 2009 and so it is important to be able to have such a plan in place so hopefully that will be a basis for maintaining progress in areas that inherently are not partisan areas.

Senator VOINOVICH. Once this plan is in place, we can use it to ensure the new Administration continues the progress made to date. In a way, that is continuity in itself. If you had a CMO and a strategic plan that everybody knew about, it would make it so much easier to determine whether, indeed, you are making some progress. The real key is to institutionalize these plans so that they become part of the fabric of the agency and progress can continue.

Mr. WALKER. If I can mention really quick, Senator, as you know, I headed two Executive Branch agencies in the past in addition to the one that I head now in the Legislative Branch and I will say for the record that I had two deputies for the agencies that I headed in the Executive Branch and it worked great. I had one that was focused primarily on policy and external matters. I had another one that was focused primarily on management, operational, and enforcement matters. We worked together as a team and it was very effective.

Senator VOINOVICH. Well, one of the things that I have always thought about doing is bringing Total Quality Management to the Federal Government. As you know, General Walker, the Federal Government faces a human capital challenge with people planning to retire. We have enacted flexibilities into the system so that we recruit, retain, and reward people that chose to work for the government. Total Quality Management could make a big difference in the various departments because I honestly believe that it is the only way that you can get people involved in coming back with recommendations on how they can improve their operations.

When agencies are given the chance to set up Most Efficient Organizations, and given the opportunity to look at themselves to fig-

ure out how they can be more competitive, it is interesting that 80 percent of the time, the MEO is selected to carry out the particular function. It would be nice if we could get these efficiences before we had a competition, as part of a quality management operation throughout the Federal Government.

Mr. SCHNEIDER. I have had a lot of experience with that, Senator, with running the A–76 competitions, and you are right. Unfortunately, in many cases, it takes a forcing function like your survival and your jobs to basically force the leadership when you go down to those levels, the fact that we are either going to become the Most Efficient Organization or we are going to be out of a job. And so my view is that is a responsibility of leadership to drive—just like if we were in the private sector, to drive those efficiencies without having to have the threat, if you will, on a case-by-case basis.

Senator VOINOVICH. But you see, the interesting thing is we did this exercise with 56,000 employees in Ohio State Government. As Governor, I went to school for a week with my labor union members. We had 3,500 continuous improvement teams when I left, and 2,500 facilitators. When the people get the training and then they are given the empowerment and also some money so they can upgrade their skills, they become energized.

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH. They really do. I had people come up to me and say, you know what? I have been here for 25 years, and now I really feel like I am somebody. I am involved. People are listening to me. We had an opportunity each year where we brought in these continuous improvements teams to share best practices. There was an excitement there.

Mr. WALKER. Senator, if I can follow up on that, I will have my staff send to your office the result of a commission report that I was asked to chair by the Congress several years ago dealing with competitive sourcing. And while the Executive Branch took a number of steps to try to implement some of those recommendations, the Legislative Branch really didn't do anything. I think the time has come to relook at some of those recommendations.

One of the ironies that I have found was this: Why aren't we looking for Most Efficient Organizations throughout the government. Why aren't we creating mechanisms to try to make this happen? Why do we have to wait until we decide that this may be a target for competitive sourcing before we do a Most Efficient Organization? Why can't we look to try to create a pool of funds where organizations can make a business case, maybe to OMB, to try to be able to help engage in this, absent competitive sourcing?

And the other issue that we have is, quite frankly, we are relying upon contractors to a much greater extent than is prudent and appropriate in many circumstances.

Senator VOINOVICH. And we don't have enough people in the agencies that have the sophistication to ensure comprehensive contract management and oversight.

Mr. WALKER. Yes, and one of the things that either the full Committee or this Subcommittee needs to do is dedicate a hearing just to this topic. It is a huge government-wide challenge and we are talking about billions of dollars and tens of thousands of people.

Senator VOINOVICH. Mr. Schneider, serious contract oversight lapses and poorly-defined requirements jeopardized the Coast Guard's Deepwater Fleet Modernization Program and resulted in boats that did not float. What lessons has the Department learned from the Deepwater mistakes? Was the prime contractor held accountable for poor performance? What penalties did you extract out of that contract?

Mr. SCHNEIDER. Let me try and answer all different parts of that. First, the Deepwater program was intended conceptually to be a comprehensive recapitalization of Coast Guard assets—sea assets, air assets, shore-based architecture, command and control, communications, and logistics. It was intended as a comprehensive, roughly $17 billion initially and then went to $24 billion for various reasons, total asset replacement, almost like a single—a comprehensive solution of multiple assets. So that was the concept.

Senator VOINOVICH. By the way, who was the person that was overall in charge of that? Which person?

Mr. SCHNEIDER. At the time it was, before the Department existed, it was basically initiated by the Coast Guard under its previous Department of Transportation, I believe. So this started years——

Senator VOINOVICH. What person in the Coast Guard was the person that had been responsible?

Mr. SCHNEIDER. Well, ultimately, it was the Commandant. There was an admiral in charge of the program, but by and large, I believe the program was sponsored by the Commandant.

Senator VOINOVICH. Well, I would like you to, in writing, get back to me. I would like to know who was in charge.

Mr. SCHNEIDER. Yes, sir. Absolutely. And so the concept was a comprehensive recapitalization of all Coast Guard assets for the future. Because legacy assets were beyond their useful life, etc., it was costing a lot of money to maintain them. And the contract was awarded to a joint venture between Lockheed Martin and Northrop Grumman.

So the problem, I think, specifically you are talking about, boats that work, is one element of the program. One of the initial priorities in the program was to replace the cutter fleet, and so what they did was they came up with a package solution, large national security cutter, mid-sized offshore patrol cutter, and then the workhorse boat of the Coast Guard, which is a fast-response cutter.

Because of the fact that the missions were changing and there was more demand being put on the boat, they looked for a stopgap measure to fill what they called the gap in patrol boat hours. There is a certain number of hours that they perform yearly. So they looked at a short-term solution, near-term solution to fixing the gap in patrol boat hours and what they concluded was they could take the existing 110-foot patrol boats, the Island-class patrol boats, and modify them to basically extend them to 123 feet, put in the modernized C4I suite, and that would, in fact, accomplish the near-term objective.

And so the problem was that the way that was done, designed, etc., they ended up having some structural problems after those boats were delivered. So that is where the Commandant, I think about four or five months ago, maybe less than that, decided that

operationally they were not suitable and he basically took them out of service.

In response to the liability issue, I know that his Department, with help from my people in the procurement organization and the Office of Counsel, are trying to answer the very specific question about liability. So that work is underway. I believe the Commandant has testified many times regarding the details of the 123-footers and what they are doing to determine liability.

Now, with respect to your question, what the Coast Guard did starting several months ago, I think it was roughly in the fall, late-summer, fall time frame, is to bring independent people in to take a look at the whole Deepwater structure. It ends up being actually a coincidence that I, in my previous life, was brought in to head a team of people that the Coast Guard had contracted with Defense Acquisition University to bring in an independent team of experts to go look at the Deepwater program.

So to get to the bottom line, there was a whole series of recommendations made by that group. As part of that, what the Commandant has done is instituted a complete restructuring of the program. For example, and I think this gets at your point, these guys, they didn't do a good job, so what is the government doing about it? They are doing the following.

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH. I have to go vote.

So if you could maybe provide additional information on the project I would appreciate it.

Mr. SCHNEIDER. I will give you a piece of paper——

Senator VOINOVICH. Yes.

Mr. SCHNEIDER [continuing]. But basically, we have restructured the contract, changed the management structure, more Coast Guard heavy involvement in terms of running competitions and making source selections, and it is much more hands-on. In addition, we have achieved some success in bringing in, I would say, high-end acquisition professionals at the high level and at the lower level to really beef up the acquisition, execution, and oversight.

Mr. WALKER. My understanding is the lead contractor was fired, as well, but that doesn't——

Senator VOINOVICH. The last thing, if you can give it to me in writing, is that the Department has now embarked on the SBI.net, a multi-year, multi-billion-dollar effort to secure the boarders with a combination of fences, high-tech monitoring devices, manpower. Questions have been raised about the undefined nature of the contract, and what I would like you to do for me is to submit in writing——

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH [continuing]. How you are working to ensure that the SBI.net and other future acquisitions do not waste taxpayer dollars on insufficient systems.

I understand that Senator Akaka will be able to come back afterwards. What is your schedule like?

Mr. WALKER. You are my client, so I will stay here. I think I have something at noon, but I don't have anything before that.

Senator VOINOVICH. Mr. Schneider.

Mr. SCHNEIDER. I am at your service.

Senator VOINOVICH. Well, we are eating up your time. You could be back working on your strategic plan.

[Laughter.]

Mr. SCHNEIDER. This is very important to me.

Senator VOINOVICH. We are going to recess and resume the hearing shortly. Thank you for your patience.

[Recess.]

Senator AKAKA [presiding]. This hearing will be in order.

I appreciate your understanding, and I understand also that while I was gone, the witnesses addressed our CMO bill and the Department's need to finish a comprehensive management integration strategy. So I won't be going into those issues, but I will start with another issue very important to me and to my friend, Senator Voinovich, and that is human capital. Again, I want to thank my good friend, Senator Voinovich. We have worked so well together and over the years have worked with General Walker, as well, on the challenges that we are facing and we are, I would say, trying our best to address those challenges.

Secretary Schneider, we both know the importance of attracting and retaining skilled and trained workers, especially those safeguarding the Nation against man-made and natural disasters. However, I am concerned about the use of personnel flexibilities by DHS. Earlier this year, OPM released the annual report of agencies' use of student loan repayments. DHS reported that only 17 employees received student loan repayment. While I have been here, I have considered that to be so important to our Federal workforce and to try to keep them well-qualified so that they will be able to move into these top positions when the time comes. Of course, a student loan repayment program can certainly help in that direction.

Secretary Schneider, why is the number of employees at DHS participating in this program so low?

Mr. SCHNEIDER. Senator, I frankly don't know. This is the first time that student loan repayments has ever really been put on my radar screen. That number is, frankly, astonishingly low, and as much as I hate to admit, it was over 40 years ago that I had student loan payments to make. To me, that is a big deal. So I will go back and look at that and I will get back to you.

Senator AKAKA. Will you please?

Mr. SCHNEIDER. Yes, sir.

Senator AKAKA. As I said, it is important to our future human capital, and if anything, we need to try to raise the level of those kind of programs.

Can you also provide for the record in this regard the number of Federal employees at DHS who receive retention bonuses and the amount of money DHS spends on employee training?

Mr. SCHNEIDER. Yes, sir.

Senator AKAKA. And again, you can see the direction here of our——

Mr. SCHNEIDER. Sure.

Senator AKAKA [continuing]. Trying to train people for these high positions.

General Walker, in your testimony, you state that GAO has not yet been able to review DHS's new human capital operation plan, HCOP, to see if this new plan addressed your previous recommended changes. I want to tell you, General Walker, that during my time here, you have made so many great recommendations over the years. I can see that it was based on your experiences here and these have been great. Unfortunately, many of them, we haven't really been able to do. But it has helped us in trying to improve the situation here.

When do you expect, General Walker, to review that plan? We would very much like to get your assessment as quickly as possible after that happens.

Mr. WALKER. Senator, we fully intend to review their new plan and to find out whether or not they have complied with our recommendations. I will provide something for the record as far as the timing. Let me note for the record also that, fortunately, about 80 percent-plus of GAO's recommendations in recent years have been adopted within 4 years. Sometimes it takes longer for people to see the light and find the way, but it is a very high percentage.

And let me, if I can, while you are talking about human capital for DHS, Senator, mention one other thing. I know there is some controversy right now between the Congress and the Executive Branch about whether and to what extent the legislation should be moved dealing with the flexibilities that the DHS has in the human capital area.

One thing that I would respectfully suggest that you consider, and I also mentioned this to Senator Voinovich, is, as you know, we have recommended a number of times, including before this Subcommittee, that there are certain safeguards that should be in place that should be coupled with any statutory flexibilities in order to maximize the chance of success and to minimize the possibility of abuse. Not all of those safeguards were incorporated into the DHS legislation and very few, if any, were incorporated into the DOD's National Security Personnel System (NSPS) legislation. So that is something that you may want to think about if you have concerns about how things are proceeding. That could end up being a potential compromise between outright repeal and trying to make sure that it is done right and in the interest of all affected parties.

Senator AKAKA. Yes. And as you know, General, we have frequently spoken about oversight and so these safeguards would certainly be a way to get to that. Oversight has been costly and time consuming, so I thank you for that.

Secretary Schneider, I know you were deeply troubled by DHS's poor ranking in the 2006 Federal Human Capital Survey. I am certain everyone is doing what they can to try to improve morale. What effort is being taken to identify best practices within DHS component agencies in which morale is high, assuming they exist, and to pass those lessons on to the agencies most afflicted by poor morale?

Mr. SCHNEIDER. Senator, first of all, thank you for that question. There are, in fact, elements of the Department when you go in and look at the data that fared very well, and what we have learned is usually the smaller the unit, in many cases, the better the re-

sponsiveness in terms of the people that responded as well as the nature of their response was much more positive.

For example, U.S. VISIT, which is the organization, I think it is a couple of hundred people, responsible for implementing the ten-fingerprint screening technique, they had a very high percentage of those individuals that were surveyed, responded to the survey, and they came out very high in terms of their positive responses. In terms of a larger organization, I would say the Secret Service, if I recall, their response rate was very high and the nature of their responses was very high.

So what we are doing is this. We are in the process as we speak, literally, throughout the country, holding focus group sessions from across the Department, trying to identify those best practices by which people communicate, some of the lessons learned from trying to implement performance management, how do we identify these best practices and share them, how do we communicate. We are talking about starting with the Secretary on down.

There has been an increase in the number of people who have successfully used all-hands meetings. I, in my own organization, for example, of roughly 500 people because they are scattered all over the district, have run four all-hands meetings shortly after I came on board, when the results of the survey were published. Most recently, within the past 2 weeks, I ran four separate sessions.

And what people are doing is they are taking what are the Department goals, what are we trying to do, what are the specific actions, and then each organization—what does that organization do that makes a difference, whether it is the security people that are guarding the perimeter, whether it is the contracting people that are awarding contracts, and so what we are seeing is communications was identified as a serious shortcoming, performance management, that basic employee-to-supervisor relationship, as well as recognition programs.

So we are instituting across the Department an awards program that is modeled after the best practices across the government. We don't have that type of structure that is in place, and so we need to start working on that. The other thing we are doing is we are doing quality assurance of our performance management effort. So we are focused on best practices.

I have personally talked to the heads of each of the operating components to get a gut feel for some of the kinds of things that they are doing individually, and then our plan is to figure out what ought to be done centrally, corporate-wide, and what are those things that can best be done individually.

Senator AKAKA. Thank you. Mr. Walker, I know you have had a lot of experience in these areas and I want to ask you, too, could you provide your thoughts——

Mr. WALKER. Sure.

Senator AKAKA [continuing]. On how the Department should address morale problems.

Mr. WALKER. Thank you, Senator. There are a number of things, but I will mention three now. First, it is not unusual for smaller organizations to have somewhat higher response rates and somewhat higher scores, all things being relatively equal, because you have more cohesiveness. It is more of a team and family-oriented

structure. They can interact with their leaders easier and typically you have better communication the smaller the unit is. But it is also not impossible for large organizations and medium-sized organizations to do well here, as well.

In my view, there are three important elements that I would mention now. First, there has got to be total commitment from top leadership. If top leadership does not make human capital a top priority, it really doesn't make a difference whatever else you do, and it has not only got to be words, it has got to be actions. You have to see top leadership visibly, actively engaged in key elements.

Second, effective communication. The larger the organization, then the more critically important communication becomes, and it is not just written communications. It is video conferencing. It is small group meetings. In some cases, it is all-hands meetings or whatever, but a variety of means in order to try to be able to get the message out both to large groups, to small groups. And communication, as you know, Mr. Chairman, is a two-way street. It is not just imparting information, but very importantly, it is active listening and hearing what people have to say and seriously considering what they have to say.

And third and very importantly, employee participation, empowerment, feedback, and appreciation. There must be a number of programs in place in order to try to help emphasize employee participation, empowerment, feedback, and appreciation.

Now, we are far from perfect at GAO. We never will be perfect, and frankly, no organization will ever be. But we were ranked No. 2 by our own employees among the largest Federal agencies as a place to work despite some very difficult and somewhat controversial changes that we have made. We are still ranked No. 2. We are looking forward to being ranked No. 1 eventually.

Senator AKAKA. Good luck.

[Laughter.]

Secretary Schneider, Mr. Walker in his testimony mentions that the Business Transformation Office has been eliminated. This office used to help integrate the Department's functions. I understand that the BTO's work is now being performed by the Office of Policy, but the DHS Policy Office has been given increased responsibilities. Can the Policy Office really perform this function and its other obligations? I would appreciate Mr. Walker's additional comments on this question, as well. Mr. Secretary.

Mr. SCHNEIDER. Senator, first, it is my understanding that—and this happened before I came on board—that the Business Transformation Office, the BTO, was identified as either a line item in the Under Secretary's budget or included in an existing line item in the Under Secretary's budget that was—and there were roughly seven, I think, billets assigned to that office. My understanding is that Congress did not fund, or more specifically did not want to fund the BTO, so in one of the appropriations bills, they zeroed that out.

And what happened was, I don't think they even fully staffed up to seven, but to make a long story short, when I came on board, there were roughly three people left, if you will, and they were given other responsibilities within the Office of the Under Sec-

retary for Management. I am unaware that the responsibilities of what was originally envisioned and executed as the BTO, I am unaware of the fact that has been picked up by Policy. I work very closely with the Assistant Secretary for Policy and what they do, especially the strategic planning group, and I am unaware of the fact that they have picked up that responsibility.

What I do is, as a matter of routine, I don't have lots of independent staff. I work through the business chiefs. So any transformation effort, I would use the existing chain of command to put multi-discipline groups together to go accomplish an objective. So I will go back and check this Office of Policy, whether or not some functions were reassigned. I am not aware that they were.

Senator AKAKA. General Walker.

Mr. WALKER. If I can, Mr. Chairman, first, I am not sure whether or not the Congress lined-out this particular item or not or whether or not there was a line item for this particular unit, but if there was, that is a matter of major concern. For there to be a line item for a unit of seven people is incredible micro-management, in my view. I don't know if that is true. I am going to go back and try to follow up. For the Congress to get involved in that level of precision and detail is very troubling if that is true.

Second, I think there needs to be a business transformation team. Call it whatever you want. It should be a small group. Ideally, it would be a combination of people who are core and detailees coming from key different units in order to work with the CMO and Under Secretary to try to help achieve the overall implementation of the transformation plan. I think it clearly is a best practice, it is clearly appropriate, and it needs to be funded. And importantly, it needs to be staffed by the right kind of people.

Senator AKAKA. Thank you. Secretary Schneider, the Homeland Security Appropriations Act for fiscal year 2007 contained a provision I authored to establish a rotational program to allow employees at DHS to gain broad expertise throughout the Department. I believe this type of program could help the Department enormously in building an effective sense of mission. Can you tell me what is the status of that rotation program?

Mr. SCHNEIDER. Yes, sir. It is actually a two-step process. The first thing is we are putting in place as a result of that language a formal rotation program whereby we identify specific opportunities, the operating components, make sure the workforce understands that this is a necessary type of experience if people are going to rise to above a certain level. I have had a lot of experience with that in the Navy. So we are basically in the process of setting up the groundwork to implement across the Department that type of program.

As a near-term action, what we have decided to do and have implemented already is we started a DHS Fellows Program. This is a program that basically takes some of the best and brightest from across the Department and work with them as a future leadership team over a period of a couple of years. We give them broad experiences in leadership. We expose them to some of the significant issues and problems that the Department has and they work on them.

What we have decided to do, because we have this group of bright people already assembled, is to tack onto the end of their program—I think it is roughly a 6-month mandatory rotational assignment that would start implementing that right now with this group of very bright folks.

So near-term step, implement this as part of our existing DHS Fellows Program, and the second is to basically have a much more institutionalized formal program across the Department.

Senator AKAKA. What types of rewards or incentives will be in place to encourage mid-level employees to serve in other areas of the Department?

Mr. SCHNEIDER. Well, my experience in the past has been, and what we used to do in the Navy is that some of our key field activities which were basically the operating components, we felt that the people to rise to the SES level, what we did in some cases was make it a mandatory requirement at some of our key field activities that to be selected for an SES position, they needed to have headquarters experience for a period of time. And so once the leadership of the organization recognized the value of that type of an experience, the best and brightest responded and what we were able to do across the board very successfully is to move people to very key assignments for roughly 8 months to a year and then move them back. That helps strengthen the concept of a unified organization.

So what we are looking at is how do we make this an incentive for people? Do we do things like that? It may not work in every application. The other thing is there could be a series of different incentives, depending upon the career field. For example, the Chief Financial Officer (CFO), has already instituted a program that basically moves CFOs around the Department. I had the opportunity to talk to the entry-level class of folks that have been selected for this program.

So I think it depends on the career field. I think it depends on the geography. And I think the incentives will range differently, and that is what we are looking at as part of our comprehensive across-the-Department program.

Senator AKAKA. Secretary Schneider, last year at your confirmation hearing, I raised the issue of employee mentoring programs. I believe that mentoring programs are critical in passing knowledge from one generation of Federal workers to the next and also are critical in integrating legacy agencies into the Department. My question to you is, what is the Department doing to establish mentoring programs?

Mr. SCHNEIDER. Senator, the first thing we have done is we have initiated, since I have been on board, with the working cooperation with OPM, an SES candidate development program. I had the opportunity about a month ago to talk to the first class that recently was selected—this has all happened very recently—class of SES candidates. And what we are in the process of doing as part of this program is to ensure that—and these are for people across the Department all over the continental United States—is to make sure that each of these candidates has a hand-picked mentor, and the reason being is we are investing a lot in these people. They are our

future leaders and so we want to make sure that at the start, we have the right type of mentor for each one of these people.

I had the opportunity to talk to all of the mentors for this population of candidates and to stress the importance of being a mentor. And so I think we have got mentors right now on the most near-term program, which is the SES candidates. Now what we are trying to do is figure out how we institute, I will call it a mix-and-match. In other words, throughout the Department, if you want to be a mentor, how do you sign up to be a mentor? How do we make sure that, in fact, we have the right people as mentors that really care about nurturing and guiding the career path?

And then we need to basically make, once we have, I will call it a reservoir of mentors that possess the right skill set, then we need to go out and selectively across the Department, whether we do it by career fields or organizations, have people raise their hand and say they would like to formally have a mentor. So that is why I call it kind of a mix-and-match. There are several models in existence across government. Our intention is to basically take some of the best practices and utilize them.

Senator AKAKA. General Walker.

Mr. WALKER. I might note, Senator, and Under Secretary Schneider might be interested in this, we are in the process of rolling out a mentoring program at the GAO on a broad basis. We have had them in certain circumstances in the past, but now we are rolling it out on a much broader basis. Carol Willett, who is head of our Performance and Learning Center, would be somebody you may want to get in touch with and would be happy to share our experiences there.

Senator AKAKA. Thank you very much. I just told Senator Voinovich that we have been talking about human capital, so I would like to ask Senator Voinovich if you have any further questions or comments to make. Senator Voinovich.

Senator VOINOVICH. Thank you, Senator Akaka.

I left off with the SBI.net, the multi-billion-dollar effort to secure the borders with a combination of fences, high-tech monitoring devices, and manpower. The Department can't afford to have any more acquisition failures. How are you going to ensure that we don't have the same problem with SBI that we had with the Coast Guard's Deepwater Fleet Modernization Program?

Mr. SCHNEIDER. Senator, I personally think that SBI.net is a good news story in terms of how to do a major acquisition properly. First off, this contract was awarded roughly the first part of October. We have a program manager for SBI.net that has 30-plus years' experience managing major defense acquisition programs, highly technical Ph.D., supported by a strong technical team and contracting team.

This is what I believe the Defense Department would call evolutionary or spiral acquisition. It is key to an initial deployment of a 28-mile sector of the Southwest border in Arizona, and as we speak, approximately—and this mix, just like you said, of technology, people, and infrastructure is going up.

Senator VOINOVICH. Twenty-eight miles?

Mr. SCHNEIDER. Twenty-eight miles. This is an initial 28-mile, $20 million initial deployment. So my way of looking at it is this.

There was a substantial amount of modeling and simulation work that was done to characterize, if you will, the performance of the sensors, be they radar, electro-optic, IR, seismic, etc., as well as demonstrations referred to as the common operating picture that will move across the border as well as to centralized command and control. This initial deployment is scheduled to be completed in June. The Army has been contracted with to run an independent operational test and evaluation over the summer.

And so the idea is that this architecture that is going into this 28-mile segment is using equipment and sensors that exist. It is a modular and scalable architecture. We will get performance data and we will have obviously cost data on what it costs to field this thing at the end of the summer by which we can make the trades in terms of how well does this thing work. It will give us a chance to basically develop what is used, con-ops or tactics, training, and procedures to see how do we use this technology? How do we change our con-ops, etc.? How do we design our logistics paths so that once we detect, where do we intercept? How much in terms of temporary housing, because it is a mix of not just CBP, but ICE people? And so how effective is this thing?

And then we do the analysis to decide, is this performance good enough or do we need to augment it with additional sensors, etc., make the trades,—this is why I think this is a good news story—we will have within 1 year after the award of this contract what I consider to be a pretty good handle on how well does this system perform, what is the scalability in terms of cost, and I consider that to be a significant risk reduction step that, in Deepwater, there was none, okay?

Senator VOINOVICH. So what you are saying is that——

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH [continuing]. You picked out a 28-mile area to try to develop a program and then use the information to expand——

Mr. SCHNEIDER. Yes, sir.

Senator VOINOVICH [continuing]. So the end result will be a foolproof system.

Mr. SCHNEIDER. Right. I think this is a very smart way to do this business. Frankly, I have looked at all the testimony that has come out of the Department in the 12 months on this. Frankly, I don't think we have done as good a job as possible in terms of explaining what we are trying to do in terms of risk mitigation as well as, moving——

Senator VOINOVICH. Well, this is good. I am glad to hear that. Hopefully, what you are doing there is going to have some positive impact on some of the decisionmaking that we have to make with respect to our immigration policy.

Mr. SCHNEIDER. This is a very well-structured contract. I mean, we have already met the contribution the government has to make. We are not locked into one of these things where to sever it or significantly change it, like in the case of Deepwater, is a big effort. So this is an apples-and-orange comparison. I am personally pleased with the way that this thing is structured, and from my observation, I meet with the folks running SBI.net every 4 weeks just to see how well we are doing and I think this is a model for

how, from a headquarters standpoint, we need to exercise oversight over some of these major acquisition efforts.

Senator VOINOVICH. Thank you. General Walker.

Mr. WALKER. Senator, there are several important points here. One, there are some that will argue that the conceptual framework for the Deepwater Project had a lot of intellectual merit, but needless to say, it ended up with a totally unacceptable outcome. There are, however, significant differences, I believe, between the Deep Water and SBI.net. Many members, however, seem to be treating them about the same, and on the surface, I can understand why, because it is a system of systems approach and we are relying heavily on outside contractors to deliver for us. So from that standpoint, it is very similar.

However, there are important differences and here are some of the elements I think are critical. First, we must nail down requirements. What are we attempting to accomplish? What are our requirements? And we need to fix them and not continue to change them.

Second, we need to do it on an installment basis. Spiral development is the terminology that is used, but we need to do things on an installment basis, make sure that it works before we start to expand it more broadly.

Third, we need to rely upon existing technologies to the maximum extent possible. In this regard, my son was an officer in the Marine Corps. He fought in Iraq, but before he went to Iraq, he was stationed in Yuma, Arizona. Yuma, Arizona, as you know, is on the border, and there is a very important testing facility for the Marine Corps there and they already use a lot of these technologies in order to try to keep people off of this testing range for personal safety and other reasons. So one of the big differences here is there are some technologies we can look at and we should maximize the use of existing technologies.

In addition, we have to have enough people with the right kind of skills and knowledge to manage cost, quality, and performance of the contractors. We have absolutely got to have that.

We need to protect the border, but there is another thing that relates to DHS that has to happen. If we don't start enforcing the labor laws with regard to hiring of illegal immigrants, we will never solve the problem because the average wage in Mexico for an unskilled worker is $4.50 a day. Therefore, the economic draw for people and their families is such that you may cut down on the amount, but you won't eliminate it.

Finally, I think another thing that the Congress needs to think about is what does it take to become a citizen of this country? Merely because you are born in this country, is that enough, or should you have at least one parent who is a citizen of this country? It creates very perverse incentives to get people into the country to have somebody born in this country and then to serve as a basis to bring many more people into the country over time. That is something I think the Congress needs to think about, as well.

Senator VOINOVICH. Thank you.

Senator AKAKA. Thank you, Senator Voinovich.

This has been a good hearing. I want to apologize again for missing part of this important hearing. I want to thank you both for

the time you spent preparing and presenting this valuable information to this Subcommittee. We appreciate the hard work that both of you are doing to ensure the strength and efficiency of the Department of Homeland Security.

Today's hearing highlights the progress that DHS has made and the challenges that it still faces. I would like to draw attention to a couple of particularly important points from the testimony.

I am pleased that Secretary Schneider has testified that DHS leadership is committed to identifying the reasons for low morale in the Department and addressing the problems quickly. The Department must work with and listen to employees in addressing their concerns just as it must with all human capital challenges. We are concerned that the Department is not doing enough to integrate core management functions across the Department, and as Mr. Walker testified, the Department still has no comprehensive integration strategy. Department-wide integration of functions such as human capital development, acquisition and procurement, financial management and information technology is crucial, and you have mentioned that. This Subcommittee will continue tracking DHS's progress and we will do everything that we can to ensure the Department's success.

As the General mentioned, and I think he drew a time line here when he said DOD 70 years ago did work on some of this and DHS is not quite that old yet. But it is great that we are working together to try to change this and improve the quality of DHS.

With that, again, I want to say thank you both so much, and my good friend Senator Voinovich. The hearing record will be open for 1 week for additional statements or questions other Members may have.

The hearing is adjourned.

[Whereupon, at 11:03 a.m., the Subcommittee was adjourned.]

APPENDIX

TESTIMONY OF
PAUL A. SCHNEIDER
U.S. DEPARTMENT OF HOMELAND SECURITY
UNDER SECRETARY FOR MANAGEMENT
BEFORE THE US SENATE
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL AFFAIRS COMMITTEE
Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia
May 10, 2007

Thank you Mr. Chairman, Ranking Member Voinovich and members of the Subcommittee. It's a pleasure to appear before you today for the first time as the Under Secretary for Management.

I have been the Under Secretary for Management for four months. For the previous three and one half years, I was a defense and aerospace consultant doing work for NASA, FAA, DOD, Coast Guard and others. Prior to this, I was a career civil servant for 38 years. I began my career at the Portsmouth Naval Shipyard as a project engineer in 1965 working on nuclear submarines. My last three government positions were Senior Acquisition Executive at the National Security Agency (NSA), Principal Deputy Assistant Secretary of the Navy (Research, Development and Acquisition) and Executive Director and Senior Civilian of the Naval Sea Systems Command, the Navy's largest shore establishment.

I am here today to discuss the major management and programmatic challenges the Department faces and areas I will focus on as the Under Secretary for Management.

The Government Accountability Office (GAO) has continued to designate transforming DHS as high risk. Its report and other Inspector General reports address, in large part, the status of the integration of DHS' varied management processes, systems and people in areas such as information technology, financial management, procurement, human capital, and administrative services. GAO reports that DHS has made progress in management integration but has

concerns that there appears to be a lack of a comprehensive strategy. Specifically, GAO noted that to be successful, DHS' strategy must integrate planning across management functions, identify critical interdependencies, define interim milestones, and optimize possible efficiencies.

As the Under Secretary for Management, I support the strategic initiatives proposed by GAO. For example, GAO indicates that some of the plans and directives already issued by DHS could be used in building the needed integration strategy. Accordingly, I am reviewing DHS' progress against existing plans and directives to ensure that they support integration strategy goals and are completed on schedule. My role as Under Secretary is to direct this effort and ensure its implementation across the Department.

The most significant challenge we have is to continue the effort that was started with the creation of the new Department and turning it into a unified force that protects our country. DHS, whose size is that of a Fortune 50, is the equivalent of an entrepreneurial start-up that has merged 22 agencies with approximately 180,000 employees. This effort requires the effective and efficient use of financial and human resources, technology, streamlined processes and superb management. As such, optimizing the performance of those resources and capabilities is where I focus most of my efforts and the Department's strategy.

The major elements of our strategy are:

- Improving acquisition and procurement throughout the Department;
- Strengthening the requirements and investment review processes;
- Hiring and maintaining human capital;
- Seeking efficiencies across the enterprise in operations and the use of resources; and
- Making the key management systems, such as financial and information technology, world-class.

Our approach has a common thread through all of these elements: to ensure that there is a comprehensive and integrated strategy throughout the Components with specific and measurable goals that support the activities and priorities of the Department. On a practical level, we will ensure the success of this strategy by having a team with the right knowledge, skills and abilities to support the programs, transform disparate operations, and measure progress against metrics and milestones.

Acquisition and Procurement

The Department of Homeland Security is in the midst of many crucial acquisitions that are vital to the success of DHS. That is why Chief Procurement Officer Elaine Duke and I are working to strengthen acquisition and procurement by institutionalizing solid processes. To this end we are:

- Strengthening the requirements and investment review processes by improving the Joint Requirements Council (JRC) and Investment Review Board (IRB) process.
- Reviewing the major programs and investments to ensure that the requirements are clear, cost estimates are valid, technology risks are properly assessed, schedules are realistic, contract vehicles are proper, and the efforts are well managed.
- Building the capability to manage complex efforts by ensuring that program offices are properly structured and staffed with the right people and skills to ensure efficient and effective program management and oversight; and to aggressively hire where we have known shortages.
- Examining best practice metrics in use in by other departments with the intent to start implementation this year.

To date, the Department has focused on procurement. Procurement, however, is only one element of acquisition management. Procurement is the actual transaction for goods or services and plays only a part of the overall acquisition process.

Acquisition is the process that starts with identifying a mission need, developing requirements and budget to meet that need, contracting with industry to deliver the products and services to fulfill the need, and sustain the delivered system through its life. Acquisition includes managing operational and life-cycle requirements: from formulating concepts of operations, developing sound business strategies, and exercising prudent financial management to assessing trade-offs and managing program risks. Procurement or contracting teams act as business deal partners to the program office in the acquisition process.

In general, best practice acquisition management is executed by teams of professionals who manage the entire life-cycle of a major program effort. However, DHS currently has a shortage of people who are experienced in program management, including its related functional areas such as acquisition logistics and cost analysis.

Although the Department received funding in the FY 2007 budget to hire additional acquisition personnel, obtaining qualified acquisition specialists in a timely manner is challenging. Competition for procurement personnel is intense within the Washington, D.C. area. To date, DHS has initiated aggressive staffing solutions to resolve these personnel shortages and has centralized recruiting activities to better manage similar needs across the Department.

As part of the President's FY 2008 budget, we plan to initiate our Acquisition Intern Program. We will start with 66 new entry level positions and grow to 200 positions by FY 2010. This program is modeled after highly successful DOD programs.

Going forward, I will continue to focus on acquisition management as one of my major priorities and expedite training in key disciplines for those who manage the Department's major programs. By having more skilled employees and improved asset management tools, acquisition management will provide the Department with the infrastructure and resources it needs to complete its mission and secure the Homeland. In particular, DHS' $15.7 billion procurement budget provides for the development, fielding and support of significant homeland security capabilities. These new capabilities are critical for the Department to better deliver large and complex initiatives.

Program Challenges

The U.S. Coast Guard Deepwater program was restructured following a number of independent reviews. We have formalized a collaborative partnership with the Navy in order to identify best practices, common systems, technologies and processes for improved interoperability. The role of the Coast Guard in managing this large scale effort has changed to one of more hands-on control.

As a result of increased Cost Guard control, examples of acquisition related Deepwater Program improvements include:

- Competition is being injected across the product lines;
- A uniform Coast Guard approach to logistics support is being implemented to ensure better operational logistics performance;
- A service-wide C4I architecture is being pursued that is directed by the Coast Guard that focuses on fielding infrastructure and then adding functionality on a spiral basis;
- Contracts for National Security Cutters 1 and 2 are being updated and outstanding contractual issues are being addressed to establish a clean baseline for the remainder of the ships in the class;
- Current resources are being augmented with hiring at all levels to increase the professional talent of the acquisition workforce; and
- The Commandant is implementing his "Blueprint for Acquisition" which addresses major organizational and process changes to significantly improve the performance of Coast Guard Acquisition.

SBI*net*, the Department's multi-year plan to secure our borders and reduce illegal immigration by upgrading technology used in controlling the border, including improved communications assets, expanded use of manned and unmanned aerial vehicles and state of the art detection technology, has faced Congressional and GAO criticism. The program's approach to securing our borders is comprehensive and includes risk mitigation factors. For example, the contract that was awarded to Boeing in September of 2006 has a base period of three years with three one-year option periods.

As such, there are two risk-mitigating factors to consider with regard to the Boeing contract. First, it allows DHS to execute the acquisition into discrete, workable phases, implemented through task and delivery orders. This approach provides the greatest amount of flexibility to respond to evolving requirements.

Second, the contract with Boeing is not exclusive, which means DHS reserves the right to compete and use other contract vehicles for the goods and services required for the SBI*net* Program. Through this practice we are ensuring that dollars are spent wisely.

This phased, modular and scaleable methodology has been successful and a major accomplishment for DHS. Project 28 will demonstrate the SBI*net* system's capabilities by deploying sensor towers, unattended ground systems and upgrades to existing Border Patrol vehicles and communication systems. Upon completion of Project 28, which is set for June 2007, the Army will conduct an independent test and evaluation and provide an independent assessment of SBI*net's* interim operating capabilities. Because this is a modular and scalable architecture, we will be in position to make important tradeoffs on performance, risk and total system costs very early – all in less than one year after the contract award. In my opinion, this is a model for spiral acquisition and risk reduction and I am puzzled as to why this acquisition approach is criticized.

GAO has indicated concerns that DHS Procurement relies extensively on outside agencies for contracting support. To date, our model for using contractors on projects such as Deepwater and SBI*net* has been to address immediate staffing shortfalls. Because the Department has launched a number of new large scale initiatives, our acquisition workforce requires skill sets and experience that are very different from an ordinary acquisition program. Prior to DHS' establishment in 2003, the Department's components did not have major acquisitions like the USCG's Deepwater program, i.e. programs that require large mature and experienced acquisition support services such as those that exist in the Department of Defense for major weapons systems and ship-building.

However, through the Department's strategy, human resource recruitment efforts, employee training, and improved acquisition management, we will reduce our reliance on contractors. We will develop a mature acquisition workforce that will enable us to build our own "pipeline" of people, create a career-path from within the Department, and reduce our inefficiencies in areas of oversight and project management. This will not happen overnight, but will require several years to fully mature.

A final point that I'd like to mention regarding the Department's acquisition and procurement practices is that DHS has exceeded both the Administration's goal and the Department's elevated goal of 30% for small business prime contracts. I am happy to report that in fiscal year 2006, 34.6% of the procurement dollars went to small business prime contractors. Of that 34.6%, 12.1% went to small,

minority owned businesses. We are proud of these numbers and consider them to be evident of our commitment to support small businesses and to demonstrate our awareness of the role that small businesses play in our nation's ability to prepare for and respond to terrorist attacks and natural disasters.

Office of Personnel Management (OPM) Federal Human Capital Survey (FHCS)

DHS did very poorly on the OPM Federal Human Capital survey. Through the survey results, managers and line employees alike delivered a message that the leadership has heard loud and clear. Leadership teams across DHS are committed to identifying the underlying reasons for DHS employee dissatisfaction and are seeking ways to address them expeditiously.

As initial steps toward improving employee satisfaction at headquarters and within operating components, we are working to better communicate throughout the workforce, emphasize performance management training at the supervisor and employee level, and improve recognition of good performance.

Although the general results of the survey were disappointing, we are encouraged by the fact that DHS employees have passion for our mission. 89% percent of employees report that they believe the work they do is important and 80% percent like the work that they do. This is a strong foundation upon which to build and improve.

Having evaluated the detailed results of the survey and analyzed the practices of Departments that are recognized for their high performance, we are now using this information to develop additional steps that will improve employee satisfaction. This summer, we will conduct another survey of our workforce to ensure that our efforts are on track and address key employee concerns.

Additionally, the leadership team in each operating component and headquarters is discussing the details of the survey with their workforce in order to gather employee suggestions and recommendations for improvement.

Human Capital

We are addressing GAO's assessment and expectations in the area of Human Capital and have developed a results-oriented strategic human capital plan. We are aggressively building a world-class organization by hiring and retaining a talented and diverse workforce. Our operational plan identifies specific activities with milestones for integrating workforce planning in human capital operations, improving DHS-wide hiring and retention practices, and leveraging our partnership with the DHS Civil Rights and Civil Liberties Office to continually increase diversity across DHS.

We are improving our hiring processes by educating our hiring managers and human resource officials on the flexibilities that are currently available as well as implementing an enterprise E-recruitment system. We have established a Department-wide branding initiative and will implement proactive recruitment strategies to fill critical mission support vacancies that cross component lines in areas such as information technology, acquisition, and human resources.

We are well on our way to achieving our hiring targets in our frontline mission critical occupations as well. In ICE, we have already filled over 58% of the 2,105 authorized positions for this fiscal year. FEMA is at the 90% mark in staffing or the first time. As the President committed to last year, we plan to have 17,819 Border Patrol Agents by the end of FY08 and 18,319 by the end of 2008. Furthermore, CBP, in partnership with the Federal Law Enforcement Training Center, has developed a plan within the current budget to train all of the agents at the Border Patrol Academy in Artesia, NM.

Our recruitment strategies will be designed to ensure that DHS reflects our Nation's diversity. The percent of Hispanic females and males in the DHS workforce is 4.59 and 12.11 respectively, with Hispanic males employed at twice the National Civilian Labor Force (CLF) rate. The percent of African-American females and males is 7.63 and 6.86 respectively, which also exceed CLF percentages.

Although we have achieved a well-balanced workforce, we must do better in ensuring that our leadership ranks reflect the Nation's diversity as well. In particular, the Secretary, Deputy Secretary, and I are committed to ensuring that the talent pool for Senior Executive Service positions is representative of our Nation as a whole.

We are broadening our efforts to encompass a wider range of human resource effectiveness with an initial focus on performance management. A performance-based management system compensates and rewards employees based on merit, that is, their performance and contribution toward the achievement of the Department's mission. Moreover, a performance-based management system requires work on everyone's part to collaborate and define requirements, establish targets towards desired results, and agree on management methods for measuring and evaluating success. Based on the results of the OPM survey, this is the area where we need to focus on first.

Building a performance-based, results-oriented culture at DHS is very important. This program is an integral part in the Department's strategy for building a single, unified DHS and linking individual performance with specific organizational goals. Furthermore, it will foster an environment of open communication and feedback between the supervisor and employee, and reward more productive and harder working employees.

To date, we've trained over 13,000 supervisors to properly develop performance measures and administer the new program and have implemented the program and its new automated system for over 14,000 employees. We will continue to expand coverage of the new performance management program in a way that allows us to seamlessly align DHS' strategy, vision and values across the Department.

Other efforts underway are captured in a recently issued two year Human Capital Operational Plan. Our five key priorities in the human capital area include:

1. Hiring and retaining a talented and diverse workforce
2. Creating a DHS-wide culture of performance – *Team DHS*
3. Creating high-quality learning and development programs
4. Implementing a DHS-wide integrated leadership service
5. Becoming a model of human capital service excellence

Since I have been at DHS I have had the opportunity to participate in the opening sessions of our SES candidate development program and our DHS Fellows program. I am excited with the quality, enthusiasm, and commitment of these future leaders of the Department knowing that we are just in the infancy stage of some these important efforts.

Financial Management

The Department has many substantial challenges to overcome in its effort to improve its financial management processes and address GAO's expectations. Chief Financial Officer David Norquist and I are working to make measurable, demonstrable progress in the development and implementation of the following:

- Appropriate systems and processes that ensure clean audit opinions;
- Sound internal controls for financial reporting;
- Timely, accurate, and useful financial data collection for analysis; and
- Efficient financial management services.

Success in these areas rests upon a framework of policies, processes, systems and accountability. We have efforts underway in each of these areas that are directed by the "Internal Controls over Financial Reporting (ICOFR) Playbook" - a corrective action plan that includes Federal Government best practices for financial management. The Playbook was approved by Secretary Chertoff and issued throughout the Department. Through this playbook, we are aggressively working towards ensuring that our internal audit and control systems are in place to help us achieve the mission and execute the Department's strategy.

Of particular importance are internal controls. Sound internal controls are essential to effectively meet the Department's mission. DHS must have a process in place that can continuously test whether our internal controls are well-

designed and operating effectively. This means that management must not rely entirely on what outside auditors determine is wrong and be capable of independently addressing and preventing potential irregularities. This has been a major concern of the GAO and I believe we are addressing it smartly. In executing this effort, we work very closely with the Office of the Inspector General. Because of the importance of this effort, the CFO and I brief the Secretary monthly on the status.

We have also developed a strategy to migrate and reduce the number of our financial management systems across the department. This includes our approach for systems migration and configuration control, the order and schedule for migration, baseline(s) maintenance and to incrementally start providing greater visibility into financial activity through timely accurate and useful financial related data.

Additionally, we are working to ensure that the Department's grant programs have the necessary internal controls in place, are adhered to, and that funds to State and Local first responders are monitored to achieve success with measurable outcomes.

Information Technology

In my early assessment of the Office of Management, I recognized that our Chief Information Officer, Scott Charbo, did not have the requisite authority over each of the DHS IT components and that the documented concerns of the GAO with respect to authority of the business chiefs was valid in this case. The Secretary agreed with my assessment and shortly thereafter issued a Management Directive to provide the CIO with such authority. This action now gives the CIO direct control and accountability over the budget, addresses the GAO high risk issue and in my opinion gives the DHS CIO more authority than any other CIO in the Federal Government.

We continue to address the other GAO issues mentioned in the area of information technology management. Utilizing information technology, the Department has established and institutionalized Department-wide business processes and systems to manage information. For example, the CIO heads the CIO Council, whose membership includes the CIOs from all of the DHS components. The council works to standardize business practices where it makes sense in order to improve information sharing. These efforts improve Department operations and reduce costs by eliminating duplicative IT systems.

In addition, DHS has awarded the EAGLE and FirstSource contracting agreements, the largest contracting vehicles in the Federal Government for the procurement of IT and program management services. This should result in more streamlined and cost-effective procurements across the Department.

Particular initiatives that have contributed toward improved information management at reduced costs include the following initiatives:

- The Department's Enterprise Architecture Board (EAB) reviews investments at various stages in the IRP and CPIC cycles.
- The EAB published the Homeland Security Enterprise Architecture Version 2007 to ensure best business practices and consistency.
- OMB gave an overall rating of "yellow" on the Homeland Security Enterprise Architecture 2007. However, we received a green for Completion and for Use. We are working to improve our reporting of savings.
- The enterprise architecture informs the creation of DHS strategic plans and all investment reviews.
- Consolidation of major networks and systems continues the reduction of seven wide-area networks and creation of one common e-mail platform.
- The first 24,000 square feet of a Department-wide primary data center has been opened in order to consolidate multiple disparate data centers into a more secure and cost effective environment. An additional 40,000 square feet is under construction and due to open in July.
- The contract for a second data center is currently in the source selection phase.

Presently, the Chief Information Officer is working closely with the Chief Financial Officer (CFO) and the Office of the Inspector General in order to implement an Internal Controls Assessment Project that will bring information security policy and actions to Federal Information Security Management Act (FISMA) standards. We are executing a plan to fix identified FISMA deficiencies and as of Q2 have obtained the following deliverables:

- Increased Department IT system certification & accreditation (C&A) from 22% in 2005 to 85% in 2007;
- Increased DHS system security controls testing from 54% to 82%
- Annual DHS-wide IT security awareness stands at 88% with training for certain specialized job functions at 97%;
- Integrated a baseline list of systems into DHS' budget and procurement process; and
- Key policies and procedures have been reviewed and revised to assure protection of personal identifiable information.

Key Processes

The urgency and complexity of DHS' mission will continue to demand rapid refinement of our major processes. One of the biggest challenges we have is to continue to build our capability in the operational components and at the Department-wide level, while the ongoing day to day business moves at a fast pace. That dictates a measured approach in implementation. Since I assumed

the Under Secretary position we have instituted a new process for making Science and Technology investments by ensuring the technology being pursued fills a defined operational need or mission gap; instituted a new process for FY 09-13 planning involving the entire department with the objective of identifying the major issues and those that cut across the entire department in order to have adequate time to properly support the development of the FY 09 budget; and established the framework for a more responsive Investment review process.

Consolidate the Department of Homeland Security at St. Elizabeths

We all agree that saving the taxpayer's money is important. Consolidating the Department of Homeland Security at the St. Elizabeths West Campus will result in a Net Present Value (NPV) taxpayer savings of $1 billion over a thirty year period by consolidating private and public sector lease agreements.

Additionally, the Department also needs to reduce the total number of locations that house DHS components in the National Capital Region (NCR) to as few as possible in order to lower overall costs. The consolidation of mission support functions that can not be accommodated at St. Elizabeths also has the potential to achieve comparable cost avoidances through co-location of similar functions, elimination of redundancies, and economize shared services. This effort will right size the real estate portfolio resulting in DHS having 70 percent of its offices in less costly yet more secure Government-owned space.

Moreover, DHS's mission demands an integrated approach to protect our Homeland. Yet, the Department's legacy facilities are dispersed in more than 50 locations and 7.1 million Gross Square Feet (GSQF) of office space throughout the NCR. This dispersal adversely impacts critical communication, coordination, and cooperation across the Department. Consolidating executive leadership in a *secure* setting with sufficient office space for policy, management, operational coordination, and command and control capabilities at the St. Elizabeths West Campus is vital to the long-term mission success of the Department.

Consolidating our facilities will increase efficiency, enhance communication, and foster a "one-DHS" culture that will optimize Department-wide prevention and response capability. I have visited many of the DHS locations in the Washington DC area and am disheartened by the working environment provided for many of our people. Some of these facilities are not well-suited for mission requirements, and as the Department grows this will just exacerbate the situation. This seriously impacts our ability to recruit and retain people, when they have more appealing options in the Federal Government and clearly has a negative impact on morale for which we are often criticized.

I request that the Senate support this effort by authorizing and appropriating funding for DHS's consolidation at St. Elizabeths West Campus and the efficient realignment of off-campus locations.

Conclusion:

Secretary Chertoff has expressed that one of his key goals for DHS is to strengthen DHS core management, policy and operational integration. The other four are:

- Protect our Nation from dangerous people
- Protect the Nation from dangerous cargo and things coming into the country
- Protect and harden our critical infrastructure
- Strengthen our emergency preparedness and response

While my testimony today focuses on the management area, we have made significant progress in each of the other four mission areas. As the Department enters into its next stage of development to transform into an effective, integrated organization, it is important to keep in mind that this process is a marathon, not a sprint. We must develop sustainable, long-term processes which will build capabilities. While we certainly realize the importance of timeliness, we want to be proactive and forward-looking. To do so, we need to get correct systems in place. This takes time, but it is more beneficial, productive, and efficient in the long run. We are building for the future.

Thank you for your leadership and continued support of the Department of Homeland Security and its management programs. I know from my 4 months on the job that we have major challenges ahead. I look forward to working together in shaping the future and success of DHS with energy and enthusiasm. Thank you for this opportunity to be here today, and I would be pleased to respond to any questions that you may have.

United States Government Accountability Office

GAO

Testimony
Before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Senate Committee on Homeland Security and Governmental Affairs

For Release on Delivery
Expected at 9:00 a.m. EDT
Thursday, May 10, 2007

HOMELAND SECURITY

Management and Programmatic Challenges Facing the Department of Homeland Security

Statement of David M. Walker
Comptroller General of the United States
U.S. Government Accountability Office

GAO-07-833T

May 10, 2007

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Accountability · Integrity · Reliability

Highlights

Highlights of GAO-07-833T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Government al Affairs, U.S. Senate

HOMELAND SECURITY

Management and Programmatic Challenges Facing the Department of Homeland Security

Why GAO Did This Study

The Department of Homeland Security (DHS) plays a key role in leading and coordinating—with stakeholders in the federal, state, local, and private sectors—the nation's homeland security efforts. GAO has conducted numerous reviews of DHS management functions as well as programs including transportation and border security, immigration enforcement and service delivery, and disaster preparation and response. This testimony addresses:

- why GAO designated DHS's implementation and transformation as a high-risk area,
- specific management challenges that DHS continues to face,
- examples of the program challenges that DHS faces, and
- actions DHS should take to strengthen its implementation and transformation efforts.

What GAO Recommends

While this testimony contains no new recommendations, GAO has made numerous prior recommendations to DHS in reports addressing the issues identified in this statement. DHS generally concurred with these recommendations; however it is not clear to what extent these recommendations are being implemented.

www.gao.gov/cgi-bin/getrpt?GAO-07-833T.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Norman Rabkin at (202) 512-8777 or rabkinn@gao.gov or Bernice Steinhardt, at 202-512-6806 or steinhardtb@gao.gov

What GAO Found

GAO designated implementing and transforming DHS as high risk in 2003 because DHS had to transform and integrate 22 agencies—several with existing program and management challenges—into one department, and failure to effectively address its challenges could have serious consequences for our homeland security. Despite some progress, this transformation remains high risk.

Managing the transformation of an organization of the size and complexity of DHS requires comprehensive planning and integration of key management functions that will likely span a number of years. DHS has made some progress in these areas, but much additional work is required to help ensure sustainable success. DHS has also issued guidance and plans to assist management integration on a function by function basis, but lacks a comprehensive integration strategy with overall goals, a timeline, appropriate responsibility and accountability determinations, and a dedicated team to support its efforts. The latest independent audit of DHS's financial statements showed that its financial management systems still do not conform to federal requirements. DHS has also not institutionalized an effective strategic framework for information management, and its human capital and acquisition systems require further attention to ensure that DHS allocates resources economically, effectively, ethically, and equitably.

Since GAO's 2007 high-risk update, DHS has continued to strengthen program activities but still faces a range of programmatic and partnering challenges. To help ensure its missions are achieved, DHS must overcome continued challenges related to such issues as cargo, transportation, and border security; systematic visitor tracking; efforts to combat the employment of illegal aliens; and outdated Coast Guard asset capabilities. Further, DHS and the Federal Emergency Management Agency need to continue to develop clearly defined leadership roles and responsibilities; necessary disaster response capabilities; accountability systems to provide effective services while protecting against waste, fraud, and abuse; and the ability to conduct advance contracting for emergency response goods, supplies, and services.

DHS has not produced a final corrective action plan specifying how it will address its many management challenges. Such a plan should define the root causes of known problems, identify effective solutions, have management support, and provide for substantially completing corrective measures in the near term. It should also include performance metrics and milestones, as well as mechanisms to monitor progress. It will also be important for DHS to become more transparent and minimize recurring delays in providing access to information on its programs and operations so that Congress, GAO, and others can independently assess its efforts. DHS may require a chief management official, with sufficient authority, dedicated to the overall transformation process to help ensure sustainable success over time.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before the subcommittee to address management and programmatic challenges facing the Department of Homeland Security (DHS). I have spoken extensively about the fiscal crisis our nation faces with the coming retirement of the baby boom generation and the related growth in entitlement spending. The current financial condition in the United States is worse than is widely understood and is not sustainable. Meeting the long-term fiscal challenge will require (1) significant entitlement reform to change the path of those programs; (2) reprioritizing, restructuring and constraining other spending programs; and (3) additional revenues–such as through a reformed tax system. These efforts will require bipartisan cooperation and compromise.

Irrespective of our fiscal situation, it is important for federal departments—including DHS—to operate as efficiently and effectively as possible in carrying out their missions. At the same time, we also face new and uncertain threats to our security, both overseas and at home, that require continued attention. Without this focus, the consequences can be catastrophic. We designated the implementation and transformation of DHS as a high-risk area in 2003 and continued that designation in our 2005 update. In my testimony today, I will explain why we decided to maintain this area on our 2007 high risk list, focusing on four areas:

- why we originally designated DHS's implementation and transformation as a high-risk area,
- specific management challenges that DHS continues to face,
- examples of the program challenges that DHS faces, and
- actions DHS should take to strengthen its implementation and transformation efforts.

My comments today are based on our wide-ranging work on DHS since the 2005 high-risk update, as well as our institutional knowledge of homeland security and various government organizational and management issues. We conducted our work in accordance with generally accepted government auditing standards. A listing of GAO reports related to the transformation, management, and program challenges discussed in this statement are contained in Appendix 1.

Summary

We first designated DHS's implementation and transformation as high risk in 2003 because 22 disparate agencies had to transform and integrate into one department. Many of these individual agencies were facing their own

management and mission challenges. But most importantly, the failure to effectively address DHS's management challenges and program risks could have serious consequences for our homeland security as well as our economy. We kept the DHS implementation and transformation on the high-risk list in 2005 because serious transformation challenges continued to hinder DHS's success. Since then, our and the DHS Inspector General's (IG) reports have documented DHS's progress and remaining challenges in transforming into an effective, integrated organization. For example, in the management area, DHS has developed a strategic plan, is working to integrate some management functions, and has continued to form necessary partnerships to achieve mission success. Despite these efforts, however, DHS implementation and transformation remain on the 2007 high-risk list because numerous management challenges continue to exist. For example,

- Although DHS has issued guidance and plans to assist management integration on a function by function basis, DHS lacks a comprehensive management integration strategy with overall goals, timelines, and a team dedicated to support its integration efforts.
- The DHS strategic plan addresses five of six Government Performance and Results Act required elements and takes into account its non-homeland security missions, such as responding to natural disasters. However, it had only limited consultation with key stakeholders, thus missing an opportunity to create a shared understanding of goals and priorities.
- Several DHS programs have not developed outcome-based measures to assess performance.
- While the Secretary of DHS has expressed a commitment to risk management, DHS has not performed comprehensive risk assessments in transportation, trade, critical infrastructure, or the immigration and customs systems to guide resource allocation decisions.
- Since its creation, DHS has been unable to obtain an unqualified or "clean" audit opinion on its financial statements. The auditors continue to report material internal control weaknesses and that DHS's financial systems do not substantially comply with federal requirements. These weaknesses highlight the concern that DHS may not be able to account for all of its funding and resources or have reliable financial information for management and budget purposes.
- DHS has not institutionalized an effective strategic framework for information management to, among other things, guide technology investments, and despite some progress, DHS's human capital—the centerpiece of its transformation efforts—and acquisition systems

will require continued attention to help prevent waste and to ensure that DHS can allocate its resources economically, efficiently, effectively, ethically, and equitably.

DHS has taken some actions to strengthen program activities in areas such as cargo, transportation, and border security; Coast Guard acquisition management; advance contracting for goods and services for disaster preparedness; and immigration services. However, DHS continues to face a range of programmatic and partnering challenges. To help ensure its missions are achieved, DHS must overcome continued challenges related to:

- strengthening cargo and passenger screening, visitor tracking, efforts to combat the employment of illegal aliens, and outdated Coast Guard asset capabilities;
- balancing its homeland security and other missions, such as disaster preparedness; and
- clearly defining leadership roles and responsibilities, developing necessary disaster response capabilities, and establishing accountability systems to provide effective services while protecting against waste, fraud, and abuse at the Federal Emergency Management Agency (FEMA).

To be removed from GAO's high-risk list,[1] agencies must do three things. First, they have to produce a corrective action plan that defines the root causes of identified problems, identifies effective solutions to those problems, and provides for substantially completing corrective measures in the near term. Such a plan should include performance metrics and milestones, as well as mechanisms to monitor progress. In the spring of 2006, DHS provided us with a draft corrective action plan that did not contain key elements we have identified as necessary for an effective corrective action plan, including specific actions to address identified objectives. As of May 2007, DHS has not submitted a corrective action plan to OMB. According to OMB, this is one of the few high-risk areas that has not produced a final corrective action plan.

Second, agencies must demonstrate significant progress in addressing the problems identified in their corrective action plan. To date, DHS has not been transparent in its efforts to strengthen its management areas and

[1]GAO, *Determining Performance and Accountability Challenges and High Risks*, GAO-01-159SP (Washington, D.C.: Nov. 1, 2000).

mission functions. While much of its sensitive work needs to be guarded from improper disclosure, DHS has not been receptive towards oversight and its delays in providing Congress and us with access to various documents and officials have impeded the timeliness of our work. We have recently worked with DHS management, including the Secretary and the Undersecretary for Management, to establish a more cooperative and efficient process—for example, reviewing sensitive documents at a particular agency location—in an effort to not only to maintain a productive working relationship with the department, but also to meet the needs of our congressional requesters in a timely manner. Finally, agencies, in particular top leadership, must demonstrate a commitment to achieve any remaining key objectives and sustain various improvements in their performance over the long term. Although DHS leaders have expressed their intent to integrate legacy agencies into the new department, they have not dedicated the resources needed to oversee this effort and have not been responsive to many directions from Congress and recommendations from study groups and accountability organizations like the IGs and GAO.

While this testimony contains no new recommendations, GAO has made numerous prior recommendations to DHS in reports addressing the issues identified in this statement. DHS generally concurred with these recommendations; however it is not clear to what extent these recommendations are being implemented.

Background

In an effort to strengthen homeland security following the September 11, 2001, terrorist attacks on the United States, President Bush issued the National Strategy for Homeland Security in July 2002 and signed legislation creating DHS in November 2002.[2] The strategy set forth the overall objectives, mission areas, and initiatives to prevent terrorist attacks within the United States; reduce America's vulnerability to terrorism; and minimize the damage and assist in the recovery from attacks that may occur.

DHS, which began operations in March 2003, represented a fusion of 22 federal agencies to coordinate and centralize the leadership of many homeland security activities under a single department. Although the National Strategy for Homeland Security identified that many other federal

[2]Homeland Security Act of 2002, Pub. L. No. 107-296, 116 Stat. 2135 (Nov. 25, 2002).

departments (and other nonfederal stakeholders) are involved in homeland security activities, DHS has the dominant role in implementing the strategy. The strategy identified 6 mission areas and 43 initiatives. DHS was designated as the lead federal agency for 37of the 43 initiatives, and has activities under way in 40 of the 43 initiatives.

The Homeland Security Act of 2002, which created DHS, represented a historic moment of almost unprecedented action by the federal government to fundamentally transform how the nation thinks of homeland security, including how it protects itself from terrorism. Also significant was the fact that many of the 22 departments brought together under DHS were not focused on homeland security missions prior to September 11, 2001. Rarely in the country's past had such a large and complex reorganization of government occurred or been developed with such a singular and urgent purpose. The creation of DHS represented a unique opportunity to transform a disparate group of agencies with multiple missions, values, and cultures into a strong and effective cabinet department whose goals are to, among other things, protect U.S. borders and infrastructure, improve intelligence and information sharing, and prevent and respond to potential terrorist attacks. Together with this unique opportunity, however, came a significant risk to the nation that could occur if the department's implementation and transformation efforts were not successful.

Mission areas designated as high risk have national significance, while other areas designated as high risk represent management functions that are important for agency performance and accountability. The identified areas can have a qualitative risk that may be detrimental to public health or safety, national security, and economic growth, or a fiscal risk due to the size of the program in question. Examples of high-risk areas include federal governmentwide problems, like human capital management; large programs, like Social Security, Medicaid, and Medicare; and more narrow issues, such as contracting at a specific agency. The DHS transformation is unique in that it involves reorganization, management, and program challenges simultaneously.

DHS's Transformation

We first designated DHS's transformation as high risk in January 2003 based on three factors. First, DHS faced enormous challenges in implementing an effective transformation process, developing partnerships, and building needed management capacity because it had to effectively combine 22 agencies with an estimated 170,000 employees into one department. Second, DHS faced a broad array of operational and

management challenges that it inherited from its component legacy agencies. For example, many of the major components that were merged into the department, including the Immigration and Naturalization Service, the Transportation Security Administration, the Customs Service, the Federal Emergency Management Agency, and the Coast Guard, brought with them existing challenges in areas such as strategic human capital, information technology, and financial management. Finally, DHS's national security mission was of such importance that the failure to effectively address its management challenges and program risks could have serious consequences on our intergovernmental system, the health and safety of our citizens, and our economy.

Our prior work on mergers and acquisitions, undertaken before the creation of DHS, found that successful transformations of large organizations, even those faced with less strenuous reorganizations than DHS, can take years to achieve.[3] On the basis of the need for more progress in its transformation efforts, DHS's implementation and transformation stayed on our high-risk update for 2005, and remained on the high-risk list in 2007. Further, in November of 2006, we provided the congressional leadership a listing of government programs, functions, and activities that warrant further congressional oversight.[4] Among the issues included were DHS integration and transformation efforts.

DHS Must Address Key Management Challenges

Managing the transformation of an organization of the size and complexity of DHS requires comprehensive planning, integration of key management functions across the department, and partnering with stakeholders across the public and private sectors. DHS has made some progress in each of these areas, but much additional work is required to help ensure sustainable success. Apart from these integration efforts, however, a successful transformation will also require DHS to follow through on its initial actions of building capacity to improve the management of its financial and information technology systems, as well as its human capital and acquisition efforts.

[3]GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).

[4]GAO, *Suggested Areas for Oversight for the 110th Congress*, GAO-07-235R (Washington, D.C.: Nov. 17, 2006).

DHS Transformation and Integration

Thorough planning is important for DHS to successfully transform and integrate the management functions of 22 disparate agencies into a common framework that supports the organization as a whole. Our past work has identified progress DHS has made in its planning efforts.[5] For example, the DHS strategic plan addresses five of six Government Performance and Results Act required elements and takes into account its non-homeland security missions, such as responding to natural disasters. Furthermore, several DHS components have developed their own strategic plans or strategic plans for missions within their areas of responsibility. For example, U.S. Immigration and Customs Enforcement (ICE) has produced an interim strategic plan that identifies its goals and objectives, and U.S. Customs and Border Protection (CBP) developed a border patrol strategy and an anti-terrorism trade strategic plan. However, deficiencies in DHS's planning efforts remain. A DHS-wide transformation strategy should include a strategic plan that identifies specific budgetary, human capital, and other resources needed to achieve stated goals. The strategy should also involve key stakeholders to create a shared understanding of goals and priorities. DHS's existing strategic plan lacks these linkages, and DHS has not effectively involved stakeholders in the development of the plan. DHS has also not completed other important planning-related activities. For example, some of DHS's components have not developed adequate outcome-based performance measures or comprehensive plans to monitor, assess, and independently evaluate the effectiveness of their plans and performance.

Integrating core management functions like financial, information technology, human capital, and procurement is also important if DHS is to transform itself into a cohesive, high-performing organization. However, DHS lacks a comprehensive management integration strategy with overall goals, a timeline, appropriate responsibility and accountability determinations, and a dedicated team to support its management integration efforts. In 2005, we recommended that DHS establish implementation goals and a timeline for its management integration efforts as part of a comprehensive integration strategy, a key practice to help ensure success for a merger or transformation. Although DHS has issued

[5]GAO, *Results Oriented Government: Improvements to DHS's Planning Process Would Enhance Usefulness and Accountability*, GAO-05-300 (Washington, D.C.: March 31, 2005); *Homeland Security: Better Management Practices Could Enhance DHS's Ability to Allocate Investigative Resources*, GAO-06-462T (Washington, D.C.: March 28, 2006); *Border Patrol: Available Data on Interior Checkpoints Suggest Differences in Sector Performance*, GAO-05-435 (Washington, D.C.: July 22, 2005).

guidance and plans to assist management integration on a function by function basis, it has not developed a plan that clearly identifies the critical links that should occur across these functions, the necessary timing to make these links occur, how these interrelationships will occur, and who will drive and manage them. In March 2007 testimony before the House Homeland Security Committee, DHS's Undersecretary for Management supported our recommendation on the need for a comprehensive management integration strategy for the department. The Undersecretary stated that he was reviewing DHS's progress against its individual plans and guidance for its management functions that would be part of such a comprehensive strategy. In addition, although DHS had established a Business Transformation Office that reported to the Under Secretary for Management to help monitor and look for interdependencies among the individual functional management integration efforts, that office was not responsible for leading and managing the coordination and integration itself. We understand that the Business Transformation Office has been recently eliminated due to a lack of funding.

In addition to the Business Transformation Office, we have recommended that Congress continue to monitor whether it needs to provide additional leadership authorities to the DHS Under Secretary for Management or create a Chief Operating Officer/Chief Management Officer (COO/CMO) position that could help elevate, integrate, and institutionalize DHS's management initiatives. Legislation was introduced in this session and passed by the Senate to create a Deputy Secretary of Homeland Security for Management, a CMO position.[6] On April 24, 2007, I sponsored a forum on implementing COO/CMO positions in select federal departments and agencies, as part of a broader study examining issues associated with implementing these positions in response to a bipartisan request from this subcommittee. Forum participants included former and current government executives, and officials from private businesses and nonprofit organizations. The forum discussion focused on criteria for determining the type of COO/CMO position that should be established in selected entities and how to implement the position, including qualifications, appointment processes, roles and responsibilities, and reporting relationships. In addition to the forum, we have also learned about the experiences of organizations that have positions similar to a COO/CMO through several case study reviews. We expect to issue our full report to the subcommittee in early September 2007.

[6]Improving America's Security Act of 2007, S. 4, 110th Cong. § 1601 (2007).

Finally, DHS cannot successfully achieve its homeland security mission without working with other entities that share responsibility for securing the homeland. Partnering for progress with other governmental agencies and private sector entities is central to achieving its missions. Since 2005, DHS has continued to form necessary partnerships and has undertaken a number of coordination efforts with private sector entities. These include, for example, partnering with (1) airlines to improve aviation passenger and cargo screening, (2) the maritime shipping industry to facilitate containerized cargo inspection, (3) financial institutions to follow the money trail in immigration and customs investigations, and (4) the chemical industry to enhance critical infrastructure protection at such facilities.[7] In addition, FEMA has worked with other federal, state, and local entities to improve planning for disaster response and recovery. However, partnering challenges continue as DHS seeks to form more effective partnerships to leverage resources and more effectively carry out its homeland security responsibilities. For example, because DHS has only limited authority to address security at chemical facilities, it must continue to work with the chemical industry to ensure that it is assessing vulnerabilities and implementing security measures. Also, while TSA has taken steps to collaborate with federal and private sector stakeholders in the implementation of its Secure Flight program, these stakeholders stated that TSA has not provided them with the information they would need to support TSA's efforts as they move forward with the program.

Financial Management and Internal Controls

DHS has made modest progress in addressing financial management and internal control weaknesses and continues to face significant challenges in these areas. For example, since its creation, DHS has been unable to obtain an unqualified or "clean" audit opinion on its financial statements. The independent auditor's report cited 10 material weaknesses—i.e., significant deficiencies in DHS's internal controls—showing no decrease from fiscal year 2005. These weaknesses included financial management oversight, financial reporting, financial systems security, and budgetary

[7]GAO, *Aviation Security: Significant Management Challenges May Adversely Affect Implementation of the Transportation Security Administration's Secure Flight Program*, GAO-06-374T (Washington, D.C.: Feb. 9, 2006); *Maritime Security: Enhancements Made, but Implementation and Sustainability Remain Key Challenges*, GAO-05-448T (Washington, D.C.: May 17, 2005); *Homeland Security: Better Management Practices Could Enhance DHS's Ability to Allocate Investigative Resources*, GAO-06-462T (Washington, D.C.: March 28, 2006); and *Homeland Security: DHS Is Addressing Security at Chemical Facilities, but Additional Authority Is Needed*, GAO-06-899T (Washington, D.C.: June 21, 2006).

accounting. Furthermore, the report found two other reportable conditions and instances of non-compliance with eight laws and regulations, including the Federal Managers' Financial Integrity Act of 1982, the Federal Financial Management Improvement Act of 1996, and the Federal Information Security Management Act of 2002.[8] While there continue to be material weaknesses in its financial management systems, DHS has made some progress in this area. For example, the independent auditor's fiscal year 2006 report noted that DHS had made improvements at the component level to improve financial reporting during fiscal year 2006, although many challenges were remaining. Also, DHS and its components have reported developing corrective action plans to address the specific material internal control weaknesses identified.

In addition to the independent audits, we have done work to assess DHS's financial management and internal controls. For example, in 2004, we reviewed DHS's progress in addressing financial management weaknesses and integrating its financial systems.[9] Specifically, we identified weaknesses in the financial management systems DHS inherited from the 22 component agencies, assessed DHS's progress in addressing these weaknesses, identified plans DHS had to integrate with its financial management systems, and reviewed whether the planned systems DHS was developing would meet the requirements of relevant financial management improvement legislation. On the basis of our work, we recommended that DHS (1) give sustained attention to addressing previously reported material weaknesses, reportable conditions, and observations and recommendations; (2) complete development of corrective action plans for all material weaknesses, reportable conditions, and observations and recommendations; (3) ensure that internal control weaknesses are addressed at the component level if they were combined or reclassified at the departmentwide level; and (4) maintain a tracking system of all auditor-identified and management-identified control weaknesses. These recommendations are still relevant today.

[8]Department of Homeland Security, Office of Inspector General. *Independent Auditors' Report on DHS' FY 2006 Financial Statements.* OIG-07-10. (Washington, D.C.: Nov. 2006).

[9]GAO, *Financial Management: Department of Homeland Security Faces Significant Financial Management Challenges,* GAO-04-774 (Washington, D.C.: July 19, 2004).

Information Technology

A departmentwide information technology (IT) governance framework—including controls (disciplines) aimed at effectively managing IT-related people, processes, and tools—is vital to DHS's transformation efforts. These controls and disciplines include:

- having and using an enterprise architecture, or corporate blueprint, as an authoritative frame of reference to guide and constrain IT investments;
- defining and following a corporate process for informed decision making by senior leadership about competing IT investment options;
- applying system and software development and acquisition discipline and rigor when defining, designing, developing, testing, deploying, and maintaining systems;
- establishing a comprehensive information security program to protect its information and systems;
- having sufficient people with the right knowledge, skills, and abilities to execute each of these areas now and in the future; and
- centralizing leadership for extending these disciplines throughout the organization with an empowered Chief Information Officer.[10]

DHS has made progress in each of these areas, but additional work is needed to further enhance its IT governance framework and implement our related recommendations. For example, the June 2006 version of DHS's enterprise architecture, while an improvement over prior versions, still lacks important architecture content and limits DHS's ability to guide and constrain IT investments, among other things.[11] With respect to IT investment management, DHS has established management structures but has not, for example, fully implemented key practices needed to effectively oversee and control department investments—putting the department at increased risk of its programs not delivering promised mission capabilities and benefits. DHS stated it is working on improving its investment management process.[12] DHS has taken other measures to enhance IT governance as well, such as completing a comprehensive inventory of its major information systems (though a comprehensive

[10]GAO, *Homeland Security: Progress Continues, but Challenges Remain on Department's Management of Information Technology*, GAO-06-598T (Washington, D.C.: March 29, 2006).

[11]GAO, *Homeland Security: DHS Enterprise Architecture Continues to Evolve but Improvements Needed*, GAO-07-564 (Washington, D.C.: May 9, 2007).

[12]GAO, *Information Technology: DHS Needs to Fully Implement Policies and Procedures for Effectively Managing Investments*, GAO-07-424 (Washington, D.C.: April 27, 2007).

information security program is still needed), organizing IT leadership roles and responsibilities under the CIO, and initiating strategic planning for IT human capital (an area where we have ongoing work to assess related strategic planning efforts and progress made).

In addition to efforts undertaken in these areas, our reviews of key nonfinancial systems show that DHS has not consistently employed a range of system acquisition management disciplines, such as reliable cost-estimating practices and meaningful performance measurements. We have made a number of recommendations in this and other areas, including work related to deploying and operating IT system and infrastructure in support of DHS's core mission and operations. Implementation of many of our recommendations has been slow. Until DHS fully establishes and consistently implements the full range of IT management disciplines embodied in its framework and related to federal guidance and best practices, it will be challenged in its ability to effectively manage and deliver programs.

Human Capital Systems

DHS has made some progress in transforming its human capital systems, but more work remains.[13] Some of the most pressing human capital challenges at DHS include (1) successfully completing its ongoing transformation; (2) forging a unified results-oriented culture across the department (line of sight); (3) linking daily operations to strategic outcomes; (4) rewarding individuals based on individual, team, unit, and organizational results; (5) obtaining, developing, providing incentives to, and retaining needed talent; and most importantly, (6) leadership at the top, to include a chief operating officer or chief management officer. Moreover, employee morale is low, as measured by recent results in the 2006 Federal Human Capital Survey, which can have an impact on the progress of DHS's transformation and integration. DHS scored at the bottom or near the bottom of all federal agencies in the four areas which provide the standards of success for agencies to measure their progress

[13]GAO, *Department of Homeland Security: Strategic Management of Training Important for Successful Transformation*, GAO-05-888 (Washington, D.C.: Sept. 23, 2005); *Information on Immigration Enforcement and Supervisory Promotions in the Department of Homeland Security's Immigration and Customs Enforcement and Customs and Border Protection*, GAO-06-751R (Washington, D.C.: June 13, 2006); *Homeland Security: Visitor and Immigrant Status Program Operating, but Management Improvements Are Still Needed*, GAO-06-318T (Washington, D.C.: Jan. 25, 2006); and *Border Security: Stronger Actions Needed to Assess and Mitigate Risks of the Visa Waiver Program*, GAO-06-854 (Washington, D.C.: July 28, 2006).

and achievements in managing their workforces. These four areas include (1) leadership and knowledge management, (2) results-oriented performance culture, (3) talent management, and (4) job satisfaction. As we have reported, people are at the center of any serious change management initiative, and addressing the "people" element and employee morale issues is the key to a successful merger and transformation.

Strategic human capital management is the centerpiece of any transformation effort. In 2005, we reported that DHS had initiated strategic human capital planning efforts and published proposed regulations for a modern human capital management system.[14] We also reported that DHS's leadership was committed to the human capital system design process and had formed teams to implement the resulting regulations. Since our report, DHS has finalized its human capital regulations and it is vital that DHS implement its human capital system effectively.[15] In April 2007, DHS issued its fiscal year 2007 and 2008 *Human Capital Operational Plan*, which identifies five department priorities: hiring and retaining a talented and diverse workforce, creating a DHS-wide culture of performance, creating high-quality learning and development programs for DHS employees, implementing a DHS-wide integrated leadership system, and being a model of human capital service excellence. DHS officials explained that the *Human Capital Operating Plan* encompasses the initiatives of the previous human capital management system, MAX^{HR}, but also outlines a more comprehensive human resources program. GAO has not yet reviewed DHS's new Human Capital Operational Plan to see if it addresses our prior recommendations. However, we expect to examine this plan.

Further, since our 2005 update, DHS has taken some actions to integrate the legacy agency workforces that make up its components. For example, it standardized pay grades for criminal investigators at ICE and developed promotion criteria for investigators and CBP officers that equally

[14]GAO, *Homeland Security: Overview of Department of Homeland Security Management Challenges*, GAO-05-573T (Washington, D.C.: April 20, 2005).

[15]The Homeland Security Act gave DHS authorization to design a human capital management system to meet its unique missions. In January 2005, DHS announced its final human capital management system regulations. DHS intended to implement a new personnel system in 2005. According to DHS OIG, these delays will impact the cost of implementation, the current development and implementation contract, and the ability to properly manage the workforce. Department of Homeland Security, Office of Inspector General. *Major Management Challenges Facing the Department of Homeland Security*, OIG-06-14 (Washington, D.C.: Dec. 2005).

recognize the value of the experience brought to ICE and CBP by employees of each legacy agency. DHS also made progress in establishing human capital capabilities for the US-VISIT program, which should help ensure that it has sufficient staff with the necessary skills and abilities to implement the program effectively. CBP also developed training plans that link its officer training to CBP strategic goals.

Despite these efforts, however, DHS must still (1) create a clearer crosswalk between departmental training goals and objectives and DHS's broader organizational and human capital goals, and (2) develop appropriate training performance measures and targets for goals and strategies identified in its departmentwide strategic training plan. We have also made recommendations to specific program offices and organizational entities to help ensure that human capital resources are provided to improve the effectiveness of management capabilities, and that human capital plans are developed that clearly describe how these components will recruit, train, and retain staff to meet their growing demands as they expand and implement new program elements. We are completing a review of selected human capital issues and plan to report on our results soon. This report will discuss information on: attrition rates at DHS; senior-level vacancies at DHS; DHS's use of human capital flexibilities, including the Intergovernmental Personnel Act, and personal services contracts; and DHS's compliance with the Federal Vacancies Reform Act of 1998.

Acquisition Management

DHS has made some progress but continues to face challenges in creating an effective, integrated acquisition organization. Since its inception in March 2003, DHS made early progress in implementing a strategic sourcing program to increase the effectiveness of its buying power and in creating a small business program. These programs have promoted an environment in which there is a collaborative effort toward the common goal of an efficient, unified organization. Strategic sourcing allows DHS components to formulate purchasing strategies to leverage buying power and increase savings for a variety of products like office supplies, boats, energy, and weapons, while its small business program works to ensure small businesses can compete effectively for the agency's contract dollars. However, DHS's progress toward creating a unified acquisition organization has been hampered by policy decisions. In March 2005, we reported that an October 2004 management directive, Acquisition Line of Business Integration and Management, while emphasizing the need for a unified, integrated acquisition organization, relies on a system of dual accountability between the chief procurement officer and the heads of the

departments to make this happen.[16] This situation has created ambiguity about who is accountable for acquisition decisions. We also found that the various acquisition organizations within DHS are still operating in a disparate manner, with oversight of acquisition activities left primarily up to each individual component. Specifically, we reported that (1) there were components exempted from the unified acquisition organization, (2) the chief procurement officer had insufficient staff for departmentwide oversight, and (3) staffing shortages led the office of procurement operations to rely extensively on outside agencies for contracting support.[17] In December 2005, DHS established an acquisition oversight program to provide comprehensive insight into each component's acquisition programs. This oversight program involves a series of reviews which are currently being implemented. However, accountability concerns remain. In March 2005, we recommended that, among other things, the Secretary of Homeland Security provide the Office of the Chief Procurement Officer with sufficient resources and enforcement authority to enable effective departmentwide oversight of acquisition policies and procedures, and to revise the October 2004 management directive to eliminate reference to the Coast Guard and Secret Service as being exempt from complying with the directive. In September 2006, DHS reported on planned increases in staffing for the Office of the Chief Procurement Officer, but we expressed concern that the authority of the Chief Procurement Officer had not been addressed.[18] Unless DHS addresses these challenges, it is at risk of continuing to exist as a fragmented acquisition organization. Because some of DHS's components have major, complex acquisition programs—for example, the Coast Guard's Deepwater program (designed to replace or upgrade its cutters and aircraft) and CBP's Secure Border Initiative—DHS needs to improve the oversight of contractors and should adhere to a rigorous management review process.

[16]GAO, *Homeland Security: Success and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, GAO-05-179 (Washington, D.C.: March 29, 2005).

[17]GAO, *Homeland Security: Challenges in Creating an Effective Acquisition Organization*, GAO-06-1012T (Washington, D.C.: July 27, 2006).

[18]*Interagency Contracting: Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks*, GAO-06-996 (Washington, D.C.: Sept. 27, 2006).

Programmatic Challenges Facing DHS

DHS continues to face challenges, many of which were inherited from its component legacy agencies, in carrying out its programmatic activities. These challenges include enhancing transportation security, strengthening the management of U.S. Coast Guard acquisitions and meeting the Coast Guard's new homeland security missions, improving the regulation of commercial trade while ensuring protection against the entry of illegal goods and dangerous visitors at U.S. borders and ports of entry, and improving enforcement of immigration laws, including worksite immigration laws, and the provision of immigration services. DHS must also effectively coordinate the mitigation and response to all hazards, including natural disaster planning, response, and recovery. DHS has taken actions to address these challenges, for example, by strengthening passenger and baggage screening, increasing the oversight of Coast Guard acquisitions, more thoroughly screening visitors and cargo, dedicating more resources to immigration enforcement, becoming more efficient in the delivery of immigration services, and conducting better planning for disaster preparation. However, challenges remain in each of these major mission areas.

Transportation Security

Despite progress in this area, DHS continues to face challenges in effectively executing transportation security efforts. We have recommended that the Transportation Security Administration (TSA) more fully integrate a risk management approach—including assessments of threat, vulnerability, and criticality—in prioritizing security efforts within and across all transportation modes; strengthen stakeholder coordination; and implement needed technological upgrades to secure commercial airports.[19] DHS has made progress in all of these areas, particularly in aviation, but must expand its security focus more towards surface modes of transportation and continue to seek best practices and coordinated security efforts with the international community. DHS and TSA have taken numerous actions to strengthen commercial aviation security, including strengthening passenger and baggage screening, improving aspects of air cargo security, and strengthening the security of

[19]GAO, *Aviation Security: Flight and Cabin Crew Member Security Training Strengthened, but Better Planning and Internal Controls Needed*, GAO-05-781 (Washington, D.C.: Sept. 6, 2005); *Aviation Security: Federal Action Needed to Strengthen Domestic Air Cargo Security*, GAO-06-76 (Washington, D.C.: Oct. 17, 2005); *Rail Transit: Additional Federal Leadership Would Enhance FTA's State Safety Oversight Program*, GAO-06-821 (Washington, D.C.: July 26, 2006); and *Aviation Security: TSA Oversight of Checked Baggage Screening Procedures Could Be Strengthened*, GAO-06-869 (Washington, D.C.: July 28, 2006).

international flights and passengers bound for the United States.[20] For example, TSA increased efforts to measure the effectiveness of airport screening systems through covert testing and other means and has worked to enhance passenger and baggage screener training. TSA also improved its processes for identifying and responding to threats onboard commercial aircraft and has modified airport screening procedures based on risk. Despite this progress, however, TSA continues to face challenges in implementing a program to match domestic airline passenger information against terrorist watch lists, fielding needed technologies to screen airline passengers for explosives, and strengthening aspects of passenger rail security.[21] In addition, TSA has not developed a strategy, as required, for securing the various modes of transportation. As a result, rail and other surface transportation stakeholders are unclear regarding what TSA's role will ultimately be in establishing and enforcing security requirements within their transportation modes. We have recommended that TSA more fully integrate risk-based decision making within aviation and across all transportation modes, strengthen passenger prescreening, and enhance rail security efforts. We have also recommended that TSA work to develop sustained and effective partnerships with other government agencies, the private sector, and international partners to coordinate security efforts and seek potential best practices, among other efforts. While DHS has made significant strides in strengthening aviation security, it still is in the early stages of developing a comprehensive approach to ensuring inbound air cargo security.

Coast Guard Acquisitions and Non-Homeland Security Missions

The Coast Guard needs to improve the management of its acquisitions and continue to enhance its security mission while meeting other mission responsibilities. In 2004, we recommended that the Coast Guard improve its management of the Deepwater program by strengthening key management and oversight activities, implementing procedures to better

[20]GAO, *Aviation Security: TSA Oversight of Checked Baggage Screening Procedures Could Be Strengthened*, GAO-06-869 (Washington, D.C.: July 28, 2006); *Aviation Security: Federal Action Needed to Strengthen Domestic Air Cargo Security*, GAO-06-76 (Washington, D.C.: Oct. 17, 2005); and *Aviation Security: Enhancements Made in Passenger and Checked Baggage, but Challenges Remain*, GAO-06-371T (Washington, D.C.: April 4, 2006); *Aviation Security: Federal Efforts to Secure U.S.-Bound Air Cargo Are in the Early Stages and Could Be Strengthened*, GAO-07-660 (Washington, D.C.: April 30, 2007).

[21]GAO, *Aviation Security: Management Challenges Remain for the Transportation Security Administration's Secure Flight Program*, GAO-06-864T (Washington, D.C.: June 14, 2006).

ensure contractor accountability, and controlling future costs by promoting competition.[22] In April 2006, we reported the Coast Guard had made some progress in addressing these recommendations. For example, the Coast Guard has addressed our recommendation to ensure better contractor accountability by providing for better input from U.S. Coast Guard performance monitors.[23] However, even with these improvements, acquisition and contract management issues that we reported on previously continue to be challenges to the Coast Guard. For example, within the Deepwater program, an updated class of patrol boats has been removed from service and its replacement, a new cutter class, has been delayed due to design concerns. While the Coast Guard recently announced that it will be taking a more active role in Deepwater acquisitions and noted that many of the issues that led to these acquisition problems are being addressed, it is too soon to tell how effective these changes will be. Further, the Coast Guard has acquisition challenges other than just the Deepwater program. For example, the Coast Guard's timeline for achieving full operating capability for its search and rescue communications system, Rescue 21, was delayed from 2006 to 2011, and the estimated total acquisition cost increased.

The Coast Guard has made progress in balancing its homeland security and traditional missions. The Coast Guard is unlike many other DHS components because it has substantial missions not related to homeland security. These missions include maritime navigation, icebreaking, protecting the marine environment, marine safety, and search and rescue for mariners in distress. Furthermore, unpredictable natural disasters, such as Hurricane Katrina, can place intense demands on all Coast Guard resources. The Coast Guard must continue executing these traditional missions and balance those responsibilities with its homeland security obligations, which have increased significantly since September 11.

[22]GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, GAO-04-380 (Washington, D.C.: March 9, 2004).

[23]GAO, *Coast Guard: Changes to Deepwater Plan Appear Sound, and Program Management Has Improved, but Continued Monitoring is Warranted*, GAO-06-546 (Washington, D.C.: April 28, 2006).

Border Security and the Regulation of Trade

DHS has made some progress but still faces an array of challenges in securing the border while improving the regulation of commercial trade.[24] Since 2005, DHS agencies have made some progress in implementing our recommendations to refine the screening of foreign visitors to the United States, target potentially dangerous cargo, and provide the personnel necessary to effectively fulfill border security and trade agency missions. As of January 2006, DHS had a pre-entry screening capability in place in overseas visa issuance offices, and an entry identification capability at 115 airports, 14 seaports, and 154 land ports of entry. Furthermore, the Secretary of Homeland Security has made risk management at ports and all critical infrastructure facilities a key priority for DHS. In addition, DHS developed performance goals and measures for its trade processing system and implemented a testing and certification process for its officers to provide better assurance of effective cargo examination targeting practices. However, efforts to assess and mitigate risks of DHS's and the Department of State's implementation of the Visa Waiver Program remain incomplete, increasing the risk that the program could be exploited by someone who intends harm to the United States. Further, many of DHS's border-related performance goals and measures are not fully defined or adequately aligned with one another, and some performance targets are not realistic. CBP is not systematically incorporating inspection results into its cargo screening system because it has not yet fully implemented a system that will report details on its security inspections nationwide to allow management to analyze those inspections. Other trade and visitor screening systems have weaknesses that must be overcome to better ensure border and trade security. For example, deficiencies in the identification of counterfeit documentation at land border crossings into the United States create vulnerabilities that terrorists or others involved in criminal activity could exploit. We also reported that DHS's Container Security Initiative to target and inspect high-risk cargo containers at foreign ports before they leave for the United States has been challenged by staffing imbalances, the lack of minimum technical requirements for

[24]GAO, *Border Security: US-VISIT Program Faces Strategic, Operational, and Technological Challenges at Land Ports of Entry*, GAO-07-248 (Washington, D.C.: Dec. 6, 2006); *Border Security: Stronger Actions Needed to Assess and Mitigate Risks of the Visa Waiver Program*, GAO-06-854 (Washington, D.C.: July 28, 2006); *Border Security: Key Unresolved Issues Justify Reevaluation of Border Surveillance Technology Program*, GAO-06-295 (Washington, D.C.: Feb. 22, 2006); *Information Technology: Customs Has Made Progress on Automated Commercial Environment System, but It Faces Long-Standing Management Challenges and New Risks*, GAO-06-580 (Washington, D.C.: May 31, 2006); and *Homeland Security: Recommendations to Improve Management of Key Border Security Program Need to Be Implemented*, GAO-06-296 (Washington, D.C.: Feb. 14, 2006).

inspection equipment used at foreign ports, and insufficient performance measures to assess the effectiveness of targeting and inspection activities. We are currently reviewing this program to ascertain what progress CBP has made in addressing these challenges.

Enforcement of Immigration Laws

DHS has taken some actions to improve enforcement of immigration laws, including worksite immigration laws, but the number of resources devoted to enforcing immigration laws is limited given that there are an estimated 12 million illegal aliens residing in the United States. DHS has strengthened some aspects of immigration enforcement, including allocating more investigative work years to immigration functions than the Immigration and Naturalization Service did prior to the creation of DHS. Nevertheless, effective enforcement will require more attention to efficient resource use and updating outmoded management systems.[25] In April 2006, ICE announced an interior enforcement strategy to bring criminal charges against employers who knowingly hire unauthorized workers. ICE has also reported increases in the number of criminal arrests and indictments for these violations since fiscal year 2004. In addition, ICE has plans to shift responsibility for identifying incarcerated criminal aliens eligible for removal from the United States from the Office of Investigations to its Office of Detention and Removal, freeing those investigative resources for other immigration and customs investigations. ICE has also begun to introduce principles of risk management into the allocation of its investigative resources. However, enforcement of immigration enforcement laws needs to be strengthened and significant management challenges remain. DHS's ability to locate and remove millions of aliens who entered the country illegally or overstayed the terms of their visas is questionable, and implementing an effective worksite enforcement program remains an elusive goal. ICE's Office of Investigations has not conducted a comprehensive risk assessment of the customs and immigration systems to determine the greatest risks for exploitation by criminals and terrorists. This office also lacks outcome-based performance goals that relate to its objective of preventing the exploitation of systemic

[25]GAO, *Information on Immigration Enforcement and Supervisory Promotions in the Department of Homeland Security's Immigration and Customs Enforcement and Customs and Border Protection*, GAO-06-751R (Washington, D.C.: June 13, 2006); *Immigration Enforcement: Weaknesses Hinder Employment Verification and Worksite Enforcement Efforts*, GAO-06-895T (Washington, D.C.: June 19, 2006); and *Homeland Security: Better Management Practices Could Enhance DHS's Ability to Allocate Investigative Resources*, GAO-06-462T (Washington, D.C.: March 28, 2006).

vulnerabilities in customs and immigration systems, and it does not have sufficient systems in place to help ensure systematic monitoring and communication of vulnerabilities discovered during its investigations. Moreover, the current employment verification process used to identify workers ineligible for employment in the United States has not fundamentally changed since its establishment in 1986, and ongoing weaknesses have undermined its effectiveness. We have recommended that DHS take actions to help address these weaknesses and to strengthen the current process by issuing final regulations on changes to the employment verification process which will reduce the number of documents suitable for proving eligibility to work in the United States. Some other countries require foreign workers to present work authorization documents at the time of hire and require employers to review these documents and report workers' information to government agencies for collecting taxes and social insurance contributions, and conducting worksite enforcement actions.

Provision of Immigration Services

Although DHS has made progress in reducing its backlog of immigration benefit applications, improvements are still needed in the provision of immigration services, particularly by strengthening internal controls to prevent fraud and inaccuracy.[26] Since 2005, DHS has enhanced the efficiency of certain immigration services. For example, U.S. Citizenship and Immigration Services (USCIS) estimated that it had reduced its backlog of immigration benefits applications from a peak of 3.8 million cases to 1.2 million cases from January 2004 to June 2005. USCIS has also established a focal point for immigration fraud, outlined a fraud control strategy that relies on the use of automation to detect fraud, and is performing fraud assessments to identify the extent and nature of fraud for certain benefits. However, DHS still faces significant challenges in its ability to effectively provide immigration services while at the same time protecting the immigration system from fraud and mismanagement. USCIS may have adjudicated tens of thousands of naturalization applications without alien files, and adjudicators were not required to record whether the alien file was available when they adjudicated the application. Without

[26]GAO, *Immigration Benefits: Additional Efforts Needed to Help Ensure Alien Files Are Located when Needed*, GAO-07-85 (Washington, D.C.: Oct. 27, 2006); *Immigration Benefits: Additional Controls and a Sanctions Strategy Could Enhance DHS's Ability to Control Benefit Fraud*, GAO-06-259 (Washington, D.C.: March 10, 2006); and *Immigration Benefits: Improvements Needed to Address Backlogs and Ensure Quality of Adjudications*, GAO-06-20 (Washington, D.C.: Nov. 21, 2005).

these files, DHS may not be able to take enforcement action against an applicant and could also approve an application for an ineligible applicant. In response to our report, USCIS recently enacted a policy that requires the adjudicator to record whether the alien file was available when they adjudicated the application. In addition, USCIS has not implemented important aspects of our internal control standards or fraud control best practices identified by leading audit organizations. Such best practices would include (1) a comprehensive risk management approach, (2) mechanisms for ongoing monitoring during the course of normal activities, (3) clear communication agencywide regarding how to balance production-related goals with fraud-prevention activities, and (4) performance goals for fraud prevention.

Disaster Preparedness and Response

We have reported that DHS needs to more effectively coordinate disaster preparedness, response, and recovery efforts.[27] Between the time that FEMA became part of DHS in March 2003 and Hurricane Katrina hit in late August 2005, its responsibilities had been dispersed and its role within DHS continued to evolve. Hurricane Katrina severely tested disaster management at the federal, state, and local levels and revealed weaknesses in the basic elements of preparing for, responding to, and recovering from any catastrophic disaster. Our analysis showed the need for (1) clearly defined and understood leadership roles and responsibilities; (2) the development of the necessary disaster capabilities; and (3) accountability systems that effectively balance the need for fast and flexible response against the need to prevent waste, fraud, and abuse. In September 2006, we recommended that Congress give federal agencies explicit authority to take actions to prepare for all types of catastrophic disasters when there is warning. We also recommended that DHS (1) rigorously re-test, train, and exercise its recent clarification of the roles, responsibilities, and lines of authority for all levels of leadership, implementing changes needed to remedy identified coordination problems; (2) direct that the National Response Plan (NRP) base plan and its supporting Catastrophic Incident Annex be supported by more robust and detailed operational implementation plans; (3) provide guidance and direction for federal, state, and local planning, training, and exercises to ensure such activities fully support preparedness, response, and recovery

[27]GAO, *Catastrophic Disasters: Enhanced Leadership, Capabilities, and Accountability Controls Will Improve the Effectiveness of the Nation's Preparedness, Response, and Recovery System*, GAO-06-618 (Washington, D.C.: Sept. 6, 2006).

responsibilities at a jurisdictional and regional basis; (4) take a lead in monitoring federal agencies' efforts to prepare to meet their responsibilities under the NRP and the interim National Preparedness Goal; and (5) use a risk management approach in deciding whether and how to invest finite resources in specific capabilities for a catastrophic disaster.

DHS has made revisions to the NRP and released its Supplement to the Catastrophic Incident Annex—both designed to further clarify federal roles and responsibilities and relationships among federal, state and local governments and responders. However, these revisions have not been rigorously tested. DHS is working on additional revisions to the NRP and the National Incident Management System and recently informed Congress the revisions to the NRP may not be complete by the scheduled June 1, 2007 target date. Thus, it is unlikely that any changes will be clearly communicated, understood, and effectively tested prior to the 2007 Hurricane Season, which begins in June. DHS has also announced a number of actions intended to improve readiness and response based on our work and the work of congressional committees and the Administration. For example, DHS is currently reorganizing FEMA as required by the fiscal year 2007 DHS appropriations act.[28] One major objective of this reorganization is to integrate responsibility and accountability for disaster preparedness and response within DHS by placing the responsibility for both within FEMA. DHS has also announced a number of other actions to improve readiness and response, such as mass care and shelter, in which FEMA rather than the Red Cross, will now have the lead. However, there is little information available on the extent to which these changes are tested and operational.

Finally, in its desire to provide assistance quickly following Hurricane Katrina, DHS was unable to keep up with the magnitude of needs to confirm the eligibility of victims for disaster assistance, or ensure that there were provisions in contracts for response and recovery services to ensure fair and reasonable prices in all cases. We recommended that DHS create accountability systems that effectively balance the need for fast and flexible response against the need to prevent waste, fraud, and abuse. We also recommended that DHS provide guidance on advance procurement practices (pre-contracting) and procedures for those federal agencies with roles and responsibilities under the NRP so that these agencies can better

[28]Pub. L. No. 109-295, 120 Stat. 1355 (Oct. 4, 2006).

manage disaster-related procurement, and establish an assessment process to monitor agencies' continuous planning efforts for their disaster-related procurement needs and the maintenance of capabilities.[29] For example, we identified a number of emergency response practices in the public and private sectors that provide insight into how the federal government can better manage its disaster-related procurements. These include both developing knowledge of contractor capabilities and prices and establishing vendor relationships prior to the disaster and establishing a scalable operations plan to adjust the level of capacity to match the response with the need. FEMA had taken some action on these recommendations by entering into advance contracts for various goods, supplies, and services, such as debris removal. However, DHS has not implemented our recommendation to develop guidance on advance procurement practices and procedures for those federal agencies and other partners, such as the Red Cross, with roles and responsibilities under the NRP.

Actions Needed to Strengthen DHS's Transformation and Integration Efforts

To be removed from our high-risk list, agencies need to develop a corrective action plan that defines the root causes of identified problems, identifies effective solutions to those problems, and provides for substantially completing corrective measures in the near term. Such a plan should include performance measures, metrics and milestones to measure their progress. Agencies should also demonstrate significant progress in addressing the problems identified in their corrective action plan. This should include a program to monitor and independently validate progress. Finally, agencies, in particular top leadership, must demonstrate a commitment to sustain initial improvements. This would include a strong commitment to address the risk(s) that put the program or function on the high-risk list and provide for the allocation of sufficient people and resources (capacity) to resolve the risk(s) and ensure that improvements are sustainable over the long term.

In the spring of 2006, DHS provided us a draft corrective action plan for addressing its transformation challenges. This plan addressed major management areas we had previously identified as key to DHS's transformation—management integration through the DHS management directorate and financial, information, acquisition, and human capital management. The plan identified an overall goal to develop and implement

[29]See GAO-06-618.

key department wide processes and systems to support DHS's transformation into a department capable of planning, operating, and managing as one effective department.

In the short term, the plan sought to produce significant improvements over the next 7 years that further DHS's ability to operate as one department. Although the plan listed accomplishments and general goals for the management functions, it did not contain (1) objectives linked to those goals that are clear, concise, and measurable; (2) specific actions to implement those objectives; (3) information linking sufficient people and resources to implement the plan; or (4) an evaluation program to monitor and independently validate progress toward meeting the goals and measuring the effectiveness of the plan. As of May 2007, DHS has not submitted a corrective action plan to OMB. According to an official at OMB, this is one of the few high-risk areas that have not produced a final corrective action plan.

In addition to developing an effective corrective action plan, agencies must show that significant progress has taken place in improving performance in the areas identified in its corrective action plan. While our work has noted progress at DHS, for us to remove the DHS implementation and transformation from our high-risk list, we need to be able to independently assure ourselves and Congress that DHS has implemented many of our past recommendations, or has taken other corrective actions to address the challenges we identified. However, DHS has not made its management or operational decisions transparent enough so that Congress can be sure it is economically, efficiently, effectively, ethically, and equitably using the billions of dollars in funding it receives annually, and is providing the levels of security called for in numerous legislative requirements and presidential directives. Our work for Congress assessing DHS's operations has been significantly hampered by long delays in granting us access to program documents and officials, or by questioning our access to information needed to conduct our reviews.

We have processes for obtaining information from departments and agencies across the federal government that work well. DHS's process—involving multiple layers of review by department- and component-level liaisons and attorneys regarding whether to provide us the requested information—does not work as smoothly. DHS's processes have impeded our efforts to carry out our mission by delaying access to documents that we require to assess the department's operations. We have occasionally worked with DHS management to establish a cooperative process—for example, reviewing sensitive documents at a particular agency location—

in an effort to not only to maintain a productive working relationship with the department but also to meet the needs of our congressional requesters in a timely manner. I have spoken to Secretary Chertoff who pledged to make access a higher priority and have met with Undersecretary Schneider who also assured us of his cooperation. We are encouraged by these statements and look forward to better relations with the department.

We recognize that the department has legitimate interests in protecting certain types of sensitive information from public disclosure. We share that interest as well and follow strict security guidelines in handling such information. We similarly recognize that agency officials will need to make judgments with respect to the manner and the processes they use in response to our information requests. However, to date, because of the processes adopted to make these judgments, GAO has often not been able to do its work in a timely manner. We have been able to eventually obtain information and to answer audit questions, but the delays we have experienced at DHS have impeded our ability to conduct audit work efficiently and to provide timely information to congressional clients.

Finally, to be removed from our high-risk list, any progress that occurs must be sustainable over the long term. DHS's leaders need to make and demonstrate a commitment to implementing a transformed organization. The Secretary has stated such a commitment, most prominently as part of his "second stage review" in the summer of 2005, and more recently in remarks made at George Washington University's Homeland Security Policy Institute. However, appropriate follow-up is required to assure that transformation plans are effectively implemented and sustained, to include the allocation of adequate resources to support transformation efforts. In this regard, we were pleased when DHS established a Business Transformation Office, but we believe that the office's effectiveness was limited because the department did not give it the authority and responsibility needed to be successful. We understand that this office has recently been eliminated. Further, department leaders can show their commitment to transforming DHS by acting on recommendations made by the Congress, study groups, and accountability organizations such as its Office of the IG and GAO. Although we have also seen some progress in this area, it is not enough for us to conclude that DHS is committed to and capable of quickly incorporating corrective actions into its operations. Therefore, until DHS produces an acceptable corrective action plan, demonstrates progress reforming its key management functions, and dedicates the resources necessary to sustain this progress, it will likely remain on our high-risk list.

Mr. Chairman and members of the subcommittee, this completes my prepared statement. I would be happy to respond to any questions that you or other members of the subcommittee may have at this time.

Contacts and Acknowledgements

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Appendix I: Related GAO Products

Implementing and Transforming the Department of Homeland Security

Implementation and Transformation

High-Risk Series: An Update, GAO-07-310 (Washington, D.C.: Jan. 31, 2007).

Suggested Areas for Oversight for the 110th Congress, GAO-07-235R (Washington, D.C.: Nov. 17, 2006).

Homeland Security: DHS Is Addressing Security at Chemical Facilities, but Additional Authority Is Needed, GAO-06-899T (Washington, D.C.: June 21, 2006).

Homeland Security: Guidance and Standards Are Needed for Measuring the Effectiveness of Agencies' Facility Protection Efforts, GAO-06-612 (Washington, D.C.: May 31, 2006).

Homeland Security: DHS Needs to Improve Ethics-Related Management Controls for the Science and Technology Directorate, GAO-06-206 (Washington, D.C.: Dec. 22, 2005).

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Question#:	1
Topic:	Human Capital
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable Daniel K. Akaka
Committee:	HOMELAND SECURITY (SENATE)

Question: DHS recently announced that it would begin implementing its regulations establishing a new employee appeals process.

As you know, the on February 1, 2005, DHS and OPM jointly published a final regulation in the Federal Register to implement DHS's new personnel system, Max HR, which would have covered approximately 110,000 of the Department's 180,000 employees. Shortly after the final regulations were issued, the National Treasury Employees Union (NTEU), American Federation of Government Employees (AFGE), National Federation of Federal Employees, National Association of Agriculture Employees, and the Metal Trades Department, AFL-CIO, filed a lawsuit alleging that DHS and OPM exceeded the authority granted to them under the Homeland Security Act. In NTEU v. Chertoff, 385 F. Supp. 2d 1 (D.D.C. 2005), the D.C. federal District Court ruled that the appeals process is unfair to employees and enjoined implementation of parts of the Max HR The Court of Appeals later reversed this aspect of the District Court's decision on the grounds that the matter was not properly before the court at that time. See NTEU v. Chertoff, 452 F.3d 839 (D.C. Cir. 2006).

The new employee appeals process would permit disciplinary penalties to be reduced only if "wholly unjustified." I am concerned that such broad authority to discipline employees will contribute to the already low morale in the Department. What changes, if any, is DHS taking to ensure that the appeals procedures are fair?

Both the US District Court and the Court of Appeals ruled that the DHS regulations improperly limited collective bargaining rights. Can you tell me what impact, if any, collective bargaining will have on the new appeals system?

Answer:

The DHS adverse actions and appeals system promotes the fair, efficient and expeditious resolution of matters involving employees of the Department by, among other features, combining the currently complex misconduct-based and performance-based adverse actions procedures into a single procedure. This makes the system easier and more accessible to both DHS management and DHS employees. In doing this, the Department chose the most stringent standard of proof for proving a case from among the two existing standards, the "preponderance of the evidence" standard, for application in all cases. The Department's rules thus simplify the procedures for adverse actions but place

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a higher standard of proof on management when proving performance-based actions than exists under current law. This will ensure that management carefully marshals its evidence when bringing these cases and that it can receive a fair, efficient and expeditious result.

Another feature of the new system is that Merit Systems Protection Board judges and arbitrators may now mitigate management's chosen penalty in performance cases, where they cannot under existing law at Chapter 43 of Title 5. DHS supervisors are also for the first time required to "develop employees to enhance their ability to perform." 5 CFR 9701.408 (a) (2). These requirements also ensure and enhance fair treatment for Department employees.

The Department is currently in the process of engaging with employee representatives as to its implementing directives for the new adverse actions and appeals rules and as to potential areas of collective bargaining under those rules. The Department and its components fully understand their obligation to engage in collective bargaining under Chapter 71 of Title 5 and intend to meet all legal obligations in the implementation of the DHS adverse actions and appeals rules.

Question#:	2
Topic:	management authority
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable Daniel K. Akaka
Committee:	HOMELAND SECURITY (SENATE)

Question: You have stated that you have sufficient authority to oversee the management integration and transformation of the department. In particular, you testified that you have direct access to Secretary Chertoff, and he has approved your requests for reorganizing management functions quickly.

I am concerned that the DHS Under Secretary for Management may not always have close access to the DHS Secretary. How would you ensure that future Under Secretaries for Management have sufficient authority to make organizational changes in the Department?

There are only two years left in this Administration. While it is a normal part of the democratic system that many appointees leave office at the end of an administration, I am concerned that such a discontinuity in the Management Directorate – charged with the unfinished reorganization of the Department that protects the Nation from man-made and natural threats – could present an unacceptable risk. How would you ensure continuity in the Management of the Department?

I am concerned that the chief officers reporting to you do not have sufficient authority to guide the integration of the DHS functions that they oversee. Do the Chief Administrative Services Officer, Chief Financial Officer, Chief Human Capital Officer, Chief Information Officer, Chief Procurement Officer, and Chief Security Officer have direct authority to enforce policies throughout all of the component agencies?

Answer:

In section 701 of the Homeland Security Act, the Under Secretary for Management is given specific responsibilities for the Management and Administration across the Department. They are listed below:

- The budget, appropriations, expenditures of funds, accounting, and finance.
- Procurement.
- Human resources and personnel.
- Information technology and communications systems.
- Facilities, property, equipment, and other material resources.
- Security for personnel, information technology and communications systems, facilities, property, equipment, and other material sources.

Question#:	2
Topic:	management authority
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable Daniel K. Akaka
Committee:	HOMELAND SECURITY (SENATE)

- Identification and tracking of performance measures relating to the responsibilities of the Department.
- Grants and other assistance management programs.
- The transition and reorganization process, to ensure an efficient and orderly transfer of functions and personnel to the Department, including the development of a transition plan.
- The conduct of internal audits and management analyses of the programs and activities of the Department.
- Any other management duties that the Secretary may designate.

With these responsibilities it is important to keep a close working relationship with Department leadership.

As mentioned above, one of the responsibilities of the Under Secretary for Management is to provide a transition process. Currently, we are assembling the transition and reorganization plan for when the current administration is over. The goal is to have career people in critical positions across the Department in order to establish continuity.

Yes, each Chief has the appropriate authority to enforce policies throughout the component. If, in the future, something should arise making it clear that a Chief needs more authority, we will rectify the situation and make it so he or she has the needed authority.

Question#:	3
Topic:	acquisition
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable Daniel K. Akaka
Committee:	HOMELAND SECURITY (SENATE)

Question: A March 2005 report by the GAO, Homeland Security: Success and Challenges in DHS's Efforts to Create an Effective Acquisition Organization, GAO-05-179 (March 29, 2005), at p. 12, states that DHS took the position that the Coast Guard and the Secret Service are statutorily exempt from an October 2004 DHS Acquisition Line of Business Integration and Management directive, which emphasized the need for an integrated acquisition organization and reiterating the Chief Procurement Officer's (CPO) responsibility to manage and oversee acquisition across the Department. The GAO concluded that there was no basis for the Department's position.

I understand that the Coast Guard has been working closely with the Chief Procurement Officer since the modifications to the Deepwater program, which has yielded positive results. In light of this increased success after working more closely with the CPO, what is your view on GAO's recommendation that DHS make the Coast Guard and Secret Service a part of the unified acquisition organization?

In his written testimony, Comptroller General David Walker states that DHS's "system of dual accountability between the chief procurement officer and the heads of the departments . . . has created ambiguity about who is responsible for acquisition decisions. See Homeland Security: Management and Programmatic Challenges Facing the Department of Homeland Security, GAO-07-833T (May 10, 2007), at p. 14-15. There seems to be ambiguity in who is primarily responsible for oversight of the SBInet contract — the Chief Procurement Officer or Customs and Border Protection. Who ultimately is in charge of that oversight?

Answer:

The Office of the Chief Procurement Officer (OCPO) concurs with GAO statement that there is no basis in statute for the position that the Coast Guard and the Secret Service would be exempt from Departmental acquisition rules or oversight. The CPO has drafted an update to the Department's acquisition line of business to remove the statement that the USCG and USSS are exempt by statute. That update is now being staffed within DHS Headquarters.

Regarding the issue of dual accountability, it is important to distinguish the responsibility for oversight of the procurement/contracting process from the responsibility for requirements determination. The CPO is the primary DHS official responsible for oversight of the procurement/contracting process within DHS and is authorized to

Question#:	3
Topic:	acquisition
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable Daniel K. Akaka
Committee:	HOMELAND SECURITY (SENATE)

conduct reviews and take actions necessary to ensure that all contracting actions comply with statutory and regulator requirements. Contracting authority within DHS flows from the CPO to the Heads of Contracting Activities (HCAs), who are appointed by the CPO. The component head, on the other hand, is responsible for identifying the capability needed by his/her component and ensuring that the systems we contract for will be capable of delivering the required capability. This "dual accountability" provides for a proper and essential balance between meeting the needs of our operators (e.g. our law enforcement officers and our first responders) and protecting taxpayer interests.

Question#:	4
Topic:	CIO and CPO
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: Your testimony indicated that you found that the Chief Information Officer, Scott Charbo, did not have sufficient authority to perform his job. You have worked with the Secretary to address this. The GAO has identified similar problems with authority of the Chief Procurement Officer. These cases of the CIO and CPO having insufficient authority seem to indicate that under the dual accountability structure your management team does not have sufficient authority to exert your influence throughout the various components of the Department. Do you believe your team has all of the authority it needs? How are you working to ensure the influence of the Management Directorate is exerted across the Department?

Answer:

Yes, the Chiefs currently have the authority needed to get the job done. However as new issues arise, we are constantly re-evaluating the authority needed to see if more is required. Each of the Chiefs has his or her own Council meetings (ie: CIO council, CPO council, CFO council, etc…) on a regular basis where it is made clear as to what is expected, needed or wanted. Also, during my Management Council meetings (held every other week) we address and measure major Management issues with key officials from the Operating Components and Headquarters.

Question#:	5
Topic:	MaxHR
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: There seems to be some confusion over what the Court ruled in the lawsuit against the Department's implementation of its new personnel system. Would you please explain precisely what provisions of the MaxHR regulations the Court found not to be in compliance with the statute?

Answer:

In June of 2006, the U.S. Court of Appeals for the District of Columbia Circuit held that the labor relations provisions (subpart E) of the DHS regulations were not in compliance with 5 USC 9701, and DHS is now enjoined from implementing that subpart. No other subparts are enjoined.

Question#:	6
Topic:	CHCO
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: The purpose of creating the Department of Homeland Security was to provide greater coordination among the various entities within the government with responsibilities for securing our homeland. What role do you think the Chief Human Capital Officer should play in achieving that synergy? Do you think a more centralized approach to human capital management would improve the Department's ability to manage its workforce?

Answer:

The Chief Human Capital Officer (CHCO) plays an important role in building synergies between the Department's component organizations by working closely with representatives to develop and implement enterprise-wide human resource programs, policies and initiatives. Many of these efforts are designed to build a culture of performance, improve employee morale and increase interoperability across the Department.

The Human Capital Operational Plan (HCOP), which outlines the Department's human resources priorities for FY 2007 – 2008, serves as a framework for component leaders and human resources advocates to engage around issues that affect all components – hiring, retention, learning and development, leadership, service excellence and building a culture of performance.

The approach outlined in the HCOP is one of CHCO collaboration with the human resources offices of each of the Department's component organizations – and that collaboration is producing results. CHCO leadership and support of enterprise-wide initiatives is critical to building consistency and accountability. However, components need some flexibility to "translate" enterprise-wide human resource programs to the specific needs of their employees.

The collaborative approach the CHCO uses with component organizations results in human resource programs that have greater buy-in from employees and a better chance of working to improve the management of the Department's workforce, as a whole.

Question#:	7
Topic:	HCOP
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: On the "Best Places" rankings, the Department's second worst score was in the category of performance based rewards and advancement. How would the new Human Capital Operational Plan address that shortfall within DHS? As you know, the Homeland Security Authorization Act pending in the House of Representatives would eliminate the Department's personnel authority. How would losing the flexibility you have under the current statute further complicate your ability to improve in this category?

Answer:

The Human Capital Operational Plan supports the Department's ongoing efforts to improve performance management. To date, over 14,500 of the Department's managers and supervisors have taken the DHS Performance Leadership Training Program. This is a noteworthy accomplishment and a significant milestone in the implementation of the DHS Performance Management program. It also marks the first enterprise-wide leadership training the Department has conducted since its creation.

The training program has played an integral role in ensuring that managers understand the performance management program and receive the tools and support they need to effectively guide and reward employee performance. The training focuses on developing the skills that will enable managers to effectively carry out their performance management responsibilities under new system, including:

- Creating a work culture that promotes high performance;
- Clarifying strategic priorities to use in setting a work group's direction;
- Developing performance plans that clarify how to achieve mission critical objectives;
- Managing individual and organizational work unit performance; and
- Communicating performance expectations, monitoring performance, rewarding good performance, and dealing with poor performance.

DHS managers and supervisors now have a common framework and language from which to reference and implement performance management. This common framework will establish the foundation for sustaining a high-performance culture within DHS and ensure a consistent approach to performance management throughout the Department. In so doing, the framework will ensure that high-performing employees are rewarded and advanced in their career as a result of their achievements.

Question#:	7
Topic:	HCOP
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

As to the second part of your question, DHS needs a human resources management system designed to meet the diverse personnel requirements faced by the Department. As conveyed during consideration of the Department's original authorization in 2002, the Administration believes that DHS personnel management must strike a careful balance between the flexibility needed to defend against a ruthless enemy and the fairness needed to ensure employee rights. This legislation threatens that balance.

Flexibility is needed given the Department's role in preparing for and responding to ever-changing homeland security threats. Eliminating these authorities would significantly diminish the Department's ability to compensate, reward and retain employees based on their performance in carrying out the critical mission of the Department. These are areas that employees identified as important to them in the Federal Human Capital Survey.

The loss of this authority would also severely impact the Department's ability to improve in a number of critical areas highlighted by the 2006 Federal Human Capital Survey and the "Best Places to Work" rankings. Specifically, the Department would be unable to carry out a number of strategic priorities outlined in its Human Capital Operational Plan related to hiring, retention, learning and development, leadership, service excellence, and building a culture of performance. These critical programs directly affect how DHS employees are brought into the organization, trained, promoted and rewarded for their performance.

Question#:	8
Topic:	management challenges
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: DHS continues to face serious financial management challenges:

- Many of the legacy agencies that were consolidated into DHS had a history of poor financial controls;
- Few of the systems inherited by DHS are integrated, several are outdated, and many have limited functionality;
- The Department has yet to receive a clean financial audit; and
- The proposed financial management system for the Department, eMerge, was not workable and has been scrapped.

How are you and the Chief Financial Officer David Norquist, working to integrate and improve the Department's financial management?

Have you developed a comprehensive financial management strategy for the Department, and corrective action plans for component agencies such as TSA, ICE, and the Coast Guard?

Answer:

The CFO and I are addressing the full range of financial management challenges with particular focus on Transformation and Systems Consolidation (TASC) and Corrective Action Plans (CAPs). TASC centers on improving financial systems by migrating Components to existing DHS systems with proven success in the Department – the TSA (Oracle) and CBP (SAP) Baselines. Both Baselines consist of a comprehensive set of financial management tools to include accounting, acquisition, procurement, property and reporting. Consolidation to these two financial systems will yield timely and transparent data to decision-makers, serve as the backbone to a clean audit opinion, and increase accountability to Congress and the American taxpayer.

The plan begins with the migration of two small Components; the Office of Health Affairs (OHA) and Science and Technology (S&T). The goal is to repeat, refine and build upon each successful migration. The plan continues with the migration of larger Components such as the Federal Emergency Management Agency (FEMA) and Immigration and Customs Enforcement (ICE). By Fiscal Year 2009, we expect 50 percent of DHS Components to be on the consolidated financial management systems. By Fiscal Year 2011, 97 percent of the Department will be on these systems.

Question#:	8
Topic:	management challenges
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

To develop the Component corrective action plans (CAPs), the DHS CFO sponsored a series of workshops designed to help Component agencies identify cross-cutting root causes of internal control deficiencies. The CAPs are formally monitored on a monthly basis by the DHS CFO, Office of Management and Budget (OMB) and the Office of Inspector General (OIG). On a quarterly basis, progress is reported to the Office of the Secretary to hold both Component and Departmental Management accountable for results.

These CAP workshops led to the establishment of the first ever Department-wide corrective action plan - the Internal Controls Over Financial Reporting (ICOFR) Playbook. Officially released on March 1 of this year, the ICOFR Playbook outlines the additional steps the Department will take to resolve material weaknesses and build management assurances. All Component financial transformation initiatives are aligned with the ICOFR Playbook and captured within DHS' e-PMO database to report the remediation status of audit findings.

In response to the CAP, the United States Coast Guard (USCG) established its Financial Strategy for Transformation and Audit Readiness (FSTAR), which outlines 15 initiatives to address major financial management deficiencies. USCG has also created a Program Management Office (PMO) and Standard Operating Procedure (SOP) to mange the transformation effort and measure progress. TSA has focused on complying with the Improper Payment Information Act and developing SOPs for monthly, quarterly, and year-end closings. TSA anticipates a clean balance sheet opinion by FY 2008 and a clean opinion on all statements by FY 2009. ICE eliminated five of its seven component-level material weakness conditions and is continuing to work on the other two issues identified. In addition, ICE's inter-departmental balances are current, accurate, and complete while property, plant and equipment data quality assurance is on track for completion by September 2007.

Question#:	9
Topic:	IT
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: A department-wide information technology (IT) framework is a vital part of DHS transformation.

Please discuss the Department's approach to managing the estimated $4 billion in information technology investments.

What are the challenges you are facing in integrating the Department's information technology systems and networks?

Given the critical importance of securing computer data at DHS, I have been concerned about recent breaches in security, such as in TSA personnel data. What measures is DHS taking to improve its information security program? Are the component agencies sharing lessons learned across the Department?

Answer:

Currently, Department of Homeland Security (DHS) uses several integrated decision support processes and supporting governance authorities to manage and oversee the DHS IT Portfolio. Principal Information Technology (IT) investment management processes include the following:

Capital Planning and Investment Control (CPIC) Process – The DHS CPIC process supports effective decision-making and project management of the DHS investments in capital assets.

The CPIC process is comprised of four phases: Pre-Select, Select, Control and Evaluate. CPIC is a structured, integrated approach to selecting and managing investments. It supports alignment of investments to the DHS mission and supports business needs while reducing risks and increasing returns throughout the investment's lifecycle. CPIC relies on well-defined and systematic processes to ensure each investment's objectives support the business and mission needs of the Department. The CPIC phases support the initial conception and development of the investment, the selection of the investment from among competing investments, and the monitoring and evaluation of investments for acceptable performance and progress against objectives.

The CPIC process as a whole integrates strategic planning, enterprise architecture, privacy, security, budgeting, portfolio management, procurement, and the management of

Question#:	9
Topic:	IT
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
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assets. The Department's portfolio of investments comprises investments that have been 1) determined to provide the requisite mission capability by the DHS Investment Review Process (IRP) as mandated in Management Directive (MD) 1400, and 2) approved for funding through the DHS Planning, Programming, Budget and Execution process (PPBE) as mandated in MD 1330. DHS categorizes and analyzes its investments by portfolio. The overall portfolio of investments comprises assets designed to achieve the Department's strategic goals and objectives with an affordable life-cycle cost and acceptable risk. The funding of projects within the portfolio is the result of the complementary execution of the DHS PPBE, IRP, and CPIC processes.

Information Technology Investment Review Process (IRP) – The IRP is mandated by MD 1400 and dictates a disciplined IT investment life-cycle based management processes and supporting governing bodies for authorizing and managing capital investments.

MD 1400 defines an IT investment lifecycle that all capital investments must follow. Specifically, it defines key acquisition phases and activities that can be tailored based on the size and complexity of the investment. In addition, MD 1400 defines Milestone Decision Points (MDPs) occurring primarily at the end of each phase where individual investments are evaluated by various governance authorities depending on the size and complexity of these investment (e.g., Investment Review Board, Enterprise Architecture Board). These MDP reviews are conducted to ensure that individual investments continue to demonstrate value to the Department and successfully execute all program management responsibilities. If a governance authority determines that an individual investment is performing poorly at a MDP, the investment is either cancelled or required to implement a corrective action plan to improve its overall performance.

Information Technology Acquisition Approval Process – Per MD 0007.1 signed in March 2007, the DHS Chief Information Officer (CIO) has the responsibility to review and approve/reject IT acquisitions above $2.5M. There is a fully documented IT Acquisition Review Process, complete with templates, checklists and questionnaires, and summary documents suitable for DHS CIO signature.

Each acquisition is assessed based on pre-set criteria. Results of assessments in each subject matter area (i.e., Enterprise Architecture, Security, Infrastructure, Accessibility, and Portfolio Management) are documented in a summary document and presented at the DHS CIO Senior Staff Meeting that is held twice weekly. Acquisitions are discussed and rejected, approved, or approved with conditions.

From December 2006 through June 2007, approximately $1.8 billion in IT acquisitions have been reviewed by the DHS CIO.

Question#:	9
Topic:	IT
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
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Information Technology Budget Review Process – Per MD 0007.1 the DHS CIO has the responsibility and authority to review all IT Budgets for DHS components. To implement this directive all components prepare and submit a budget for all their IT investments. In turn, the DHS CIO reviews all IT Components budgets and provides recommendations to the Secretary based on established criteria. The DHS CIO began the budget review process in December 2006 to evaluate the FY09 budget and is currently engaged in discussions to define the FY09 budget to submit to Office of Management and Budget (OMB) in September 2007.

Information Technology Portfolio Management Program– The DHS IT Portfolio Management (PfM) Program established by the Under Secretary for Management in June 2007 augments existing DHS investment management processes by reinforcing an enterprise-wide, portfolio-based view of IT assets and investments. DHS has grouped related IT investments into IT Portfolios representing the major capability areas required to support mission area strategic goals, priorities, and objectives. The program provides common, documented processes to establish performance goals and architectural targets, measure the performance, and continuously improve the balance of investments within each portfolio. The DHS IT Portfolio Management program provides a balanced strategy for developing recommendations that will maximize the contribution of related IT capabilities and services. The DHS IT Portfolio Management Program allows for managing risks, costs, schedule and performance of critical IT assets at the Department level.

DHS Systems Development Life Cycle Guide (SDLC) – The DHS SDLC is a framework to enable efficient and effective business and technical transformations and is one of several key processes in managing information technology at DHS. The SDLC guides the definition, performance, and management of an interdisciplinary set of tasks required to define, design, develop, and implement information systems. The framework is composed of a set of defined stages with defined entry and/or exit criteria, artifacts (work products), milestones, stage reviews, and a required set of actors with defined roles, responsibilities, and levels of authority that are used to guide IT projects.

The purpose of the DHS SDLC Guide is to standardize the system development life cycle across DHS Components and to ensure that DHS technology solutions are efficiently and effectively developed. The expected outcome is that end-state information technology solutions meet user requirements, support DHS strategic goals and objectives, and align with the Homeland Security enterprise architecture.

Question#:	9
Topic:	IT
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: What are the challenges you are facing in integrating the Department's information technology systems and networks? (IO)

Answer:

The Department of Homeland Security (DHS) faces similar challenges with its merger of 22 separate federal entities into one organization as those found in large private industry Merger & Acquisition (M&A) efforts. As part of this large-scale merger, the Department is tasked with unifying 22 information technology (IT) infrastructure architectures, which have been in place to address each agency's mission prior to becoming part of DHS. Challenges associated with this effort include the competing mission priorities, insufficient IT human capital, and specific IT-related challenges.

Secretary Chertoff issued Management Directive 0007.1 on March 16, 2007. As crafted, this directive grants the DHS CIO the ability to evaluate and oversee the performance, budgeting, and expenditures related to the Department's IT resources. With this authority, the DHS CIO will be able to better implement a department-wide IT infrastructure.

In terms of funding, the Department faces the challenge of balancing mission-related and legislatively mandated funding guidance with a limited amount of capital investment dollars to initiate the transformation efforts in the various IT disciplines. To the extent possible, we fund our IT transformational efforts so as to minimally impact the Department's overarching mission. However, these competing priorities force the Department to limit transformation initiatives and allocate a vast majority of our funding towards mission and programmatic goals. The challenge of balancing mission-related priorities also extends to the integration execution activities. Therefore, the Department looks to the normal recapitalization of IT asset cycles as a key vehicle for moving the integration efforts forward.

Adding another layer to the Department's challenges, the Department continues to tackle the lack of IT human capital, as highlighted in the GAO August 2004 report (GAO-04-702), needed to carry out the IT integration effort. DHS remains understaffed with reliance on contractor support to augment the small staff resources. The Department continues to work on developing strategies to address its IT human capital issues.

The Department must also deal with the establishment of a common infrastructure that serves over 180,000 users in the 22 legacy agencies and meet its mission requirements while integrating new technologies that address new and emerging IT-capabilities and security related threats. Balancing all of these efforts is a necessity to ensure a strong security posture in the future.

Overall, the Department is working to address each of these challenges to fully implement the "One Network, One Infrastructure, One DHS" vision.

Question#:	9
Topic:	IT
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: Given the critical importance of securing computer data at DHS, I have been concerned about recent breaches in security, such as in TSA personnel data. What measures is DHS taking to improve its information security program? Are the component agencies sharing lessons learned across the Department? (ISO)

Answer:

In early Fiscal Year 2004, shortly after the Department's formation, the Chief Information Security Officer (CISO) adopted a five-year strategic plan to improve the Department's security posture and achieve compliance with the Federal Information Security Management Act (FISMA) of 2002, which codified federal information security policy. The strategic plan was aimed at leveraging Information Systems Technology to support the missions of the DHS and provide the Department a secure and trusted computing environment that would ensure the protection of critical information resources and data. The program is based on the recognition that information security is an essential business function, critical to enable DHS to conduct its operations and deliver services to the public. The program provides direct support to the Department's missions by using the leverage of information technology to maximize the effectiveness of the Department's limited personnel and other resources.

The five-year strategic plan is focused on step by step incremental improvements:

In FY 2005, the Department completed the first phase, "Establishing a Baseline," by compiling a comprehensive IT system inventory and implementing standardized tools to support information security reporting and certification and accreditation (C&A).

In FY 2006, the Department completed the second phase, "FISMA Remediation," by certifying and accrediting its systems. The C&A completion rate rose from 26% in October 2005 to 94% in September 2006.

In FY 2007, the Department is completing the third phase, "Raising the Bar," by holding Components to a higher C&A process standard, improving the Plan of Action and Milestone (POA&M) process, closing high-priority weaknesses, and requiring Components to achieve full FISMA compliance.

In FY 2008, the Department intends to complete the fourth phase, "Aggressive Security Operations," by improving security operations through the deployment of a robust Network Operations Center/Security Operations Center (NOC/SOC) to enhance network situational awareness and incident response.

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In FY 2009, the Department intends to implement the fifth phase, "Maintaining Excellence," by continually improving all processes, including process measurement.

Early in the program, the Department established the foundation to support this five-year strategic plan through:

Information security program governance

- Continually updated security policies
- Strengthened security architecture
- Oversight to ensure security is included in the life cycle of new IT acquisitions

Information security program governance is provided through the Information Systems Security Board (ISSB). The ISSB provides an enterprise forum for information security program implementation. Bi-weekly meetings to provide the opportunity for the senior information security officials from each component meet with their peers to address DHS security requirements, policy, and status of efforts as well as share lessons learned.

The initial DHS information security policy was produced prior to the formation of the Department to provide comprehensive security requirements for Components transferring to the Department. This policy is routinely updated to focus on identified deficiencies, new federal guidance, and audit recommendations. Recently, the policy was expanded to address security operations aspects of the DHS OneNet. The Information Security Program is heavily focused on ensuring that adequate information security is embedded in the evolving enterprise solutions.

Security architecture guidance and security configuration management guides were initially published in FY 2004 and are strengthened on a routine basis to provide enhanced guidance to Components. The architecture guidance is provided in three volumes that focus on key areas related to the infrastructure development with the DHS:

- Network infrastructure protection, server and desktop platform protection, and security safeguards;
- Network and Security Operations Centers, intrusion detection systems, incident handling, and vulnerability assessments; and
- Public Key Infrastructure, directory services, and identify and access management.

Security configuration management guidance has been developed for all major operating systems within the Department. This year, Compliance Teams conducted site reviews to evaluate the quality of the Components configuration management processes.

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Topic:	IT
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
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Information security oversight is accomplished through compliance checks throughout system life cycle to verify that risk-based security is included in all contracts:

- OMB 300 security reviews focus on security funding and completion of appropriate documentation for the system development life cycle (SDLC) stage of major investments; and
- Enterprise Architecture Center of Excellence (EACOE) reviews ensure that the systems comply with the security architecture standards and protocols and the Technical Reference Model (TRM).

IT budget reviews, initiated by the CIO, provide a snapshot of the information security posture related to FISMA scoring requirements, and identify areas requiring resource reallocations and areas for short term information security remediation.

Acquisition Review Board (ARB) reviews are conducted for purchases over $2.5M. For information security, these reviews focus on contractor security roles and responsibilities and government oversight; FISMA compliance; hardware and software standards compliance; and current interconnection agreements.

Question#:	10
Topic:	St. E's
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: You indicated in your testimony that one of your top priorities is the multi-year plan to consolidate the Department's offices, which are scattered throughout DC and Virginia, into one headquarters at St. Elizabeth's campus in the National Capital Region.

Can you elaborate on the importance of this consolidation in fostering a "one-DHS" culture, enhancing communication, and optimize prevention and response capabilities?

Answer:

Today DHS and Component Headquarters employees are scattered widely throughout the capital region in more than 50 locations and over 80 buildings. This extreme dispersion imposes significant inefficiencies in daily operations, problems that are magnified considerably at the most important moments -- when the Department must act as a nimble and integrated team responding to significant natural disasters or terrorist threats.

These legacy facilities constrain our efforts to unify operations and impede functional integration across business lines because the locations, configurations, and physical security considerations are not matched to the needs of the DHS mission. The Department requires a sufficiently-sized consolidated headquarters campus with the necessary representation from all Components that will serve as the central hub for leadership, operations coordination, policy, and program management. The simple act of physically locating the headquarters and operating Components together at the consolidated campus will institutionalize a unified (1 DHS) Departmental culture. In addition, we will achieve significant improvements in our ability to plan and prepare for natural disasters and terrorist attacks through improved communications and coordination across all the policy, planning and program management functions within the Department. We will also be positioned to more effectively respond to these events in a coordinated manner because the St. Elizabeths campus can house the National Operations Center (NOC) together with the Component operations centers. This would allow us to better synchronize resources and capabilities with risks and consequences. Finally, the consolidated campus would facilitate improved performance in the recovery phase to insure that all Departmental assets are appropriately brought to bear without delay and in coordination with our federal, state, local and tribal partners' assets and capabilities.

I have visited many of the DHS locations in the Washington, D.C. area and am disheartened by the working environment that many of our people are forced to work in. This seriously impacts our ability to recruit and retain people, when they have more

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appealing options in the Federal Government and clearly has a negative impact on morale for which we are often criticized.

To help frame the Department's challenge in unifying the 22 legacy agencies, consider the importance of the Capitol building and its closely integrated office buildings to Congressional operations. The Capitol facilities are where Members come together to coordinate, communicate, cooperate, and ultimately to legislate. The Members of Congress can easily move between their offices to handle the Nation's urgent business. Now imagine how the Congress would operate if the members' offices were dispersed throughout the National Capital Region. It is obvious that physical proximity is essential to the core mission of Congress. It is no less so with DHS.

When DHS was created, it was appropriately built with dispatch. Now is the time to make a commitment to the Department's future by creating the consolidated campus needed to support DHS operations and integration.

Question: What are the impediments the Department is facing in proceeding with its housing master plan?

Answer:

There are several challenges to the implementation of the DHS National Capital Region Housing Master Plan that DHS and GSA are currently working diligently to resolve. The first is synchronizing the planning processes with the urgent needs for the Department to begin consolidating the headquarters and Components as soon as possible. Over the past year DHS, GSA, and OMB have worked closely with the respective Senate and House Authorization and Appropriations Committees staffs to explain the adverse impacts caused by the current dispersed housing situation and advise how consolidation will result in improvements in both effectiveness and efficiency. At the same time, we are moving forward with the St. Elizabeths Master Plan, Environmental Impact Statement development, consultations under Sections 106 and 110 of the National Historic Preservation Act (NHPA) and the design of the new Coast Guard Headquarters facility which would comprise the first phase of development. While the parallel execution track is vital to our need to reduce the overall development time, it does require careful coordination with the stake holders to ensure that the various activities are aligned and consistent with the National Environmental Policy Act (NEPA) and NHPA processes. GSA and DHS are fully engaged in all facets of the planning and consultation efforts to build understanding and demonstrate how the proposed development would preserve and protect this National Historic Landmark.

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The second challenge is the coordination of congressional appropriations support for both GSA and DHS to begin the consolidation. GSA is responsible to pay for the warm-lit shell and a standard tenant improvement allowance, while the customer agency is responsible for funding the tenant specific requirements over and above a base level building. Although this procedure allows for shared fiscal responsibility, visibility and accountability across both agencies, it also can impede progress if GSA funding and the tenant agency funding are not properly aligned. With separate appropriations and separate committees providing oversight, the potential for misalignment is significant. To prevent this problem, DHS, GSA and OMB have engaged in extensive coordinated outreach efforts to brief the Senate and House Authorization and Appropriations Committees staffs with oversight responsibilities on both agencies needs. We have found these joint briefings very valuable and will continue reach out to the Congressional Committees with updates on our progress.

The third challenge is that some planning and preservation organizations continue to question the specifics of DHS' plans to develop a secure headquarters at St. Elizabeths. The primary issue is the amount of federal development proposed (4.5 million gross square feet plus parking) and the impact on the National Historic Landmark (NHL) designation. A secondary issue is a desire to for public access to the campus.

With respect to the level of development proposed, DHS and GSA continue to work with the planning agencies and the consulting parties to determine ways to avoid, minimize and mitigate for the substantial impacts that this proposed level of development will have on the NHL while meeting DHS requirements. Based on comments from these stakeholders, the alternatives have changed over the past two years. DHS understands that it is subject to the procedures for plan and project review by the National Capital Planning Commission specified in the National Capital Planning Act, 40 U.S.C. §8722. All of the Master Plan alternatives preserve, protect and adaptively reuse between 77 and 81% of the existing historic square footage contributing to the designation as an NHL. In addition, views into and out of the campus would be preserved through working with world class architects to design appropriate facilities that both fit into the landscape and appropriately address the historic character of the campus. The therapeutic nature of the walking campus is preserved with all of the parking located on the outer edges of the property. To further address concerns, GSA recently hosted DHS, the planning agencies and consulting parties to participate in a two day work session with the goal of developing consensus on how to achieve the DHS requirements while minimizing the harm to the NHL to maximum extent possible.

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Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
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With respect to public access, this is a complicated issue that must be viewed in context of the historical nature of the campus as well as the Post 9-11 security environment. As the historic wall on the St. Elizabeths West Campus that runs along Martin Luther King Jr. Avenue indicates, the campus has a long tradition of security and separation of the campus operations from the local community. As the first federal mental institution in the country, St. Elizabeths West Campus housed patients that could not adequately function in the public domain. The historic wall served to protect both the public from the patients and the patients from the public, affording them the safety and privacy of receiving treatment out of the public eye and without ridicule. Contrary to some stakeholder and consulting parties' opinions, the campus never allowed open and unfettered access. Most public access was through guests of employees that worked on the campus or through approved special permission from the Superintendent on a case-by-case basis. Since 9-11 there has been no public access to the campus, due to the strategic location and the surveillance vantage points it offers over several critical federal facilities.

Created in the aftermath of 9-11, the DHS mission is to lead a unified effort to secure America. To accomplish this mission, DHS requires an Interagency Security Committee (ISC) Level 5 secure facility to lead and manage operations across the Department. The campus would include the NOC collocated with the individual Component operations centers to facilitate unified action in response to national disasters or terrorist attacks. While providing for our operational security, DHS is also committed to working with the local community to provide limited public access to portions of the campus consistent with threat levels. For example, there has been a desire expressed by the local community to view the 4th of July fireworks from the area on the campus known as "The Point." DHS believes this is a reasonable request to accommodate and would work cooperatively with the area neighborhood commissions and other local officials to establish a framework for public access to a secure campus during the year.

At the same time, GSA has also received letters of concern from the Presidential Helicopter Squadron (HMX-1) and the White House Military Office regarding routine or continual public access. Both HMX-1 and the White House Communications Agency which are located on the Anacostia Naval Station and Bolling Air Force Base respectively, sit below the St. Elizabeths campus and are in plain view from "The Point.". As a result, regardless as to whether or not DHS relocates to St. Elizabeths, routine or continual public access is not a viable option for the site.

Question#:	10
Topic:	St. E's
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Working cooperatively and collaboratively with all of the stakeholders, GSA and DHS hope to resolve their concerns and move forward expeditiously to establish the Consolidated DHS Headquarters at St. Elizabeths West Campus.

Question: In addition to appropriating adequate resources, are there other ways the Congress can assist?

Answer:

In April 2006 the House authorized construction of the new Coast Guard Headquarters as the first phase of the
St. Elizabeths development. Senate authorization of the Coast Guard Headquarters is required to begin construction of this critical initiative.

The multi-phased development schedule for St. Elizabeths West Campus depends on annual congressional appropriations to complete the project. Given the complexity of the project, full congressional authorization will provide GSA and DHS with the necessary flexibility to insure appropriations can support severable project segments from year to year.

The House passed a "Sense of the Congress" in the Fiscal Year 2008 Department of Homeland Security Authorization Bill that enumerated support for the implementation of the DHS NCR Housing Master Plan, which includes the consolidated DHS and Component Headquarters at St. Elizabeths. Senate authorization of the Phase 1 construction prospectus to build the USCG Headquarters will further signal congressional support for the project.

Question#:	11
Topic:	culture task force report
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: The January 2007 Homeland Security Advisory Council Culture Task Force Report discussed the challenges in creating and sustaining an energetic, dedicated, and empowering mission-focused organization. The report noted that the role of the DHS headquarters in relation to its operating components still needs to be defined. The report recommended,

"The DHS leadership needs to ultimately define the role of headquarters so that the operational component organizations can focus on their operational strengths, while the headquarters provides the overall policy, supports integrating processes where appropriate to leverage individual component strengths, and creates the organizational alignment for overall DHS success."

One of my top priorities is better integrating the Department. But the challenge lies in striking the right balance in maintaining an accountable headquarters with strong leadership and a unified department-wide culture, while also empowering the operating components to focus on their missions. What is your view of whether DHS fits this framework?

Answer:

Yes, I believe that DHS does fit the framework. We are currently working to strengthen DHS' core management, policy and operational integration.

Question#:	12
Topic:	oversight
Hearing:	Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management
Primary:	The Honorable George V. Voinovich
Committee:	HOMELAND SECURITY (SENATE)

Question: Concerns have been raised by the GAO and the Inspector General regarding limits on access for auditors to perform their oversight investigations at DHS. As you are aware, the Congress takes its oversight role seriously, and transparency at the Department is critical. What steps have you taken to ensure that individuals at the Department work constructively with GAO and IG auditors?

Answer:

As the Under Secretary for Management, I oversee the Audit Liaison Office at the Department, housed within the Office of the Chief Financial Officer. This Liaison Office helps to oversee the Department's efforts to coordinate and cooperate with the Government Accountability Office (GAO) and Office of Inspector General (OIG). Moreover, the Liaison Officer regularly meets with his counterparts at DHS component agencies to ensure cooperation with GAO and OIG auditors.

The Department maintains Management Directives regarding its interactions and cooperation with the GAO and OIG. For instance, the Management Directive relating to the Office of Inspector General requires DHS employees to cooperate fully by disclosing complete and accurate information to the OIG and provide prompt access to "any files, records, reports, or other information that may be requested" by the OIG. The Management Directive on GAO similarly requires all DHS employees to work cooperatively with GAO. Therefore, we believe that the proper framework is already in place, as these Management Directives reflect solid concepts and principles of the Department's cooperation.

To further enhance cooperation, my Audit Liaison Office at the Department interacts daily with GAO and OIG senior leadership to address all issues dealing with GAO and OIG requests for documents and interviews of DHS employees. In addition, I have instituted monthly meetings with the DHS Inspector General and with GAO's Managing Director for Homeland Security and Justice to promptly address any issues which might arise concerning cooperation with the auditors in their oversight roles.

U.S. Department of Homeland Security
Washington, DC 20528

June 6, 2007

The Honorable Daniel K. Akaka
Committee on Homeland Security
and Governmental Affairs
Subcommittee on Oversight of
Government Management, the Federal
Workforce and the District of Columbia
United States Senate
Washington, DC 20510

SENATOR DANIEL K. AKAKA
2007 JUN 20 PM 2:07

Dear Senator Akaka:

During my May 10, 2007 hearing before the Senate Committee on Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, you requested that I respond to specific questions regarding the number of Federal employees in the student loan repayment program at the Department. Also requested, was information on the number of Federal employees receiving retention bonuses as well as the amount given.

Attached, is the information you requested I provide. If I can be of more assistance on this or other matters, please contact me at (202) 447-3400.

Sincerely,

Paul A. Schneider
Under Secretary for Management

Enclosure

Fiscal Year 2005		
Type of Incentive	Number	Total Amount(s)
RECRUITMENT BONUS	10	$ 64,441.75
RELOCATION BONUS	34	$ 238,615.75
STUDENT REPAYMENT	18	$ 154,129.24

Fiscal Year 2006		
Type of Incentive	Number	Total Amount(s)
RECRUITMENT BONUS	24	$ 193,878.80
RELOCATION BONUS	35	$ 752,154.15
STUDENT REPAYMENT	22	$ 221,878.80
RETENTION ALLOWANCE	1358	$ 4,750,914.00

Fiscal Year 2007		
Type of Incentive	Number	Total Amount(s)
RECRUITMENT BONUS	48	$ 600,005.96
RELOCATION BONUS	78	$788,830.00
RETENTION ALLOWANCE	1306	$ 3,385,557.00
STUDENT REPAYMENT	16	$ 122,184.17

U.S. Department of Homeland Security
Washington, DC 20528

June 5, 2007

The Honorable George V. Voinovich
Committee on Homeland Security
and Governmental Affairs
Subcommittee on Oversight of
Government Management, the Federal
Workforce and the District of Columbia
United States Senate
Washington, DC 20510

Dear Senator Voinovich:

During my May 10, 2007 hearing before the Senate Committee on Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, you requested that I respond to specific questions regarding information on the number of hearings and congressional committees that exercise oversight on DHS. You also requested the Department's recommendation on reforming congressional oversight. This letter is responding to both questions.

When the Department of Homeland Security (DHS) was created on November 25, 2002 by the Homeland Security Act of 2002, there were 88 committees and subcommittees that had Congressional oversight jurisdiction over the Department at that time. In the summer of 2004, the 9/11 Commission Report called for streamlining congressional jurisdiction over the Department. In response, the House and Senate agreed in January of 2005 to designate one committee in each chamber with primary oversight jurisdiction over DHS (Senate Homeland Security & Governmental Affairs Committee and the House Homeland Security Committee.) However, even with this clarity of primary jurisdiction over DHS, several other committees continue to hold large areas of oversight of the Department and as interest in Homeland Security matters grows so does the number of committees exercising oversight and jurisdiction.

For the 109th Congress (2005-2006) the Department of Homeland Security has 86 committees or subcommittees exercising congressional oversight over the Department, and the 110th Congress added two new subcommittees to the list. This abundance of jurisdictional interest by Congress has, at times, hampered DHS and dramatically increased the work load related to interactions with Congress. Although the 86 committees is less than the original number of committees with oversight at the Department's inception, current congressional trend has been to have more committees exercise oversight of the Department rather than consolidate oversight and jurisdiction.

The addition of more oversight committees continues to complicate the job of Department officials who must work with Congress, as our partner, to protect the Homeland.

The Department of Homeland Security supports congressional efforts to consolidate congressional committee oversight and jurisdiction of the Department. Although we may have strong ideas on how best to restructure congressional oversight, we abstain from any recommendations. It is Congress' prerogative to decide the best committee structure for their needs in relation to the Department of Homeland Security.

I have attached some charts for your convenience. Thank you for your interest in the Department of Homeland Security and its success. If I can provide more information, please contact me at (202) 447-3400.

Sincerely,

Paul A. Schneider
Under Secretary for Management

Enclosures

DHS LEGISLATIVE AFFAIRS METRICS

Comparing 2006 to 2005 and to 2004, DHS Legislative Affairs activity has:

- **HEARINGS - 2006 has a 23% increase in the number of hearings over 2005, and a 25% increase over 2004**
- **HEARINGS WITH MULTIPLE WITNESSES - 2006 has a 23% increase in the number of hearings with multiple witnesses over 2005, and a 77% increase over 2004**
- **TOTAL NUMBER OF WITNESSES - 2006 has a 27% increase in the total number of witnesses over 2005, and a 31% increase over 2004**
- **CONGRESSIONAL BRIEFINGS - 2006 has a 8% increase in the approximate number of Congressional briefings over 2005, and a 28% increase in the approximate number of Congressional briefings over 2004**

RAW NUMBERS

2006 (As of December 31st)	
Total Number of Hearings:	206
Number of Hearings with Dual DHS Witnesses:	53
Total Number of Witnesses:	268
Total Number of Statements for the Record Only:	1
Total Number of Briefings (Approximately):	2,242
2005 (As of December 31st)	
Total Number of Hearings:	166
Number of Hearings with Dual DHS Witnesses:	43
Total Number of Witnesses:	211
Total Number of Statements for the Record Only:	1
Total Number of Briefings (Approximately):	2,082
2004 (As of December 31st)	
Total Number of Hearings:	165
Number of Hearings with Dual DHS Witnesses:	30
Total Number of Witnesses:	205
Total Number of Statements for the Record Only:	3
Total Number of Briefings (Approximately):	1,747

DHS Congressional Committees

Congressional Committees Asserting Jurisdiction in the 109th Congress

U.S. HOUSE OF REPRESENTATIVES

1. House Armed Services Committee
    2. Terrorism, Unconventional Threats & Capabilities Subcommittee

3. House Appropriations Committee
    4. House Homeland Security Subcommittee

5. House Education & the Workforce Committee
    6. 21st Century Competitiveness Subcommittee
    7. Select Education Subcommittee

8. House Energy & Commerce Committee
    9. Telecommunications and the Internet Subcommittee
    10. Oversight and Investigations Subcommittee

11. House Financial Services Committee
    12. Domestic & International Monetary Policy, Trade & Technology Subcommittee
    13. Housing & Community Opportunity Subcommittee
    14. Financial Institutions and Consumer Credit Subcommittee

15. House Government Reform Committee
    16. Federal Workforce & Agency Organization Subcommittee
    17. National Security, Emerging Threats & Intl Relations Subcommittee
    18. Criminal Justice, Drug Policy & Human Resources Subcommittee
    19. Government Management, Finance & Accountability Subcommittee
    20. Regulatory Affairs Subcommittee

21. House Homeland Security Committee
    22. Emergency Preparedness, Science & Technology Subcommittee
    23. Intelligence, Information Sharing, and Terrorism Risk Assessment Subcommittee
    24. Economic Security, Infrastructure Protection, & Cybersecurity Subcommittee
    25. Management, Integration & Oversight Subcommittee
    26. Prevention of Nuclear & Biological Attack Subcommittee
    27. Permanent Subcommittee on Investigations

28. House International Relations Committee
    29. Africa, Global Human Rights, & International Operations Subcommittee
    30. International Terrorism and Nonproliferation Subcommittee
    31. Western Hemisphere Subcommittee

32. House Judiciary Committee
    33. Commercial & Administrative Law Subcommittee

DHS Congressional Committees

Congressional Committees Asserting Jurisdiction in the 109th Congress

34. Constitution Subcommittee
35. Crime, Terrorism & Homeland Security Subcommittee
36. Immigration, Border Security & Claims Subcommittee

37. House Permanent Select Committee on Intelligence
38. Terrorism, Human Intelligence, Analysis & Counterterrorism Subcommittee

39. House Resources Committee
40. Fisheries & Oceans Subcommittee
41. National Parks Subcommittee
42. Water & Power Subcommittee

43. House Science Committee

44. House Small Business Committee
45. Regulatory Reform & Oversight Subcommittee
46. Workforce, Empowerment, & Government Programs Subcommittee

47. House Transportation & Infrastructure Committee
48. Aviation Subcommittee
49. Coast Guard & Maritime Transportation Subcommittee
50. Economic Development, Public Bldgs & Emergency Management Subcommittee
51. Highways, Transit & Pipelines Subcommittee

52. House Veterans' Affairs Committee

53. House Ways & Means Committee
54. Oversight Subcommittee
55. Social Security Subcommittee
56. Trade Subcommittee

U.S. SENATE

57. Senate Agriculture, Nutrition, and Forestry Committee

58. Senate Appropriations Committee
59. Senate Homeland Security Subcommittee

60. Senate Armed Services Committee

61. Senate Banking, Housing & Urban Affairs Committee

62. Senate Commerce, Science & Transportation Committee
63. Fisheries & the Coast Guard Subcommittee

DHS Congressional Committees

Congressional Committees Asserting Jurisdiction in the 109th Congress

64. National Ocean Policy Study Subcommittee
65. Disaster Prevention & Prediction Subcommittee
66. Trade, Tourism, & Economic Development Subcommittee

67. Senate Energy & Natural Resources Committee
    68. Energy Subcommittee

69. Senate Environmental and Public Works Committee
    70. Transportation & Infrastructure Subcommittee

71. Senate Finance Committee

72. Senate Foreign Relations Committee
    73. East Asian and Pacific Affairs Subcommittee
    74. International Operations & Terrorism Subcommittee
    75. Western Hemisphere, Peace Corps & Narcotics Affairs Subcommittee

76. Senate Health, Education, Labor, & Pensions (HELP) Committee
    77. Bioterrorism Preparedness & Public Health Preparedness Subcommittee

78. Senate Homeland Security & Governmental Affairs Committee
    79. Federal Financial Management, Government Information & International Security Subcommittee
    80. Oversight of Government Management, Federal Workforce & DC Subcommittee
    81. Permanent Subcommittee on Investigations

82. Senate Judiciary
    83. Immigration, Border Security & Citizenship Subcommittee
    84. Terrorism, Technology & Homeland Security Subcommittee

85. Senate Select Committee on Intelligence

86. Senate Special Committee on Aging

NOTE: For the 110th Congress, the Senate Homeland Security and Governmental affairs has added two new subcommittees with oversight and jurisdiction of the Department.

- Disaster Recovery Subcommittee
- State, Local and Private Sector Preparedness and Integration Subcommittee

DHS Office of Legislative Affairs
Hearing & Briefing Metrics
Calendar Year 2007
(As of June 01, 2007)

Total Number of Hearings:	**109**
Number of Hearings with Dual DHS Witnesses:	**29**
Total Number of Witnesses:	**151**
Total Number of Briefings (Approximately):	**1239**
Total Number of Committees or Subcommittees Asserting Jurisdiction for 110th Congress:	**70**

U.S. Department of Homeland Security
Washington, DC 20528

June 6, 2007

The Honorable George V. Voinovich
Committee on Homeland Security and
Governmental Affairs
Subcommittee on Oversight of
Government Management, the Federal
Workforce and the District of Columbia
United States Senate
Washington, DC 20510

Dear Senator Voinovich:

During my May 10, 2007 hearing before the Senate Committee on Homeland Security and Governmental Affairs Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, you requested that I respond to specific questions regarding Deepwater. The information that you requested is below.

The table below depicts the Deepwater leadership.

Date	Commandant	Date	PEO
May 1998 to May 30, 2002	ADM James M. Loy	April 2001 until April 17, 2006	RADM Stillman
May 30, 2002 to May 25, 2006	ADM Thomas Collins		
May 25, 2006 to Present	ADM Thad Allen	April 17, 2006 to Present	RADM Blore

Status

On May 17, 2007, the United States Coast Guard (USCG) revoked its acceptance of all eight 123' Patrol Cutters procured under the Deepwater Delivery Task Orders (DTO). The revocation was due to hull buckling and shaft alignment issues which resulted in the decommissioning of all eight cutters on April 17, 2007. The hull and shaft alignment problems emerged after USCG acceptance of the aforementioned 123' Patrol Cutters. These deficiencies were present at the time of acceptance and could not have been discovered by a reasonable inspection at the time of acceptance. The physical integrity of the 123' cutters has been compromised to such a degree the performance specifications under the contract cannot be achieved and sustained. In addition to the hull buckling and shaft alignment problems that were identified, the revocation is also based on subsequent discovery of 110/123 Patrol Boat class wide issues, including nonconforming topside equipment, which remain unresolved to date.

The USCG has expended time and substantial resources in trying to determine the material causes of these problems. The reports and studies that the USCG has authored or commissioned have been provided to the Integrated Coast Guard Systems (ICGS) and collectively tend toward establishing that the cause(s) of the failures were directly related to ICGS' design flaws for the 123' conversion effort. At this time, the USCG is unaware if any of their actions or activities had any material impact on these failures.

Integrated Coast Guard Systems agreed that they would also examine the issues and share their findings with the Government. To that end, the 123' cutter fleet was made available to ICGS engineers; however, ICGS has yet to provide that analysis to the USCG. Since the Government has not received any analysis that would effectively exculpate ICGS for these hull and alignment problems, the Government revoked the prior acceptance of the vessels in the interest of timeliness. Moreover, approximately two weeks after receipt of ICGS' response to the revocation of acceptance of the eight 123' Patrol Boats, the USCG will respond with its analysis.

The USCG has not yet determined the amount of damages due the Government from ICGS. However, once the amount has been determined, the Contracting Officer will provide ICGS a letter for payment IAW FAR Part 32.610 Demand For Payment of Contract Debt.

I have enclosed two letters from the USCG giving you more information. If I can provide you more information, please contact me at (202) 447-3400.

Sincerely,

Paul A. Schneider

Paul A. Schneider
Under Secretary for Management

Enclosures

U.S. Department of Homeland Security
United States Coast Guard

Commandant
United States Coast Guard
Deepwater System Integration
Program Office

1530 Wilson Boulevard, Suite 400
Arlington, VA 22209
Staff Symbol: G-ACS-5/SIPO
Phone: (571) 218-3288
Fax: (571) 218-3341
Email : daniel.olsson@dwicgs.com

Serial #07-128
May 17, 2007

Integrated Coast Guard System (ICGS)
Attn: Mr. Kevin O'Neill
Director Contracts
1530 Wilson Boulevard, Suite 400
Arlington, VA 22209

Subject: Delivery Task Order (DTO) DTCG23-02-F-2DW207 MATAGORDA; DTCG23-02-F-2DW196 METOMPKIN; DTCG23-03-F-2DW247 PADRE; and DTCG23-03-F-2DW302 ATTU, NUNIVAK, VASHON, MOHEGAN, MANITOU 110/123 Conversion Program Revocation of acceptance for the 110/123' Patrol Cutters

Dear Mr. O'Neill,

In accordance with (IAW) Federal Acquisition Regulation (FAR) 52.246-2 Inspection of Supplies – Fixed Price paragraph (I), the USCG hereby revokes acceptance of all eight 123' Patrol Cutters procured under subject DTOs. The revocation is due to hull buckling and shaft alignment issues which resulted in the decommissioning of all 8 cutters on April 17, 2007. The hull and shaft alignment problems emerged after USCG acceptance of the aforementioned 123 Patrol Cutters. These deficiencies were present at the time of acceptance and could not have been discovered by a reasonable inspection at the time of acceptance. The physical integrity of the 123 cutters has been compromised to such a degree the performance specifications under the contract cannot be achieved and sustained.

The USCG has expended time and substantial resources in trying to determine the material causes of these problems. ICGS stated months ago that they would also examine the issues and share their findings with the Government. To that end, the 123 cutter fleet was made available to ICGS engineers. ICGS has yet to provide that analysis to the USCG. The reports and studies that the USCG has authored or commissioned have been provided to ICGS and collectively establish the cause(s) of the failures in question were directly related to ICGS' design flaws for the 123 conversion effort. I am not aware of any contributing USCG actions or activities that had any material impact on these failures. Since the Government has not received any analysis that would effectively exculpate ICGS for these hull and alignment problems, the Government must now revoke our prior acceptance in the interest of timeliness.

The Government has not yet determined the amount of damages due the Government from ICGS. Once the amount has been determined, the Contracting Officer will provide ICGS a letter for payment IAW FAR Part 32.610 Demand For Payment of Contract Debt.

Subject: Delivery Task Order (DTO) DTCG23-02-F-2DW207 MATAGORDA; DTCG23-02-F-2DW196 METOMPKIN; DTCG23-03-F-2DW247 PADRE; and DTCG23-03-F-2DW302 ATTU, NUNIVAK, VASHON, MOHEGAN, MANITOU 110/123 Conversion Program Revocation of acceptance for the 110/123' Patrol Cutters

Serial #07-128
May 17, 2007

If you have any questions or concerns regarding this matter, please do not hesitate to contact Mr. Daniel Olsson at (571) 218-3288 or via electronic mail at daniel.olsson@dwicgs.com or the undersigned at (571) 218-3246 or Pamela.bible@dwicgs.com .

Sincerely,

Pamela K Bible

PAMELA K BIBLE
Contracting Officer
U.S. Coast Guard

Copies:
ICGS: Kevin O'Neil, Dave Illuminate, Rick Wharton, Jack Catalano, Pamela Neumann
USCG: RDML Blore, Michael Tangora, Carl McGill, CAPT Anderson, CAPT Haycock, Lt Pierce, Daniel Olsson

U.S. Department of Homeland Security
United States Coast Guard

Commandant
United States Coast Guard
Deepwater System Integration
Program Office

1530 Wilson Boulevard, Suite 400
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Fax: (571) 218-3341
Email : daniel.olsson@dwicgs.com

Serial # 07-141
5 June 2007

Integrated Coast Guard System (ICGS)
Attn: Mr. Kevin O'Neill
Contracts Director
1530 Wilson Boulevard, Suite 400
Arlington, VA 22209

Subject: Delivery Task Order (DTO) DTCG23-02-F-2DW207 MATAGORDA; DTCG23-02-F-2DW196 METOMPKIN; DTCG23-03-F-2DW247 PADRE; and DTCG23-03-F-2DW302 ATTU, NUNIVAK, VASHON, MOHEGAN, MANITOU 110/123 Conversion Program Revocation of Acceptance for the 110/123' Patrol Cutters Class Wide Issues

Reference: a) USCG letter 07-128 dated 17 MAY 07
b) ICGS letter 06.278 dated 29 AUG 06

Dear Mr. O'Neill,

On 17 May 2007 the United States Coast Guard issued a revocation of acceptance for all eight 110/123' Patrol Boats procured under subject DTOs. In addition to the hull buckling and shaft alignment problems identified in the May 17th letter, the revocation is also based on 110/123 Patrol Boat class wide issues, including nonconforming topside equipment, which remain unresolved to date.

Approximately two weeks after receipt of ICGS' response to the revocation of acceptance of the eight 123' Patrol Boats, the USCG will respond with its analysis. My hope is that these documents will serve as a solid starting point for resolving the revocation of acceptance issues.

If you have any questions or concerns regarding this matter, please do not hesitate to contact Mr. Daniel Olsson at (571) 218-3288 or via electronic mail at daniel.olsson@dwicgs.com.

Sincerely,

Pamela K Bible

PAMELA K BIBLE
Contracting Officer
U.S. Coast Guard

Enclosure

Copies:
ICGS: Dave Illuminate, Rick Wharton, Jack Catalano
USCG: CAPT Anderson, CAPT Haycock, Lt Pierce, Daniel Olsson

Enclosure 1

Serial # 07-141
31 May 2007

123' WPB Program Class Wide Issues		
Classwide 123' WPB Issues	Coast Guard Summary of Issue	Requirement
24 volt Grounds	Originally a holdback for classwide ground detection on the 123' WPB 24 volt system the problem was compounded by a LM solution which isolates the offending equipment from the ground detectors masking the original problem vice correcting the actually problem.	CSCM Sort 595 & 596
Radio Direction Finder Accuracy	Installed system manufactured by CUBIC does not meet accuracy requirements necessary to function as designed. Several attempts to correct integration issues have failed.	P-Spec 3.3.7.5
Electronic Engine Control Design	Original ICGS design enabled engine throttle actuators to operate to an electric failure point causing circuit protecting fuses to blow when throttles were placed in "Full" position. Inadequate response by ICGS required CG to institute corrective action at own expense.	CSCM Sort 382 - 387
Non-conforming Topside Equipment	ICGS notified CG of potential equipment non-conformance JULY 2005. ICGS working group successfully identified all non-conforming equipment (listed below) but failed to provide adequate recommendations to meet conformance requirements. Request for waivers were planned, but found to be unacceptable without consideration for non-conformance.	CSCM Sort 15 & 21
Transducer Space Installation	Transducer plates were incorrectly installed during conversion resulting in a through-hull fitting with a non-watertight condition. Temporary repairs were performed on 123' Cutters, but were never correctly repaired. Cutters require a Drydock evolution and hull or hardware modification to provide a maintainable water-tight solution.	H.20 para (a)
Engine Diverter Valve Interface	110' to 123' conversion engine control system failed to correctly interface with previously working engine diverter valve system. The failure to maintain this system causes an overcooled air combustion temperature of the engines at low-speed and idle. This situation immediately results in significant smoke opacity and crew habitability issues as well as longer term poor combustion effects to maintainability of the engines including carbon build up, and piston/cylinder liner damage.	H.20 para (a)
Telephone Line / Multiple Line Capability	ICGS repair to multiple telephone shoreline capability failed to account for shoreside video capability as required. To date no shoreside video capability solution has been provided.	H.20 para (a)
Emergency Power Requirements	Current configuration of the emergency power inverter and the emergency power panel fail to provide the correct circuits with protected emergency power. No ICGS solution for this capability was worked for the 123' WPB platform to date.	CSCM Sort 470
AIS Software Upgrade	Original ICGS installation did not provide complete AIS capability. Therefore the Coast Guard paid and instituted necessary upgrade at its own expense.	P-Spec 3.3.7.2

Enclosure 1

Serial # 07-141
31 May 2007

123' WPB Program Class Wide Issues		
Nonconforming Topside Equipment		
ITEM_NAME	**OEM PART #**	**OEM**
Stabilized Gimbal Assembly	18531-200 (part of 18400-200)	Flir
Antenna #2 HF/VHF (EMA-1316)	0254471-1	Cubic
Antenna #1 UHF (ANT-2030)	0253-1000-7	Cubic
Wind Speed and Direction Sensor	50002	Belfort Instrument
3.5' Open Array	XN10A/3.5	Furuno
Gear Box	RSB0070-064	Furuno
VHF Marine Antenna (ICOM_954_VW_ANT)	20519874-1 (ICOM_954_VW_ANT)	LMCO
GPS Antenna (FU_GPSANT_017)	20519875-1 (FU_GPSANT_017)	LMCO
DGPS Antennas	GPA019	Furuno
FURUNO 8' Antenna	XN24AF/8	Furuno
Performance Monitor	PM-30	SSR
FURUNO Antenna Pedestal	RSB0074-063	Furuno
Fwd & Aft Exterior Pilothouse Loudhailer	SPT30A	Bogen
Exterior Water-Proof Two Way Speakers	SPT15A	Bogen
Camera and Housing No.1, 2, 3, & 4	2135-2000/EH04	COHU
HF Antenna No. 1 & No. 2	120-49	Shakespeare
VHF Antenna No. 1 & No. 2 & VHF Omni Antenna	HS-2774-1	Shakespeare
Antenna No. 1	5410XT	Shakespeare
Broadband Omni Antenna	AV-457-3	Trivec Avant
SATCOM Antenna	AV 2093	Trivec Avant
Antenna for the Wireless Paging System	FG-4500	Antenex
Active AM/FM/SW/TV Omni Receiving Antenna	Mark-14U	Naval Electronics
Antenna Coupler	Part of 032006 (FAX-5)	Furuno
Whip Antenna	3-Oct	Shakespeare
F77 Antenna Unit	Part of Quaz 911932-Deck (101993)	Nera
Mini-M Antenna	TT-3007C	Thrane and Thrane
Maritime Antenna	TT-3005M	Thrane and Thrane
UHF Omni Antenna	4266	Shakespeare
2.4 GHz 8db Omni Antenna, Qty 2	A2408	YDI

Download our Information Kit.

Homeland Security could face transition problem

By Shane Harris *National Journal* June 1, 2007

On November 2, 2004, top officials from the Homeland Security Department held a small Election Night party at a Washington restaurant to watch the presidential election returns come in on television. Nearly every leader there owed his job to the man then fighting for his own job -- George W. Bush.

The department was almost two years old and run almost entirely by political appointees. Twenty-three months earlier, they had been tapped to lash together 22 disparate, frequently dysfunctional agencies, some of whose failures to safeguard domestic security contributed to the 9/11 attacks.

As the returns trickled in, there was an hour or so when it appeared that Bush's Democratic rival, Sen. John Kerry of Massachusetts, might overtake him in the electoral vote count. Rather suddenly, some partygoers recalled, it dawned on them that they might be out of a job.

As they looked around the room, they realized they hadn't fully considered who would replace them. Who, they wondered, would keep the department running while President-elect Kerry picked a new leadership team? What career officials, whose posts are designed to outlast any one administration, would step in to ensure that planes flew safely, that borders were patrolled, that the government could respond swiftly to a natural disaster? No one could say for sure, because DHS had no plan.

"All the politicals thought we were out," says Stewart Verdery, then the department's assistant secretary for policy and planning for border and transportation security. Verdery was an energetic and experienced Capitol Hill staffer who had come to Homeland Security after a stint as senior legislative adviser to Vivendi Universal, the media conglomerate. But DHS was uncharted territory. "There was a definite sense that the transition was going to be rocky," he recalls.

The department's top echelons, of course, never had to experience what horrors a clunky handover of power could bring. But whether those leaders knew it or not, they possibly had just averted more than a management disaster.

The 1993 bombing of the World Trade Center and the attacks of September 11, 2001, both occurred within eight months of a change in presidential administrations. (At the time of the first attack, Bill Clinton had been president exactly 37 days.) In March 2004, Qaeda-linked terrorists bombed four Madrid commuter trains three days before Spain's national elections. Periods of political transition are, by their very nature, chaotic; terrorists know this, and they exploit it. This is the reality: Terrorists strike when they believe governments will be caught off guard.

As of June 2, there are 597 days until the next presidential inauguration, on January 20, 2009. As the Bush administration's days wind down, the government's level of vulnerability -- and the nation's risk level -- increase, and they will stay high until the next president gets on his or her feet. This is true in any transition. "The first year and a half of a new administration is really the most vulnerable in terms of political leadership," says Paul Light, a professor at New York University's Wagner School of Public Service.

Be Prepared

January 2009 has current and former officials particularly worried, because it marks the first time since 9/11 that the reins of national and domestic security will be handed off to a completely new team. At the Pentagon, this changeover doesn't matter as much. It has an entire joint staff of senior military officers who oversee worldwide operations, as well as regional military commands whose senior leadership stays in place. The Homeland Security Department, however, is another story. It is still run almost entirely by political appointees and stands to be the most weakened during the transition.

"Any of the other main Cabinet departments have civil servants that step in" as acting officials during a transition, says Stephen Flynn, a senior fellow at the Council on Foreign Relations and a leading expert on the department and its history. "Homeland Security doesn't have any of those.... And that's extremely unusual."

In the four and a half years since the department opened for business, few career officials have been promoted into positions of senior or even middle management. As a result, most of the responsibility for running the department, and its plethora of critical missions, is still in the hands of people who will be walking out the door as the Bush administration wanes or leaves en masse after the election. "The department virtually has no backbench," Flynn says.

The upheaval that strikes all organizations during presidential transitions will be magnified at Homeland Security, which has the third-largest workforce of any Cabinet department. And because the department's primary mission is to prepare for and respond to catastrophes, the magnitude of a terrorist attack or natural disaster during the transition could be compounded.

"The attack, when it happens, will be far more consequential," Flynn says. Light echoes that sentiment, and alludes to the department's most notorious disaster response. "The odds of a repeat of [Hurricane] Katrina are higher."

Former officials and experts are alarmed that so few Bush administration officials or lawmakers of either party have fully grasped this, and they worry that come Inauguration Day, national security could suffer.

"My fear is that on January 20, where does that transition team go to triage, quickly, the first 10 decisions they need to make?" asks Randy Beardsworth, who left the department in September 2006 as the assistant secretary for strategic plans. "There's not going to be a senior official with broad experience to answer that unless the transition team gets a couple of key folks to stay on a while."

United States Government Accountability Office
Washington, DC 20548

July 20, 2007

The Honorable Daniel K. Akaka
Chairman
Subcommittee on Oversight of
Government Management, the Federal Workforce
And the District of Columbia
Committee on Homeland Security and
Governmental Affairs
U.S. Senate

Subject: *Response to Post-Hearing Questions Regarding Department of Homeland Security Management Challenges*

Dear Mr. Chairman:

This letter responds to your request for additional information related to the subcommittee's May 10, 2007, hearing on management challenges at the Department of Homeland Security and Comptroller General Walker's testimony. Enclosed are our responses to the supplemental questions Senator Voinovich submitted for the record.

If you have any further questions or would like to discuss any of these areas in more detail, I can be reached at (202) 512-3610 or rabkinn@gao.gov.

Sincerely yours,

Norman J. Rabkin

Managing Director
Homeland Security and Justice Issues

Enclosure - 1

ENCLOSURE-1

Response to Supplemental Questions
From Senator George Voinovich of the
Subcommittee on Oversight of Government Management,
the Federal Workforce and the District of Columbia
Committee on Homeland Security and Governmental Affairs
United States Senate

Hearing on
Managing the Department of Homeland Security: A Status Report
On Reform Efforts by the Under Secretary for Management
May 10, 2007

1. **Mr. Walker, what is your view of the roles of the management chiefs and their authorities in relation to their counterparts at DHS component agencies? Do you believe the Under Secretary and his Management Directorate team have sufficient authority under the current "dual accountability" structure?**

   Answer:

   In our March 2005 report on DHS's management integration,[1] we raised questions about whether the Under Secretary has sufficient authority under the dual accountability structure and suggested to the Congress that it reassess whether it needs to statutorily adjust existing positions at DHS, or create a new Chief Operating Officer/Chief Management Officer position, with provisions for a term appointment and performance agreement, that has the necessary responsibilities and authorities to more effectively drive the management integration of the department. As you know, you and Senator Akaka have introduced legislation in the Senate to elevate the Under Secretary for Management to a Deputy Secretary for Management position, reporting directly to the DHS Secretary.

   In October 2004, each of the DHS management chiefs issued a management directive that provided standard definitions of their roles and responsibilities, and assigned "dual accountability" for both mission accomplishment and functional integration to the heads of the DHS components and the management chiefs. Now would be an opportune time to assess how these dual accountability relationships and related authorities and responsibilities have been working, particularly in light of recent and proposed changes in the authority of some of the management chiefs, and to the Under Secretary for Management's position. For example, in February 2007, the DHS Secretary provided the Chief Information Officer (CIO) with

[1] GAO, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO-05-139 (Washington, D.C.: Mar. 16, 2005)

additional authority and responsibilities over the information technology resources (i.e. budgets and human capital) in DHS's various components. Because the DHS Secretary had not taken action to ensure departmentwide acquisition oversight, in September 2006, we asked that the Congress consider requiring the Secretary to report on efforts to provide the Chief Procurement Officer (CPO) with sufficient authority over procurement activities at all DHS components. The Under Secretary for Management noted that GAO concerns with respect to the authority of the business chiefs was valid in this case, and testified in June 2007 that he is currently reexamining the authorities of the CPO to determine whether similar action is required. In addition, the Under Secretary for Management said his authority as the Chief Acquisition Officer (CAO) devolves to the CPO. However, until DHS formally designates the CAO, and modifies applicable management directives to support this designation, DHS's existing policy of dual accountability between the component heads and the CPO leaves unclear the CPO's authority to enforce corrective actions to achieve the department's acquisition goals.

2. **What is the most significant material weakness revealed by DHS's financial statement audit and what effect does it have on the Department's performance?**

Answer:

While all are significant, developing and maintaining a positive control environment is probably the most significant since it lays the foundation for timely and reliable information that is needed for day-to-day decision-making by DHS management and the Congress.

DHS has not yet received an unqualified or "clean" opinion on its financial statements. In fact, only 2 of the departments 6 primary financial statements (i.e., balance sheet and statement of custodial activity) were even subjected to audit in fiscal year 2006. Even so, the auditors were unable to express an opinion on these two statements. Furthermore, they identified 12 reportable conditions, 10 of which were so serious they were classified as material weaknesses.

3. **Does DHS have an effective approach to managing IT? What do you recommend for improvement?**

Answer:

An effective corporate approach to IT management includes controls (disciplines) aimed at managing IT-related people, processes, and tools. Among others, these controls and disciplines include

• having and using an enterprise architecture, or corporate blueprint, as an authoritative frame of reference to guide and constrain IT investments;

• defining and following a corporate process for informed decision making by senior leadership about competing IT investment options; and
• applying system and software development and acquisition discipline and rigor when defining, designing, developing, testing, deploying, and maintaining systems.

The department has made progress in each of these areas, but additional work is needed to implement our recommendations aimed at strengthening its overall approach to managing IT. For example, DHS continues to evolve its enterprise architecture and the June 2006 version was an improvement over prior versions. However, we recently reported[2] that the architecture still lacked important architecture content and did not adequately address stakeholder comments. With respect to IT investment management, DHS has established management structures, but has not fully implemented a range of investment management practices, such as those needed to adequately oversee and control department investments.[3] Further, our reviews of key nonfinancial systems show that DHS has not consistently employed a range of system software acquisition management disciplines, such as reliable cost-estimating practices and meaningful performance measurements.

To strengthen DHS's approach to IT management, we have made a number of recommendations to the department. To date, implementation of many of our recommendations has been slow. For example, of 41 recommendations relating to the department's enterprise architecture program, none have been fully implemented. Until DHS fully establishes and consistently implements the full range of IT management disciplines, it will be challenged in its ability to effectively manage and deliver programs vital to transforming the department.

4. **I understand that concerns have been raised by the GAO and the Inspector General regarding limits on access for auditors to perform their oversight investigations at DHS. Under Secretary Schneider has noted his efforts to improve the situation. Has GAO experienced recent improvements in access to information?**

Answer:

Despite the assurances we received from Under Secretary Schneider and Secretary Chertoff for greater cooperation as regards access to DHS information that I noted at the May 10 hearing, there has not been a significant improvement in GAO's access to DHS information to date. As noted in my May 10 statement, as well as in testimony by Norman Rabkin, Managing Director of our Homeland Security and Justice Issues team before a subcommittee of the House Homeland Security Committee in April, in almost all instances the Department is not refusing to

[2] GAO, *Homeland Security: DHS Enterprise Architecture Continues to Evolve but Improvements Needed*, GAO-07-564 (Washington, D.C.: May 9, 2007).
[3] GAO, Information Technology: *DHS Needs to Fully Implement Policies and Procedures for Effectively Managing Investments*, GAO-07-424 (Washington, D.C.: April 27, 2007).

provide information to us. It is more often the case that the Department takes a long time to provide information. For example, it has been our experience that DHS often subjects GAO requests for information to several layers of review including Department and component liaisons and Department and component attorneys. We have noticed some improvement in specific cases where senior DHS officials intervene. We have suggested that the Department allow GAO staff to deal directly with program officials after we have held our entrance conference and that the screening of documents by DHS counsel should be on an exception basis with most documents being provided directly to us without prior review or approval by counsel. GAO officials recently met with senior DHS officials and discussed the DHS policy for access to records for GAO audits. DHS officials did not say whether the policy would be changed to allow us easier and timelier access to DHS information. We would note that the Senate Report on the DHS Appropriations Bill, 2008 (Senate Report 110-84) contains an appropriation restriction of $15,000,000 from the Office of the Secretary and Executive Management until the Secretary certifies and reports to the Committees on Appropriations that the Department has revised its guidance with respect to responding to GAO requests for records and interviews. In the report, the Committee directs the Secretary to: (1) provide an expedited time frame to respond to GAO requests for access to records and in no instance shall the Department's response to such requests exceed 20 days from the date of request; (2) establish an expedited time frame to arrange GAO interviews of program officials after reasonable notice has been furnished to the Department; and (3) streamline the extensive review of document and interview requests that the Department conducts in what are largely routine requests for information by GAO.

5. **Has GAO issued work on the consolidation of DHS's headquarters facilities on the St. Elizabeth's campus, and if so, what were the results? Do you agree the consolidation will aid in the "One DHS" unified culture?**

Answer:

The Ranking Member of the Senate Homeland Security and Governmental Affairs Committee asked us to review DHS's real property management and physical security. As a part of this review, we examined the challenges that DHS and GSA face in consolidating DHS's headquarters on the St. Elizabeth's campus. We will be releasing our report later this month and we will send you a copy at that time.

DHS's Under Secretary for Management recently testified that he believes that the DHS headquarters' consolidation will increase efficiency and communication, as well as to help foster a "one-DHS" organizational culture. We would note, however, that there are other, more critical practices that also contribute to successful transformation efforts and cultural change. These include ensuring that top leadership drives the transformation, setting implementation goals and a timeline to

build momentum and show progress from day one, and dedicating an implementation team to manage the transformation process.

6. **The January 2007 Homeland Security Advisory Council Culture Task Force Report discussed the challenges in creating and sustaining and energetic, dedicated, and empowering mission-focused organization. The report noted that the role of the DHS headquarters in relation to its operating components still needs to be defined. The report recommended,**

> **"The DHS leadership needs to ultimately define the role of headquarters so that the operational component organizations can focus on their operational strengths, while the headquarters provides the overall policy, supports integrating processes where appropriate to leverage individual component strengths, and creates the organizational alignment for overall DHS success."**

One of my top priorities is better integrating the Department. But the challenge lies in striking the right balance in maintaining an accountable headquarters with strong leadership and a unified department-wide culture, while also empowering the operating components to focus on their missions. What is your view of the quoted HSAC recommendation? How might DHS better address the tension between these goals?

Answer:

Our work on organizational mergers and transformations points out that successfully implementing large-scale change management initiatives, like the integration of DHS, requires the concentrated efforts of both leadership and employees.[4] One of the critical key practices from our work suggests top leadership drives the transformation to help provide a clear, consistent rationale that brings everyone together behind a single mission. Defining the role of both headquarters and component organizations can assist DHS leadership in its effort to integrate the Department and achieve its mission, so employees can more clearly focus on the continued delivery of services and not be concerned about their place in the new organization.

Our past work also suggests that redefining the organizational culture should not be avoided and must be aggressively addressed at the outset of the transformation and throughout the process. Identifying the cultural features of component

[4] GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: Jul. 2, 2003)

organizations can help DHS leadership to understand the particular values and behaviors of components' work environment and better leverage their strengths. In addition, leadership also needs to balance the continued delivery of services with merger and transformation activities, so that while the department transforms and a unifying culture is developed, the operating components can also focus on their missions.

Striking the balance between the goals of a maintaining an accountable headquarters and unified department culture is part of the transformation of the Department. Our work shows other key practices we have identified could be helpful to DHS, such as establishing a communication strategy with employees and stakeholders that can help cultivate a strong relationship with management and help gain employee ownership for the transformation.

BACKGROUND
MANAGING THE DEPARTMENT OF HOMELAND SECURITY: A STATUS REPORT ON REFORM EFFORTS BY THE UNDER SECRETARY FOR MANAGEMENT
MAY 10, 2007

BACKGROUND

The terrorist attacks of September 11, 2001, made clear that our Nation must focus on strengthening its efforts to protect itself from terrorist attacks. To address this pressing need, on July 16, 2002, President Bush issued the National Strategy for Homeland Security. On November 25, 2002, President Bush signed Homeland Security Act of 2002, Pub. L. No. 107-296, 116 Stat. 2135, which created the Department of Homeland Security (DHS).

DHS began operations in March 2003, bringing together 22 federal agencies and offices into a single cabinet agency with the overall mission of preventing and deterring terrorist attacks, protecting against and responding to threats and hazards to the nation, ensuring safe and secure borders, welcoming lawful immigrants and visitors, and promoting the free-flow of commerce.[1] With approximately 180,000 employees and a budget of nearly $35 billion in FY 2007, DHS is the third largest Department in the federal government. The formation of DHS was the single largest restructuring of the federal government since the creation of the Department of Defense in 1947.[2]

The DHS Directorate for Management is charged with much of the responsibility for ensuring the effective reorganization and management of the Department. The Directorate is responsible for budget, appropriations, expenditure of funds, accounting, and finance; procurement; human resources, and personnel; information technology systems; facilities, property, equipment, and other material resources; and identification and tracking of performance measurements relating to the responsibilities of the Department.[3] In short, the Management Directorate is responsible for ensuring that the Department's workforce has the resources and systems in place to carry out its mission. In addition to its responsibilities for allocating human and material resources, the Directorate is charged with identifying and tracking performance measurements throughout the Department.

Paul Schneider was sworn in as Under Secretary for Management on January 3, 2007.[4] He is assisted in carrying out management responsibilities and duties by a team that includes

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[1] *See* Department of Homeland Security website, "Strategic Plan — Securing Our Homeland," *at* http://www.dhs.gov/xabout/strategicplan.

[2] GAO Report, Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration, GAO-05-139 (March 16, 2005), at p. 7.

[3] *See* Department of Homeland Security website, "Directorate for Management," *at* http://www.dhs.gov/xabout/structure/editorial_0096.shtm.

[4] *See* Department of Homeland Security website, "Under Secretary Management Paul A. Schneider," *at* http://www.dhs.gov/xabout/structure/bio_1170692200123.shtm.

DHS's Chief Administrative Services Officer, Chief Financial Officer, Chief Human Capital Officer, Chief Information Officer, Chief Procurement Officer, and Chief Security Officer.[5]

DHS MANAGEMENT CHALLENGES

The Government Accountability Office (GAO) has designated the transformation and integration of DHS as "high risk" due to the enormous challenges of effectively combining 22 agencies in a cohesive Department; the operational and management challenges inherited from DHS's component organizations; and the critical importance of the success of the reorganization.[6] As Comptroller General David Walker observed in his February 7, 2007, testimony before the House Homeland Security Committee, "Managing the transformation of an organization of the size and complexity of DHS requires comprehensive planning, integration of key management functions across the department, and partnering with stakeholders across the public and private sectors."

At Mr. Schneider's December 6, 2006, confirmation hearing, several pressing management issues were identified, including recruiting, training, and retaining the experienced workforce necessary to carry out the Department's vital mission; establishing a performance management system that is objective, reliable, and transparent to ensure that the system is fair and effective in inspiring the best effort and performance from the workforce; improving the Department's acquisition management system; and improving and integrating the Department's information technology systems.

DHS has made progress on many fronts. The FY 2007 budget provides over 400 additional contract specialist positions to ease the Department's difficulties with procurement. The Chief Information Officer (CIO) heads the DHS CIO Council, made up of CIOs from all DHS components, which works to standardize business practices across the Department and improve information sharing. Consolidation of major IT systems is underway, including the creation of a common email operation. Finally, the Department is in the process of implementing a department-wide remediation plan to certify and accredit its information security operational systems.[7]

However, many significant challenges remain. In the 2006 Federal Human Capital Survey conducted by the Office of Personnel Management (OPM), DHS employees rated their department last or almost last among all agencies surveyed in job satisfaction, leadership, and

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[5] *See* Department of Homeland Security website, "Directorate for Management," *at* http://www.dhs.gov/xabout/structure/editorial_0096.shtm.

[6] GAO Testimony, *Management and Programmatic Challenges Facing the Department of Homeland Security Highlights*. Statement of David M. Walker, Comptroller General, Government Accountability Office before the Committee on Homeland Security, House of Representatives (February 7, 2007), at 5.

[7] Statement of Paul Schneider, Under Secretary for Management, U.S. Department of Homeland Security, before the before the Committee on Homeland Security, House of Representatives, March 1, 2007.

workplace performance. In addition, DHS employees remain scattered across more than sixty office buildings throughout the National Capital Region, adversely affecting communication, coordination, and cooperation across the Department. The Department has proposed redeveloping the St. Elizabeth's Hospital campus in Southeast Washington for the consolidated headquarters, but Congress has not approved the proposal and the redevelopment would take several years to complete.

On February 1, 2005, DHS and OPM jointly published a final regulation in the *Federal Register* to implement DHS's new personnel system, Max HR, which would have covered approximately 110,000 of the Department's 180,000 employees. Implementation of parts of the Max HR system were enjoined in litigation filed by the National Treasury Employees Union (NTEU), American Federation of Government Employees (AFGE), National Federation of Federal Employees, National Association of Agriculture Employees, and the Metal Trades Department, AFL-CIO. In March 2007 DHS released a new Human Capital Operation Plan (HCOP) to supplement Max HR, which, according to DHS, has the following key goals: develop career paths to broaden opportunities for employees; implement an automated recruiting system to improve hiring efficiency; provide learning and development programs; and promote a leadership environment that encourages and supports cross-developmental opportunities. In addition, DHS is implementing a performance-based pay pilot for approximately 800 employees of the Intelligence & Analysis Directorate.

Additionally, according to Mr. Walker's February 7, 2007 testimony before the House Homeland Security Committee, the following important challenges remain to complete the Department's reorganization:

- DHS lacks a comprehensive management integration strategy with overall goals, timelines, and a team dedicated to support its integration efforts.

- DHS and its components must ensure that resource investments target the highest priorities by linking resource needs to its goals and promoting greater stakeholder involvement.

- DHS has not performed comprehensive risk assessments in transportation, trade, critical infrastructure, or the immigration and customs systems to guide resource allocation decisions.

- Since its creation, DHS has been unable to obtain an unqualified, or "clean," audit opinion on its financial statements. The auditors continue to report ten material internal control weaknesses and that DHS's financial systems do not substantially comply with federal requirements.

- DHS has not institutionalized an effective strategic framework for information management, which would, among other things, guide technology investments.

- DHS's human capital—the centerpiece of its transformation efforts—and acquisition systems require continued attention to help prevent waste and to ensure that DHS can allocate its resources efficiently and effectively.

In a March 2005 report entitled, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO recommended that to help ensure the accountability and sustainability for DHS's management integration over the long term, Congress should continue to monitor the progress of DHS's management integration, for example, by requiring the department to report periodically on the status of its efforts. Additionally, GAO indicated that Congress should continue to monitor whether the Under Secretary for Management has sufficient authority to elevate attention to management issues and transformational change, integrate various key management and transformation efforts, and institutionalize accountability for addressing these management issues and leading this change. GAO further noted that Congress could consider whether it needs to statutorily adjust existing positions at DHS, or create a new Chief Operating Officer (COO) or Chief Management Officer (CMO) position, with provisions for a term limit and performance agreement, that has the necessary responsibilities and authorities to more effectively drive the integration.

The *Effective Homeland Security Management Act*, S. 547, introduced by Senator Voinovich and cosponsored by Senators Akaka, Levin, McCaskill, and Carper, was reintroduced on February 12, 2007, to address the considerable management challenges facing the Department. The legislation would elevate the current Under Secretary for Management to a Deputy Secretary with a term appointment, providing sustained, high level focus to management and integration efforts at DHS. The legislation passed the Senate on March 13, 2007, as an amendment to S. 4, which awaits conference with the House.

The GAO estimates that successful transformations of large organizations—even those less complex than DHS's—take five to seven years to achieve.[8] This hearing will help the Subcommittee understand where DHS is in its reorganization process and the continuing management challenges that it faces.

LEGISLATION

Homeland Security Act of 2002, Pub. L. No. 107-296, 116 Stat. 2135.

S. 547, Effective Homeland Security Management Act of 2007, introduced by Senator Voinovich, passed as amendment to S.4 and awaiting conference with House of Representatives.

H.R. 5441, Department of Homeland Security Appropriations Act, FY07, Title VI, National Emergency Management, which incorporates the Post-Katrina Emergency Management Reform Act of 2006, Pub. L. No. 109-295, 120 Stat. 1355.

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[8] GAO Testimony, *Management and Programmatic Challenges Facing the Department of Homeland Security Highlights*. Statement of David M. Walker, Comptroller General, Government Accountability Office before the Committee on Homeland Security, House of Representatives (February 7, 2007), at 5-6.

SUGGESTED QUESTIONS

Is the Department working on a comprehensive management integration plan to support its integration efforts? When will it be completed?

What is DHS doing to improve its financial internal controls?

Describe the Department's progress and challenges in integrating its information technology systems and networks.

What is DHS doing to address the morale problems among DHS employees?

Is the Department able to recruit and retain the qualified employees that it needs to keep the nation safe?

Why is the St. Elizabeth's site the appropriate place for the DHS Headquarters? What other sites have you considered?

ADDITIONAL INFORMATION/RESOURCES:

Congressional Research Service, *Homeland Security: Department Organization and Management*, Order Code RL31751, January 3, 2005.

Congressional Research Service, *Executive Branch Reorganization and Management Initiatives: A Brief Overview*, Order Code RL33441, April 18, 2007.

Government Accountability Office, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO-05-139, March 16, 2005.

Government Accountability Office, *Overview of Department of Homeland Security Management Challenges*, GAO-05-573T. Statement of Norman J. Rabkin, Managing Director, Homeland Security and Justice, before the Subcommittee on Management, Integration, and Oversight, Committee on Homeland Security, House of Representatives, April 20, 2005.

Government Accountability Office, *Management and Programmatic Challenges Facing the Department of Homeland Security Highlights*. Statement of David M. Walker, Comptroller General, Government Accountability Office, before the Committee on Homeland Security, House of Representatives, February 7, 2007.

DHS Office of the Inspector General, *Major Management Challenges Facing the Department of Homeland Security*, OIG-06-14, December 2006.
http://www.dhs.gov/xoig/assets/mgmtrpts/OIG_07-12_Dec06.pdf.

DHS Office of the Inspector General, *An Overview of Issues and Challenges Facing the Department of Homeland Security*. Statement of Richard L. Skinner, Inspector General, U.S. Department of Homeland Security, before the Committee on Homeland Security, House of Representatives, February 7, 2007.

Office of Personnel Management, *Creating a Foundation for the 21st Century Federal Workforce: An Assessment of the Implementation of the Department of Homeland Security Alternative Personnel System*, May 1, 2007.
http://www.opm.gov/About_OPM/reports/DHSImplementation.pdf.

Statement of Paul Schneider, Under Secretary for Management, U.S. Department of Homeland Security, before the before the Committee on Homeland Security, House of Representatives, March 1, 2007.

NTEU v. Chertoff, 385 F. Supp. 2d 1 (D.D.C. 2005), *aff'd in part* 452 F.3d 839 (D.C. Cir. 2006).

Stephen Barr, *Homeland Security Employees Feeling the Blues*, Washington Post, January 31, 2007, at D04.

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