

**IMPLEMENTATION, IMPROVEMENT, AND
SUSTAINABILITY: MANAGEMENT MATTERS AT THE
DEPARTMENT OF HOMELAND SECURITY**

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
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**IMPLEMENTATION, IMPROVEMENT, AND
SUSTAINABILITY: MANAGEMENT MATTERS AT
THE DEPARTMENT OF HOMELAND SECURITY**

THURSDAY, SEPTEMBER 30, 2010

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 2:32 p.m., in room 342, Dirksen Senate Office Building, Hon. Daniel K. Akaka, Chairman of the Subcommittee, presiding.

Present: Senators Akaka and Voinovich.

OPENING STATEMENT OF SENATOR AKAKA

Senator AKAKA. Good afternoon, everyone. This hearing of the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia is called to order.

I want to welcome everyone to another in our series of hearings on the continued efforts to improve management at the Department of Homeland Security (DHS).

Implementing and transforming the Department of Homeland Security from 22 separate agencies into a cohesive organization has been on the Government Accountability Office's High-Risk List since the Department's creation nearly 8 years ago, which this Subcommittee has followed issues closely. Unfortunately, progress has been slower than many expected and than any of us would like to see. In some ways, the agency is still struggling to forge a cohesive identity and to truly come together as a unified department.

In January, the Government Accountability Office (GAO) will once again update its High-Risk List for the new Congress. While GAO has noted great progress in improving management and DHS has dedicated tremendous resources to this issue, I believe more progress will be needed before GAO will remove DHS implementation and transformation from that list.

It is also vitally important that DHS improve the functions within the Management Directorate under the leadership of Under Secretary for Management Borrás. According to Inspector General reports and GAO, systemic problems remain in important management areas, including human capital, acquisition, and financial management.

I have been especially concerned with DHS's over-reliance on service contractors who work side by side with Federal employees. Some of these jobs are uncomfortably close to crossing the line into inherently governmental functions, which should only be performed by a Federal employee. I am very pleased at the efforts of the agency, especially the Chief Human Capital Officer (CHCO), in working to address this issue and right-size the workforce mix.

Improving acquisition management is also vital to preventing waste, fraud, and abuse at the Department. Many high-cost projects have been initiated with too little analysis, planning, and follow-up, costing millions of taxpayer dollars and impacting the agency's mission. One of the most high-profile examples has been the Secure Border Initiative electronic fence, known as SBInet. After long delays, cost overruns, inadequate performance, and frequently evolving goals, DHS is beginning to get this project under control.

Financial management has also been an ongoing problem since the Department's formation. Many DHS components still use legacy financial management tools from their former agencies. Unfortunately, the Department has never been able to obtain a clean financial audit. The Department has tried to streamline its financial management systems, putting all components on the same system. However, this effort, now known as the Transformation and Systems Consolidation (TASC) has been a difficult one. TASC needs strong oversight, and I hope to hear about the Department's progress on that today.

DHS also must lay the groundwork to sustain good management of the third-largest Federal agency. Going forward, DHS must develop a comprehensive management integration plan, including performance measures, to ensure that the agency is meeting mission objectives and continually improving performance. Already, DHS has taken important steps in planning through its Quadrennial Homeland Security Review (QHSR) and the Bottom-Up Review, which the Deputy Secretary took the lead on. These documents reinforce the need to establish metrics, and I hope that the Department will build on those efforts.

Finally, I want to acknowledge that this will likely be our last DHS management hearing with my good brother and good friend, our Ranking Member, Senator Voinovich. I know that this issue has been vitally important to him and I want to thank him for his efforts and say that I intend to continue to monitor this issue in the next Congress on his behalf. Much of the progress that has been made is due in part to his invaluable leadership here and on the Appropriations Committee, as well.

I also want to thank the Deputy Secretary for agreeing to testify at this important hearing. Continued leadership and attention from the highest levels is always important to move this issue forward and make DHS one of the best managed agencies in the government.

With that, I look forward to hearing from our witnesses today and now would like to call on Senator Voinovich for his opening remarks. Senator Voinovich.

OPENING STATEMENT OF SENATOR VOINOVICH

Senator VOINOVICH. Thank you, Mr. Chairman. One of the things that I have pointed out to folks around here, particularly the media, is that they are not aware of some of the really good things that are happening in the U.S. Senate in various committees and how chairmen and ranking members have worked together to make a difference for our country.

I have thoroughly enjoyed working with you. One of the most comforting things for me is that we started out about 10 years ago to work together and had an agenda, and after you took over as Chairman, we continued it. I am very pleased that you have indicated that you are going to continue to work on the Department of Homeland Security. Currently, I am trying to identify a Republican who might be as interested in this as I am to become your partner, because I do not think this is going to be over tomorrow or the next day. It is going to continue to take two or 3 years to get the Department to the point where the transformation sticks and accomplishes what we started out to do some time ago.

I would also like to say that I thought our meeting this morning with Mr. Borrás was worthwhile. I thought it was productive. I was pleased with his presentation. One of the things that stuck out, though, is there is a whole lot of work to implement the plan that he shared with us, and one of the things I would be interested in is to find out what GAO thinks about the plan that has been put in place in terms of whether it is going to meet the acquisition concerns that they have and also whether or not there are sufficient metrics to judge whether or not what has been prepared is actually going to happen.

I would like to remind folks that this Department came into being in 2002. It is the largest restructuring since the Department of Defense was created in 1947. I was remarking this morning, it may be the most gigantic management or restructuring that has ever happened in the world. And we asked the Department to protect us from terrorism and natural disasters while addressing the organizational operation and cultural challenges with merging 22 agencies. I think we all knew that the transition would take time. GAO reminds us that successful transformations of large organizations can take at least 5 to 7 years. I sure learned that when I was mayor and as Governor.

But I am frustrated that we are into the seventh year and so many issues continue to plague the Department. It currently is, as Senator Akaka says, the third largest cabinet agency, with 220,000 employees and an estimated 210,000 contractors, and an annual budget of nearly \$45 billion. That is too big an entity spending too much money to be susceptible to waste, fraud, abuse, and mismanagement year after year. And unfortunately, DHS continues to be on GAO's High-Risk List.

Helping DHS's transformation and implementation get off that list has been one of our top priorities during the time I have been in the Senate, and I was really hoping that this issue would be removed before I retired. However, as I mentioned, it does not appear that will be the case. It is going to take probably another 2 to 3 years to do what we think needs to be done.

So today, I look forward to discussing these matters with our witnesses, in particular hearing from GAO with regard to what more needs to be done for DHS transformation and implementation to be removed from the list, and I am hopeful I will also hear from DHS about their plans to implement GAO's recommendations.

In my experience as mayor and Governor, I repeatedly observed that the path of organizational success lies in adopting best practices in management, including strategic planning, performance measurement, and effectively leveraging human capital. I know that DHS has adopted some such practices and in turn has made progress toward better management. But I also recognize that much remains to be done for DHS to be a cohesive, efficient, and effective organization.

From our discussion today, I hope to leave here with a better understanding of how close the Department is to having that transformation and implementation plan and the time frame that the Department thinks it is going to need to get the job done.

I want to thank you, Deputy Secretary Lute and Ms. Berrick, for appearing before our Subcommittee today and I look forward to our discussion.

Thank you, Mr. Chairman.

Senator AKAKA. Thank you very much, Senator Voinovich.

On our first panel, it is my pleasure to welcome the Honorable Jane Holl Lute, Deputy Secretary of the Department of Homeland Security.

It is the custom of the Subcommittee to swear in the witnesses and I ask you to stand and raise your right hand.

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?

Ms. LUTE. I do.

Senator AKAKA. Thank you very much. Let the record show that the witness answered in the affirmative.

Secretary Lute, I want you to know that although your remarks are limited to 5 minutes, your full statement will be included in the record. So will you please proceed with your statement.

**TESTIMONY OF JANE HOLL LUTE,¹ DEPUTY SECRETARY, U.S.
DEPARTMENT OF HOMELAND SECURITY**

Ms. LUTE. Mr. Chairman, thank you very much. Good afternoon, Ranking Member Voinovich, Members of the Subcommittee, and thank you for this opportunity to appear before you to discuss the management integration efforts at the Department of Homeland Security. I think, Mr. Chairman, as you have noted, the Department has made significant progress in integrating and reforming our acquisition, financial, and human capital management while at the same time meeting responsibilities of our critical missions, but we still have a way to go.

Secretary Napolitano has consistently stressed the need for the Department to operate as one DHS. To achieve that goal, we have instituted an ambitious series of management and efficiency reforms to ensure that DHS has the proper management structure to

¹The prepared statement of Ms. Lute appears in the Appendix on page 25.

succeed, can attract and retain top talent, and can build a culture of effectiveness and efficiency to make the Department leaner, smarter, and a better agency to protect our Nation.

The broad context for these reforms derives from a major, first of its kind effort by the Department to align its resources with a comprehensive strategy to meet the Nation's homeland security needs. The completion of the Quadrennial Homeland Security Review and the Bottom-Up Review which immediately followed, in addition to the subsequent work that we have done to shape our fiscal year budgets from 2012 to 2016, represents a very significant milestone for this Department.

Over the past 18 months, DHS has made tremendous strides in integrating and reforming our acquisition, financial, and human capital management, but we also know that success will require additional hard work and continued support and flexibility as we navigate this large management enterprise. We know, too, that we could not do our work without the support of this Subcommittee and we thank you both for the support that you have given us.

In collaboration with the Office of Management and Budget (OMB) and the Government Accountability Office, DHS has created an initial integration strategy in 2010 that addressed several high-risk management issues identified by GAO and outlined steps to improve performance across functional operations. The seven initiatives that constituted the first phase of this integration strategy, which I address at length in my written testimony, represent long-term cross-cutting efforts that will lead to greater management integration over time.

But because we need to go beyond these initiatives, in May of this year, I directed Under Secretary for Management Rafael Borrás to develop a comprehensive strategic management approach to enhance the people, structures, and processes necessary to meet our mission goals by integrating and aligning functional areas at both the Department and component levels. As you both have said, we need to emulate best practice and we need to have replicable models of success under a wide variety of conditions for every aspect of our operations.

We have arrayed this strategy around three key themes. First, improve end-to-end management of the acquisition process. Second, strengthen financial management and reporting. Third, improve human capital management to ensure that we can recruit and retain high-quality people.

In July and September, our top leadership from across the Department met to discuss how best to augment the original seen management integration initiatives and create more cohesive structures and processes. In addition, we discussed the best way to manage the assets, resources, and people, and the people represent our Department's greatest asset. As we have consistently stated, we really must have the right people in the right place at the right time, properly resourced, to meet the expectations of the American people. The enhanced integration strategy has been shared with GAO and is being tested across the Department with many of the enhancement initiatives that will drive this strategy, targeted for implementation in fiscal year 2011.

Ultimately, all DHS employees, from Border Patrol agents and Transportation screening officers on the front lines to the most senior executives, must understand how their roles and responsibilities contribute to the Department's mission, and that mission is to help build a safe and secure, resilient place where the American way of life can thrive. That is the essence of Homeland Security.

Before I close, I would like to acknowledge, Senator Voinovich, your steadfast commitment to the management reform and strengthening of this Department. I would like to thank you for your public service and for your engagement with us. From the time that we first met until this very moment, you have been consistent in urging us to seek every opportunity to improve. I thank you for that work, and Mr. Chairman, I thank you and the Subcommittee for the work that you have engaged with us.

Thank you for the opportunity to speak with you today about our management integration and strategic planning. We have made significant progress in DHS and I believe we are on the right track. Yet we know we still have considerable work to do, and we look forward to working with this Subcommittee to implement these critical reform efforts. Thank you.

Senator AKAKA. Thank you very much for your statement, Secretary Lute. We will have two rounds of questions for you, Madam Secretary.

In response to the GAO high-risk designation, DHS created an integrated strategy for high-risk management as well as corrective action plans to address management weaknesses.

Has DHS taken any actions to date or implemented the integrated strategy and the corrective action plans?

Ms. LUTE. Thank you, Mr. Chairman. We have. It may sound strange for me to say, but in this regard, GAO has been our best partner. They have been very clear with us. Last night, we received a very detailed outline from them of the kinds of things we need to do to what measure of sufficiency in order to get off the High-Risk List. This has been a high priority for me and certainly for the Secretary.

We have assembled tracking mechanisms in the Department that identify each of the areas and each of the measurements and criteria that GAO has outlined for removal from that list, and we know now within each of those areas, whether it is the commitment of top leadership, resources necessary to resolve the risk area, validation of progress, and so on, what we need to do. We have made a lot of progress, as these charts show,¹ but they are all not green dots yet and we are determined that they will be.

Senator AKAKA. The Quadrennial Homeland Security Review and the Bottom-Up Review both emphasize the importance of developing performance measures to address challenges. However, neither of these reports contain measures and they do not represent a comprehensive strategic management plan to address GAO's recommendations.

Does DHS plan to issue a comprehensive strategic management integration plan?

¹The charts referenced by Senator Voinovich appear in the Appendix on page 60.

Ms. LUTE. Mr. Chairman, we have had a number of plans in each of the management areas—human capital, as you mentioned, financial reform, acquisition reform, Information Technology (IT) reform, as well—and together, under the umbrella of the enhancements that I spoke about in my oral statement, these represent our management plan. They are not enough, though, and with your permission, I would just like to take a step back.

The QHSR was really designed to say, what is the mission of the Department and how will we achieve that mission? How will we achieve a safe, secure, resilient place here in the United States?

We say we have five key missions: Preventing terrorism; securing our borders; enforcing our immigration laws; ensuring cyber security; building national resilience. And we talk in the QHSR about how we will know, what are the things we need to do in each of those areas, in addition to other mission areas for which we have responsibility that support our national and homeland security.

In turn, we talk about the objectives we are trying to achieve, but what you are asking about is the essential underpinnings, the plumbing and wiring of the successful execution of those missions, because in our view, the American people have a right to expect that we can do three things: That we can execute those missions that we have outlined as central to a safe and secure homeland; that we can run ourselves, and that we can run ourselves with the accountability and transparency of a respectable public sector organization; and the third thing that they can expect is that we can account for the resources that have been entrusted to us and demonstrate responsible financial stewardship.

So our approach to management is mindful of the missions we need to accomplish, mindful of the fact that the Department of Homeland Security is an operational department. The vast majority of men and women who wake up to serve this country every day in Homeland Security are operators and they are supported by equally hard-working headquarters and management personnel who are determined to have those operations succeed.

Senator AKAKA. Your testimony discussed the Department's effort to create a single financial management tool, a project known as TASC, which has grown to include acquisition and asset management. Earlier this year, OMB ordered that all agencies halt further development of financial management systems for the time being. Your testimony states that you are working with OMB to align TASC with OMB policy. What is the current state of TASC, and how do you envision it changing as a result of consultation with OMB?

Ms. LUTE. As you know, Mr. Chairman, well, we have had serious deficiencies in the Department with respect to our financial management business systems, in part due to aging legacy systems and the lack of integration among the systems, whether it is financial systems, asset management systems, or acquisition systems, as well. TASC was a program that was in progress, and as you have rightly noted, we are working closely with OMB to ensure that its implementation closely aligns to OMB's new guidelines.

We have established an Executive Steering Committee that is chaired by the Under Secretary for Management, Rafael Borrás, to ensure that TASC stays in alignment with the high-priority busi-

ness needs and that we have realistic and achievable project plans. We have right-sized the concept of operations to a more risk-based approach, and so we are tailoring its initial applications by component and by need to ensure that it will succeed. We presented an overview of our plans and progress to the Financial Systems Advisory Board earlier this month and we intend to stay consistent with the OMB guidelines that they have put in place.

Senator AKAKA. As DHS has testified, an important part of integration and cohesion for DHS will be to consolidate the headquarters at St. Elizabeths. Can you provide an update on how work at St. Elizabeths is proceeding?

Ms. LUTE. I can, Mr. Chairman. We are on time and on budget, which is the best news anyone can ever give when you are executing a project of this size and magnitude. Senator Voinovich mentioned that the creation of DHS was the largest public sector reorganization, perhaps in history. Certainly, the building of St. Elizabeths is the largest single public works project in Washington since the Pentagon.

To date, the Department of Homeland Security and General Services Administration (GSA) have obligated over \$1 billion, approved a master plan and phase one construction of the Coast Guard facility, which is underway. All of our interim milestones and schedule dates are being met. And next, we have created a plan, and we are finalizing that plan, to reduce our footprint from over 70 buildings, 50 facilities scattered throughout the National Capital Region down to under 10 by the end of fiscal year 2016.

GSA, as you know, has determined that the creation of St. Elizabeths and the consolidation of the Department there will save over \$600 million over the next 30 years, but as important as those savings are, we believe also, Mr. Chairman, that this will improve the interoperability and the integration of Department operations.

Senator AKAKA. Thank you very much. My time has expired. Senator Voinovich.

Senator VOINOVICH. Thank you for your nice words in terms of my concern for the current and future of the Department of Homeland Security. I am hoping to have an opportunity to meet with your Secretary before I tip my hat, but I would like to bring to your attention, and Mr. Chairman, this is a little bit off the subject of this hearing and I will get to that—the issue of immigration. With regard to the DREAM Act. Many of us are concerned about agriculture jobs. But I think you may have a window of opportunity between the election and the end of the year to perhaps deal with that.

And the two areas that I think need to be underscored are, first, what you have done to secure the border. I do not think that has been driven home enough to the American people, and, of course, you know what is going on in Arizona. I am not going to get into that. But you have to do that.

As the Ranking Member on the Appropriations Committee dealing with Homeland Security, we have numbers to show that there is no way possible without spending tons of money on Immigration and Customs Enforcement (ICE) and detention facilities to deal with the illegal immigrants that are here in this country. It is something that really needs to be addressed, and I am suggesting

that this is something that you might put on your list and even talk to the President about.

Second of all, Mr. Chairman, I am probably going to take all my time with this, I think you are going to get recommendations out of the Debt Commission that the President set up that I think is really going to have a dramatic impact on the resources that are available throughout the government. I think you need to look at your budget to see where the money is going and take advantage of this opportunity, either in the omnibus bill, and we might get one before the end of the year, or even next year.

But the point I am making to you is, I can show you right now how you can save a billion dollars in your budget a billion dollars that you could reallocate to some of the things you want to do. For example, in the current budget, you are not getting enough money for management. You need more. You did not get it. But I can show you that.

And then, also, to take this opportunity to forthrightly look at things in terms of threat assessment. So much money in that budget is revenue sharing, and I will never forget after September 11, 2001, and we formed the Department, I said, we have to be careful that this does not become some kind of revenue sharing thing, and I will show you where it has. I think that you need to get together with the folks there and come back and stand up and say, here is what we need. Here is what is relevant and here is what is not relevant, OK.

The other thing is that you are going to have to do that because there are articles out today that Homeland Security is out of control, the billions of dollars that are being spent, and so forth. So the big light is going to shine on the Department of Homeland Security. And I think your Quadrennial Homeland Security Review looks at that. But the fact is, there is an interim period here, October, in which you ought to maybe be looking at that stuff.

And the last thing is a pain that I have had that I cannot get information from your management over there, and I do not know if you know about it, I have tried to get from your Department, for almost a year, information back on whether or not you need the Biometric Air Exit program in DHS. And I am putting a bill in that says it is not necessary because that is the conclusion that I have gotten from talking to your people.

But I cannot get an answer out of your Secretary, and I have been trying to get her on the phone today, about whether or not it is necessary. I put \$50 million into the budget to deal with it, and it was not in your proposal. So my assumption is you do not think it is necessary. All I am asking is for DHS to come back with a statement, it is not needed from a cost-benefit point of view, OK? And we have other things that can take its place and we do not need it.

What is happening now is that we are going to go back to the old system where it is going to take 3 percent rejection for—less than 3 percent—for a country to become part of the visa waiver program. And if you look at the countries that have come on through the program, they have absolutely improved the communication in terms of terrorism and other things between the United States and others. In fact, it would be wonderful if we could get the

countries that were on it before to reach the standards that they have risen to.

In addition, from a public diplomacy point of view, it has been fantastic, the new countries that have come in, in terms of our relationship with them, and there are a bunch of them out there right now that are pining away—the Poles, for example. If we do not get this thing changed, their chances of coming on board to this program is probably going to take 2 to 3, maybe even 4 years.

But I just want you to know, and I am trying to get her on the phone, I am just enraged that a member of the U.S. Senate who has tried to be a good friend of your Department and stand up for you cannot get a simple answer to a question that I think you know the answer to, but for some reason no one has got the guts to make it public. And I need that, because I think I could get a bill passed during the lame duck session by Unanimous Consent (UC) if I had the information from your folks that said, “You know what? We do not need this. It is too expensive and we have got something else that can take its place.”

I will get to the hearing, and I have 48 seconds, but I will tell you what. I will give it back to the Chairman.

Senator AKAKA. There will be a second round.

Senator VOINOVICH. Yes. Go ahead.

Senator AKAKA. Secretary Lute, I want to commend the Department on its effort to right-size the Federal employee to contractor mix. I am impressed with the results of this initiative so far. You testified that you are on track to eliminate 3,500 contractor positions by the end of 2010, saving nearly \$1 billion in service contracts since 2009.

Does converting these positions to Federal employees help the Department better accomplish its mission? And do you expect to extend this initiative in the coming years?

Ms. LUTE. Thank you, Mr. Chairman. In the past, the Department has had a heavy reliance on contractors. Indeed, it was, in part, the deliberate staffing strategy of getting the Department up and running quickly. As late as December 2008, in fact, the Department was cited for not sufficiently—having sufficient numbers of contractors in place.

We believe in a balanced workforce, the contractors who come to work for DHS every day provide valuable services for us, but we do believe there has to be a right-sizing and we need to look at a number of factors, including the performance of inherently governmental functions or closely associated to inherently governmental functions and other critical functions which really should be performed by Federal employees. So we will continue this examination of our workforce until we get it right.

Senator AKAKA. Well, thank you for that. Can you also tell us what progress has been made in making sure that contractors are not working on any inherently governmental functions?

Ms. LUTE. Mr. Chairman, that is precisely the screening exercise that we have gone through and prioritized our conversion to Federal status for those employees, for those functions.

Senator AKAKA. Earlier this year, Madam Secretary, the Department implemented Management Directive 102 to standardize acquisition management policies and create a stronger framework for

acquisition decisionmaking. How has MD 102 been effective to date in improving acquisition decisions, and how does it affect ongoing troubled projects, such as SBIInet?

Ms. LUTE. Thank you, Mr. Chairman. I think as you were briefed by Under Secretary Borrás this morning, we have done a lot of work to strengthen our acquisition reform, building on the work that has been done by predecessors in this Department. A number of the programs that we have currently began life a number of years ago in advance of these reforms that have been undertaken over the past several years. But we are determined to get a handle, as I mentioned, end to end in the acquisition process, beginning with our requirements and working through finally to life-cycle cost estimates which are accurate and reflective of the cost of systems over time and understanding how the interface of key decisions in the acquisition oversight process brings us better products.

We are integrating science and technology to a greater extent. We are instituting acquisition career development programs. We are strengthening our procurement staffing. We are having regular portfolio reviews. Over 70 major acquisition projects have undergone acquisition review boards since 2009. All of the major tier one and tier two programs have undergone this review. There are procurement management reviews, management certification processes, and strategic sourcing boards that now meet in the areas of IT, for example, to ensure that our acquisition is on track.

Senator AKAKA. The DHS Performance Improvement Officer falls under the agency's Chief Financial Officer (CFO). Performance improvement and measures are among GAO's top concerns, and they are important outside of financial management, as well. Why is the Performance Officer under the CFO, and should this position be more prominent within the Management Directorate?

Ms. LUTE. Mr. Chairman, I am taking a close personal interest in our performance measures. As we mentioned when we began the QHSR process, there was going to be a three-stage process: The development of the QHSR itself, a strategic guiding document; the Bottom-Up Review, which was going to evaluate—and did—the performance of the Department and the activities of the Department against those things that we said were most important to do in the QHSR; and then build the 2012 budget presentation and 2012 to 2016 Future Years Homeland Security Program (FYHSP) in a way that reflects the priorities based on the activities of the Department in the strategic context laid out by the QHSR.

In addition to that, we had some plumbing and wiring of our own we needed to do. We needed to align our account structure so that we could compare personnel costs and cost components. It is hard to talk about an integrated department if we do not count personnel or acquisition and investment or O and M costs in the same way, and we have realigned that with OMB's help and the help of Congress.

In addition, we have reevaluated every single performance measure guiding the Department, every single one, and we have done that—we have looked at all 180-odd existing performance measures and we have recast them in ways that are plain language indicators of what the value proposition is in the Department for the

money that is being allocated, and we think this will be a much more sensibilized approach to performance metrics.

So it does not matter where this function lies in the Department, Mr. Chairman. I am going to keep my eye on it.

Senator AKAKA. Thank you for taking a personal interest in that. Senator Voinovich.

Senator VOINOVICH. During last year's hearing on DHS management, there seemed to be a difference of opinion between DHS and GAO as to what needed to be done for transformation and implementation to be removed from GAO's High-Risk List. Our second witness is going to be Cathy Berrick. I was disappointed to see that in your written statement, there is no explicit discussion of efforts to have DHS transformation and implementation removed from GAO's High-Risk List, which makes me wonder whether or not you are taking it seriously.

The problem last year was that they did not agree on what needed to be done, and then the next thing was that they did not agree on the metrics to determine whether or not they did it or not. And one of the things I am going to try to ferret out at this hearing today is how close has your Department worked with GAO to agree on things that are necessary to get you off the High-Risk List and also to agree on the measures that will be taken to determine whether or not you have, in fact, performed them.

It harks back to the meeting with Mr. Borrás this morning. He has these nice charts and it looks really good—in fact, I asked him to give it to you, and he apparently did not—

Ms. LUTE. No, sir, we brought it.

Senator VOINOVICH. You have it here?

Ms. LUTE. Yes, sir.¹

Senator VOINOVICH. Thanks very much. The issue to me is, has GAO looked at it? What do they think of it? And have you agreed on what the measurement would be? Because a lot of it looks like—it is the recognition, and I am not going to go into the deficiencies that they found. You know and I know that you have a long way to go in a lot of these areas. Another issue that I am concerned about is when they did that survey of your workers, the low morale that still exists over there in your Department. I am concerned about that.

How much input has GAO had in this in terms of is this the way to get it done, and have you agreed upon the metrics?

Ms. LUTE. So, Mr. Chairman, certainly I will let GAO speak for themselves, but from my perspective, I will say the following. I have been running things for a long time in my life, different large extended operating organizations of expansive size. You do not do management effectively without a healthy relationship with your audit function, and I think we have a healthy relationship with GAO. We do not always agree on everything.

But we have sat down with them. I have sat down with them personally with my senior staff and with the seniors at GAO and I would say that we share a commitment to getting this right. We share a commitment to clarity and to understanding exactly what this Department has to do to get off the High-Risk List in all areas.

¹The charts referenced by Senator Voinovich appear in the Appendix on page 60.

And so let me assure you, Senator, that on the issue of implementing and transforming the Department, we are committed to taking ourselves off the list.

We believe that we have a better sense now, and as we go through carefully the very detailed report that GAO has just given us on those measures that we should take in each of these areas—leadership commitment, resources, independent validation, demonstrated progress over time, action planning, and metrics—that these are areas that we understand and we can operationalize and we have a healthy state of dialogue that if there is ambiguity, we can get it clarified so we know what we need to do.

What Under Secretary Borrás outlined for you this morning and what is in part here is a more effective governance tool for the acquisition process end to end, as we spoke about, to build on what we think is an already strengthened system in order to get to best practice.

Senator VOINOVICH. Well, as I said, it would give me comfort to know that they have had a role of looking at this and have signed off and said, “That is a way to get the job done,” and then you would agree on, well, let us agree on whether we are getting it done, the progress that we are making, because I think that would go a long way to move you off the list and at least there is to be an understanding.

And I also think that, in my experience, if you have disagreements, you ought to let us know about it. In other words, one of the things I talked to Mr. Borrás about, there may be some of your entities that are really working by themselves and do not want to be part of the integrated system for financial management, for example. Maybe they should not be involved in this, and we keep talking, you have to get it all together. Well, maybe you can come back and say, “You know what? There are a couple of areas here where we do not need to do that. They are already in good shape and let us take the ones that are remaining and we will do it with them because they are okay.” I mean, that kind of candor, I think, is really important.

And the last thing is the resources that you need to get the job done. The problem is it will always get shortchanged, and it just drives me crazy that more departments do not really stand up and start raising all kinds of you know what when we do not give you the resources that you need to get the job done, particularly in management. I mean, there seems to be a lack of appreciation in this body for management and the importance of what you say, having the right people with the right knowledge and skills at the right time, having given them the tools. And I think you ought to stand up and fight and just do not get rolled over. Just make a big deal out of it. Get the President involved. If I am going to get the job done, I have to have the tools in those departments to get the job done.

So you are telling me that GAO has looked at that and understands it and thinks it can get the job done?

Ms. LUTE. Sir, as much as I would like to put words in GAO’s mouth, I certainly would let them speak for themselves. What I can tell you is that we have had a continuing dialogue. It has been an honest dialogue. We are determined to know and to do what it

takes to get off the High-Risk List. We are determined to know and do what it takes to have DHS be among the best places to work in the public sector.

Our most important resource is our people, and as you have heard from our Human Capital Officer, we are working on a number of programs, leadership programs, workplace programs, resilience programs for our workforce, designed both to give the workers the tools they need to add value and to let them know how much they are valued by us.

GAO is an important partner for us. We could not do our work without them.

Senator VOINOVICH. Thank you, Mr. Chairman. Thank you.

Senator AKAKA. Thank you. Thank you very much, Senator Voinovich.

Again, I want to thank you, Secretary Lute, for appearing before us today and for your responses as well as your statement. I look forward to working with you on these concerns that we have and look forward to also working with the staff of DHS, as well. Thank you very much.

And now I would like to call our second panel to come forward, Ms. Cathleen Berrick of the Government Accountability Office.

It is the custom of this Subcommittee to swear all witnesses in, so please stand and raise your right hand.

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?

Ms. BERRICK. I do.

Senator AKAKA. Thank you. Let the record show that the witness answered in the affirmative.

Although your remarks are limited to 5 minutes, your full statement will be included in the record. Will you please proceed with your statement.

TESTIMONY OF CATHLEEN A. BERRICK,¹ MANAGING DIRECTOR, HOMELAND SECURITY AND JUSTICE ISSUES, U.S. GOVERNMENT ACCOUNTABILITY OFFICE

Ms. BERRICK. Thank you, Mr. Chairman and Ranking Member Voinovich and Members of the Subcommittee. Thanks for inviting me to appear today to discuss the status of the integration and transformation of DHS.

Shortly after the creation of DHS, as you are aware, GAO designated its implementation and transformation as high risk, in large part because DHS had to transform 22 agencies with their own management challenges into one department and the enormity of that effort. We also recognized that DHS faced significant challenges in building its management capacity while at the same time implementing its critical homeland security and other missions. DHS has remained on our High-Risk List since.

My statement today addresses the challenges DHS faces in acquisition, information technology, financial management, and human capital management; DHS's progress in integrating its management functions within and across the Department; and the

¹The prepared statement of Ms. Berrick appears in the Appendix on page 33.

Department's progress in addressing the issues that have contributed to GAO's high-risk designation.

DHS has made some important progress in strengthening its management functions, but needs to take additional action and demonstrate progress in addressing some longstanding issues within its management areas. Key among these actions is executing plans that they have established and demonstrating results across all of these areas.

For example, our work has identified significant shortcomings in DHS's ability to manage an expanding portfolio of complex acquisitions worth billions of dollars. DHS has revised its acquisition review process to include more detailed guidance and has clarified roles and authorities among other improvements, but DHS has not effectively carried out all of its policies. Our recent work found that over half of the major acquisition programs we reviewed awarded contracts without Department approval of documents essential to planning acquisitions and setting requirements. In addition most of these programs we reviewed had cost, schedule, and performance shortfalls.

With respect to financial management, as you are aware, the Department has faced challenges in modernizing and integrating its financial management systems and has not yet implemented a consolidated Department-wide system, although it has plans to do that. Since DHS's creation, the independent auditors have been unable to express an opinion on its limited scope audit of DHS's balance sheets.

In an effort to integrate its management functions across DHS, the Department has put in place a number of common policies and procedures within individual management areas to help vertically integrate the Department with the components. However, DHS has placed less emphasis on integrating horizontally across the Department to bring its management functions together for common processes and systems.

DHS has also developed a plan to integrate its management functions, which we think is a step in the right direction and has a lot of positive aspects. However, the plan lacks details on how the initiatives cited will get DHS to the end state of management integration and what that end state is. The plan also does not address how the Department will measure its performance in its integration efforts or what the resource needs are and whether they will be available to follow through with these initiatives.

In order to help DHS address the challenges that have contributed to the high-risk designation, we have identified and worked with DHS over the past year and earlier on the specific actions we believe they need to take to improve in these areas. Key among these actions is demonstrating measurable, sustainable progress and strengthening its management functions, such as delivering acquisition programs within established cost schedule and performance thresholds. We have worked with the Department over the years to address these issues and will continue to do that moving forward.

Senator Voinovich and Senator Akaka, thank you very much for inviting GAO here today and thank you for your leadership on these very important issues and support for GAO's work.

Senator AKAKA. Thank you very much, Ms. Berrick.

An important aspect of removing an issue from the High-Risk List is having processes in place to make sure the agency will not revert back to its old ways after it has been removed. While I understand DHS transformation will likely not come off the High-Risk List for 2011, do you believe that DHS is laying the groundwork to sustain management progress in the future?

Ms. BERRICK. Thank you, Senator. I do think DHS is laying the groundwork. If you look across all of the management functions, and acquisition is a good example, they do have good plans in place in a number of these areas. And while some of the plans and strategies can be improved, what we found in acquisition and IT management and other areas is that the key is implementing these plans and demonstrating progress and showing that it is sustainable and repeatable.

So in addressing the High-Risk List and looking at DHS's progress, in addition to the plans which we will continue to provide feedback to them on, we will be watching the implementation of those plans and the ability of DHS to execute and to demonstrate progress in each of their management areas.

Senator AKAKA. At past hearings, GAO has emphasized the need for strong performance measures in order to integrate and transform the Department. In your opinion, has DHS developed sound performance measures?

Ms. BERRICK. I think DHS has made some key improvements in their performance measures, and this is an area where GAO and DHS have worked together over the past few years, where GAO would provide input on DHS's Government Performance and Results Act (GPRA) performance measures, and based on that input, DHS has made some significant changes in their measures, in our view, that have significantly improved the measures. For example, they have added about 90 new measures since we began coordinating with them. They have retired about 40 measures that were not proving to provide them the information that they needed. And they also provided better descriptions in their public reporting of about 100 measures based on our dialogue.

DHS is continuing to work to strengthen their measures, and GAO is continuing to work with them. Some of the changes that they are trying to make will be longer-term and it require collecting additional data, so it will take time.

One piece of input that we provided to DHS was with respect to measures for integrating the Department. Although DHS added a lot of new measures within each of their management functions, there were not measures specific to management integration, and so that is some feedback that we have provided to DHS and would like to see those measures as we move forward in assessing this high-risk area.

Senator AKAKA. DHS is reportedly ready to move forward with awarding a contract for DHS's financial management system known as TASC. However, in the past, GAO has cautioned that DHS must have rigorous oversight in place before moving forward with the system consolidation. Do you believe DHS has done enough planning to execute TASC effectively?

Ms. BERRICK. GAO issued a report earlier this year on DHS's status with respect to TASC, and essentially what we found, similar to your comments, was that we felt there was an over-reliance on contractors and there was not adequate oversight. The contractors were developing all of the key acquisition documents for TASC, including the requirements and the concept of operations, rather than the government developing those documents. And we also reported that we thought DHS could do more work to prepare themselves for awarding the TASC contract, for example, developing detailed implementation and migration plans and doing an inventory of the business processes that needed to be realigned once the contract was awarded. We issued that report about 6 months ago. We have not done updated work, but that is something that we will be looking at as we update our work for the next high-risk designation in January. But I do not have an update right now on the current status of those efforts.

Senator AKAKA. Do you think that a single comprehensive strategic plan is necessary?

Ms. BERRICK. I think it is—with respect to the high-risk designation, I think it is very important to have a strategy for how the Department is going to address the high-risk designation. And actually, GAO has five general criteria when we look at any high-risk area, which is leadership commitment, the capacity to address the issues in terms of people and other resources, a corrective action plan or a strategy for addressing the high-risk designation, the ability to independently monitor and measure progress in addressing the designation, and then the last criteria is measuring results.

So we think that having a plan for addressing the overall designation and also for making specific improvements within each of the management areas is very important and it is something that we will be continuing to look at with DHS. Now, DHS does have a strategy for addressing the high-risk designation that we think is a good start, and we have provided additional feedback and they are in the process of revising that strategy. So it is certainly something we will review for the high-risk update in January.

Senator AKAKA. This morning, Senator Voinovich and I met with Under Secretary Borrás and he briefed us on what they have been doing in this area. The placards that were displayed here with the first panel, those placards that showed how they are moving on that. I just want to tell you that I was impressed with it and look forward to continuing to work with them. So I really appreciate that. Senator Voinovich.

Senator VOINOVICH. Thank you, Mr. Chairman.

Building on that, have you ever seen that chart before?

Ms. BERRICK. We have seen a different version of that chart. We were briefed that DHS is making an improvement to their original management integration strategy through the acquisition reform component and we have been briefed conceptually on how that is going to work, although we have not seen the details yet. Our view of that is we think that there are a lot of good measures and controls in that strategy. It is going to add more rigor to the acquisition process at both the front end with requirements definition and also at the back end with measuring cost schedule and performance

thresholds, both of which are things we have recommended that DHS do.

So we think it is a good framework. We think the key is going to be, again, in the implementation and demonstrating on a repeatable basis that DHS can implement this policy for their major programs and meet established cost schedule and performance thresholds.

One of the questions we had for DHS that we will have further conversation with them about is what is the end state of management integration. DHS has communicated to us that they are going to put their initial focus on acquisition reform and then they will have additional updates to the management integration strategy, which we were encouraged to hear because we think integration is going to cover more than just that.

At the same time, we understand why DHS is putting their initial focus on acquisition, given the significant dollar amount tied to it. But we will continue to monitor DHS's modifications to the plan, and there are additional efforts both in acquisition and other areas.

Senator VOINOVICH. When we talked to Mr. Borrás this morning, I indicated to him that it would be good if you would look at it and comment on whether you think it makes sense in order to deal with the acquisition problem. Last year, I remember during the hearing that there was some real disagreement. First of all, we do not agree with what it is that we have to do to get off the High-Risk List, and second of all, we do not agree on metrics, and I think I had a meeting in my office about that with some folks, can you guys get your act together and so forth.

I really think it is important that you get together with DHS, that you look at these charts, is this the way it is going to get done, you agree that is what they should do, how do you intend to measure the implementation in terms of performance and metrics, and you used the word "repetitive," that it is just not a one-shot deal, that it is going to occur. I think that would help greatly, because then a year from now you can all look at it and say, "We have made it—here is specifically what we did." We had a little disagreement over here, but we are moving down the road and we agree on it.

The other thing is that you mentioned something about resources. I should have known the answer to this a long time ago, but do you think that the Department of Homeland Security has the resources to get the job done that we have asked them to get done?

Ms. BERRICK. Well, I will answer in the context of DHS's internal plans, and specifically, DHS has a lot of corrective action plans and strategies to improve all of its management functions, and if you look through these plans, in almost every one, the limitation cited by DHS is resources. So we certainly think it is an issue for the Department. They have identified that in their own planning documents. And, of course, resources is one criteria that GAO looks at in making decisions about the high-risk designation, because if agencies do not have the resources, they are going to be very limited in what they can do.

So we are going to continue to look at that and we will be asking DHS questions, specific questions in acquisition and other areas

about whether or not they are going to be able to implement this and when, based on the resources that they have available to them.

Senator VOINOVICH. OK. The human capital part of this is a big deal in terms of having the folks that they need, because I think that is, from the point of view of appropriations—you probably heard when I asked the question, “If we do not give you the resources to get the job done, how can you do it?” We just keep loading some of these agencies up with more and more and more and more, and quite frankly in many instances they do not have enough resources to do the job that we have given them, so we just add on to it. That would be a wonderful thing that GAO could do for appropriations.

In terms of the impact that this has on the public and some of these things that we are talking about, do you have any instances where, because we have not had these things in place, it has cost us a ton of money?

Ms. BERRICK. I think there is a significant impact on the mission side of DHS. If you look at major programs that they have tried to deploy, and you have talked about one of them, SBInet is a perfect example. The Transportation Security Administration’s (TSA) Secure Flight program is another example. US-VISIT is another example, where DHS set out to develop a program to satisfy an important mission need, but because of the way that program was managed, it was not meeting performance expectations. They were not meeting cost and schedule expectations. And they were either delayed or were never deployed to the field. So I think there is a direct correlation between how well the Department is managed and how they can implement these management functions with how successful they are in implementing their missions.

Senator VOINOVICH. You heard the question I asked Ms. Lute about the issue of the role of the Department of Homeland Security and looking at the budget in terms of some of the dollars that are being allocated for stuff that, frankly, from my point of view, just is not relevant to the mission. Specifically, I did not mention it to her, but the money for fire—the firefighter grants, I mean, they have not spent all of the money out of the 2009 budget. They have not spent the money in 2010 and they are asking for about \$1 billion more for fire grants, and that is fine. Senator Akaka and I sent a press release out and we helped Hawaii get a fire engine. But you just have to ask yourself, what has that got to do with the role of the Department? Is this just revenue sharing?

And then, also, the threat assessment. If you look at the list of cities that have come on, you say to yourself, how did they ever get on this list? Was it because Members of the Congress, the Senate, lobbied them to add some of these cities? Do you look at any of that stuff to say, this just does not fit in with the mission of the Department?

Ms. BERRICK. We do look at those sorts of things. There are a couple of means. One is, every year, we do what we call a budget justification review of the Department of Homeland Security. We do this work for the Appropriations Committee and we will look at specific programs and prepare a two-page product that basically describes the program, what the budget request is, and whether we think there are questions about this request and whether it should

be reduced or rescinded or whether Congress needs to look at this. And so every year, we send up about 15 to 20 sheets that list specific programs and operations, and we can certainly share these sheets with you if this is something you would be interested in.

Second, in the pay-as-you-go legislation, GAO was mandated to look across government at areas of duplication, overlap, and fragmentation, and general cost saving opportunities, and report yearly, and our first report is due in February 2011, on programs that could be reduced or modified to save funds. And there are a number of DHS programs that we are looking at that we will be reporting out on in this February report.

You mentioned grants. Grants is an area that we will be talking about. There are lots of Homeland Security grants that have overlap. We have cited and the Inspector General (IG) has cited significant problems in grant management, overseeing the grants. You mentioned a lot of States being cited as having significant vulnerabilities in getting grants. Some grants vulnerability is held constant. The Urban Areas Security Initiative (UASI) grants are that way. So every State is considered to have an equal vulnerability. So grants is a big area.

Another area is research and development, the operations of science and technology and how that is being managed. And there are also some specific programs, and just to give you an example, TSA has a behavior detection program where they have specially trained screeners in airports looking for suspicious behavior. We have done work that has shown that the science behind that program has not been validated and results have not been proven, yet TSA is requesting significant increases in that program. So, for example, that is one program that we will be talking about in both our budget reviews as well as the mandate that we will be reporting out in February.

Senator VOINOVICH. Well, I would like to get in touch with you tomorrow or in the next couple of days and talk about that, because I think that the folks that would be interested in this also are the ones charged with figuring out how do we deal with the debt and how do we balance budgets. I think that they could probably benefit a great deal from the information that you folks have gathered, and also the Congress, because we are going to have a real challenge. From a point of view of looking at an agency from the outside, an objective point of view, it seems to me that you have done that and I want to find out more about it.

Ms. BERRICK. Right. I will be happy to do that.

Senator VOINOVICH. Thank you, Mr. Chairman.

Senator AKAKA. Thank you, Senator Voinovich.

Ms. Berrick, earlier this year, the Under Secretary for Management issued Management Directive 102, which aims to strengthen acquisition management policies across the Department. High-profile acquisitions such as Deepwater and SBI-net, to name a few, have shown the need for improvement in this area. Do you believe that MD 102 goes far enough to address weaknesses in the Department's acquisition management?

Ms. BERRICK. We think, generally, the directive is a significant improvement over the prior policy and generally is what we call knowledge-based, which is when we look at acquisition policy, we

look at it for specific things, and that directive is consistent with it. Now, for managing IT investments, we think it needs to go a little bit further and we have talked to DHS about that and letting them know specifically what we think they need to do with respect to IT investments. But generally speaking, for regular acquisitions, we think the directive is good.

The issue has really been execution. Even DHS's prior acquisition directive, there were a lot of good aspects to it, but DHS was not executing that directive as it was designed. For example, under the current acquisition directive, we looked at programs and most of them had not gone through the Acquisition Review Board process. Most of them did not have Department approved requirements, or Department approved acquisition baselines as they were required to by the directive. Sometimes programs would go through the Acquisition Review Board, but the feedback from the board and the recommendations from the board were not followed up on. So the problems that the Board identified were not addressed.

So we really think in the area of acquisition that the key is implementing the program that they have in place, and the changes that DHS has talked about, we think that will further strengthen their directive and should help them deliver acquisitions on time, within budget, and performance thresholds, if implemented, as designed.

Senator AKAKA. Ms. Berrick, in past years, we had heard repeatedly that GAO ran into problems with DHS providing access to information and to DHS officials when GAO was carrying out investigations and audits. Can you update the Subcommittee on current relations between DHS and GAO?

Ms. BERRICK. Thank you. GAO has had difficulty historically doing our work at Department of Homeland Security, and it was mainly due to the protocols that they had in place which required us to work through a series of liaisons and lawyers to get access to the people we needed to talk to and documents we needed.

We are very happy to say that after about a year and a half of dialogue with DHS, the Department has issued a revised directive and instruction for working with GAO, and we provided significant input into the development of that protocol and its direction. It was issued in June of this year. We are very happy with the content in that protocol and instruction, and we think that if it is implemented as it is designed, it is going to result in significant improvements in our access to the Department. So we are very grateful that is in place. Now, it is the very early stages of that, so we will be monitoring to ensure that it is implemented as it is designed and DHS is doing the same.

With respect to the relationship generally, I think we have a good relationship. We meet frequently. There is a lot of communication between GAO and DHS, not only in specific areas like performance measures and the management areas, but just generally at senior levels of the Department and senior levels of GAO. So we think we have come a very long way in our relationship.

Senator AKAKA. Thank you for that response.

Senator Voinovich, any further questions?

Senator VOINOVICH. As a gift to me, before I leave, I would like you to get in touch with the Department of Homeland Security and

Mr. Borrás or whoever it is and I would like you to take the charts and look at it and tell me what you think of it, and second of all, what you and the Department think would be the way you would measure whether or not they were making progress in regard to those charts.

Ms. BERRICK. I will be happy to do that. I think one of the discussions we will need to have with DHS is after acquisition reform, what additional efforts do they plan to achieve management integration and what is their vision for the end state of integration. So we can talk about that, as well, and we would be happy to come back and brief you on that.

Senator VOINOVICH. Yes. If they would just take that little piece and do it and just say, "Yes, we think this is good, or if you have got to change, work it out and then come back." And then also say, and we agree that the way we will measure whether we get it done is the following, OK?

Ms. BERRICK. OK.

Senator VOINOVICH. How long did we take to get the "management integration plan"? It took forever. And we have the plan now, do we not? Do you agree with the plan that they came back with? Who developed that plan? Elaine Duke worked on that plan, but that came back and they finally got it. And you agree that what they have come back with is a good plan in terms of integration.

Ms. BERRICK. The feedback we gave them was that we thought it was a good start, but it was not clear from looking at the plan, again, what the end state was of management integration. There were a lot of tactical programs listed in the plan of things that they would do, such as consolidating the headquarters facility. GAO has criteria that we use when we look at these types of plans and they were generally meeting that criteria within the various programs that they have listed. But it did not seem complete in our opinion in terms of how together these initiatives are going to address management integration. So we provided that feedback.

Now DHS has told us that they view that plan as a first step and they have said that they agree with most of the input that we provided, and so they are going to make enhancements to it, and phase one of the enhancements is this acquisition. So we think they are moving in the right direction. We think they need to do more with the plan, which they, again, they said they would do through increments. So we will need to have dialogue with them on what these increments are to ensure we have a good understanding of what their overall strategy is.

Senator VOINOVICH. Thanks.

Senator AKAKA. Thank you very much, Senator Voinovich.

Again, I want to say thanks to you, Ms. Berrick, for your responses. It has been valuable and it will be valuable to our work here in the U.S. Senate. I want to thank you and the other witness for appearing here today.

As we have discussed for years, a strong focus on management at DHS is vital to integrating the Department, but also for our national security. More work is needed to get this issue off the High-Risk List, and I hope DHS and GAO will continue to work toward that goal. While this is likely Senator Voinovich's last hearing on this subject, this Subcommittee will continue to build on the good

work that he has done and we have done together and keep a close watch on DHS management.

Senator Voinovich, do you have any final remarks for this hearing?

Senator VOINOVICH. I would just like to say, I really have appreciated the wonderful relationship our office has had with GAO over the years. I think you really do a good job and you are making a difference for our country. One of the things that tickles me is that on the list of agencies where people seem to be happy, you are right at the top. That makes me feel very good, because I know several years ago, you needed some more flexibilities, and Senator Akaka and I worked on them. So thank you for your work and pass the word on that the Senator from Ohio is really happy with the wonderful relationship he has had. There are a couple of people I am going to call before I leave, and one of them is Gene, your Acting Comptroller General. Thank you.

Ms. BERRICK. Thank you very much, and GAO feels the same. We appreciate all of the support that both of you have had on these important issues and support of GAO's work and using our work and analysis to help your oversight efforts. So thank you very much.

Senator VOINOVICH. And I am going to be in touch with you about that other matter, OK?

Ms. BERRICK. Very good.

Senator VOINOVICH. Thank you.

Ms. BERRICK. Thank you.

Senator AKAKA. I also want to thank Senator Voinovich's staff and my staff for working so well together, and also with your staff, as well. This has really helped us in our work here in the U.S. Senate.

The hearing record will be open for 2 weeks for additional statements or questions other Members may have pertaining to the hearing.

This hearing is adjourned.

[Whereupon, at 3:55 p.m., the Subcommittee was adjourned.]

A P P E N D I X

Testimony of Deputy Secretary Jane Holl Lute
Senate Homeland Security and Governmental Affairs Committee, Subcommittee on Oversight of
Government Management, the Federal Workforce, and the District of Columbia.

Thursday, September 30, 2010, 2:30 PM

"Implementation, Improvement, and Sustainability: Management Matters
at the Department of Homeland Security."

Chairman Akaka, Ranking Member Voinovich, and members of the subcommittee, thank you for this opportunity to appear before you to discuss our management integration efforts at the Department of Homeland Security. The Department has made significant progress in integrating and reforming our acquisition, financial, and human capital management, while at the same time meeting the responsibilities of our critical missions.

Secretary Napolitano has consistently stressed the need for the Department to operate as "One DHS." We have instituted an ambitious series of management and efficiency reforms to ensure DHS has the proper management structure to succeed, can attract and retain top talent, and builds a culture of efficiency to make the Department a leaner, smarter agency better equipped to protect our nation.

The broad context for these reforms derives from a major, first of its kind effort undertaken by the Department to align its resources with a comprehensive strategy to meet the Nation's homeland security needs. The completion of the DHS Quadrennial Homeland Security Review (QHSR) and the Bottom-Up Review (BUR) which immediately followed, in addition to the subsequent work we've done to shape our Fiscal Year (FY) 2012-2016 budgets, represents a very significant milestone for this young Department.

Over the past 18 months, DHS has made tremendous strides in integrating and reforming our acquisition, financial and human capital management. But we also know that success will require additional hard work and continued support and flexibility as we navigate this large management enterprise.

In collaboration with the Office of Management and Budget (OMB) and the Government Accountability Office (GAO), DHS created an initial integration strategy in 2010 that addressed several high-risk management issues identified by GAO and outlined steps to improve performance across functional operations. The seven initiatives that constitute this first integration strategy – which I will discuss today – represent long-term, cross-cutting efforts that will lead to management integration over time.

In May of this year, I directed our Under Secretary for Management to develop a comprehensive, strategic management approach that enhances *the people, structures and processes* necessary to

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meet our mission goals by integrating and aligning functional areas at both the Departmental and Component levels. Ultimately, all DHS employees -- from our Border Patrol Agents and our Transportation Screening Officers on the front lines to the most senior executives -- must understand how their roles and responsibilities contribute to the Department's mission.

I would like to share the steps DHS has taken to expand and deepen management integration across the Department since our last report to the committee.

Strategic Plans and Budgeting

As the Committee knows, DHS completed the Congressionally-mandated QHSR at the beginning of this year, which established a unified, strategic framework for homeland security missions and goals. Immediately following that, DHS conducted a Bottom-Up Review (BUR) to align our programmatic activities and organizational structure to better serve those missions and goals. The third and final step of this process is the FY 2012 DHS budget and the accompanying Future Year Homeland Security Plan (FYHSP) for FY 2012-2016, which begins the next phase in strengthening DHS efforts to ensure a safe, secure, and resilient homeland.

The FY 2012 budget will represent the Department's efforts to align its budget and program structure to core homeland security missions described in the QHSR and the FYHSP will further reflect the new alignment in the outyears. Both of these documents will also continue our concerted efforts to foster a culture of efficiency and fiscal responsibility and streamline management across the Department.

Management Integration

In January 2010, DHS outlined seven initiatives that will contribute significantly to the integration of the Department's management:

- 1) Enterprise Governance
- 2) Balanced Workforce Strategy
- 3) Transformation and Systems Consolidation
- 4) DHS Headquarters Consolidation Program
- 5) Human Resources Information Technology
- 6) Data Center Migration
- 7) HSPD-12 Deployment

The goal of Management Integration is to establish a common language and business discipline to align and execute critical initiatives that meet the Department's mission. Management integration will drive decisions on efficient allocation of resources, progress against performance metrics, and effective organizational alignment to sustain continuous improvement.

The initiatives we are undertaking will allow the Department to unify strategy with operations, ensure necessary internal controls, and functionally integrate business lines across the Department and its Components.

Enterprise Governance

Too many programs at DHS are still governed as independent, discrete activities, which leads to challenges in strategically managing resources across organizational boundaries in support of missions, goals, and objectives. Our Enterprise Governance effort seeks to integrate Department-wide management of initiatives in strategic portfolios that are more effective, fiscally efficient, able to quickly adapt to changing threats, and that allow for timely and informed decision making.

This year, portfolio reviews were integrated into our enterprise governance processes for more effective acquisition management and program and budget reviews. Portfolio review information was presented to the Program and Budget Review Board and provided valuable information that will allow DHS leadership to make more informed recommendations.

Balanced Workforce

Achieving a balanced workforce within DHS is one of our highest management priorities. In March 2010, the Program Management Office under the Chief Human Capital Officer was stood up to establish an enterprise-wide integrated workforce planning approach towards balancing the Department's workforce.

In July of 2009, Components were instructed to review current contracts to determine if "inherently governmental" work was included in the work requirements. Further, we examined contracts for "scope creep" to determine if contractors assumed government-type responsibilities over time. We also held a successful Balanced Workforce Strategy Training event in July 2010 to reinforce the Department's multi-sector workforce guidance to Component and Headquarters leadership. In the very near future, an assessment tool will be deployed which will standardize the process through which balanced workforce policies are implemented. We are fully engaged in reviewing contracts to ensure DHS has the most appropriate workforce balance to accomplish our mission goals.

As of August 28, 2010, 2,074 contractor positions have been eliminated and DHS remains on track to meet its Department-wide goal of eliminating 3,500 contractor positions by the end of calendar year 2010. Further, the heightened awareness of maintaining a balanced workforce has thus far resulted in a decrease of roughly 27%, or nearly \$1 billion since 2009, in the total amount spent on professional service contracts. These figures are estimates since the validated figures, expected in late October, will include the last two weeks of the fiscal year.

Transformation and Systems Consolidation (TASC)

The Transformation and Systems Consolidation (TASC) goal is to implement a solution already operational in the Federal space that provides financial, acquisition, and asset management functionality. TASC provides the foundation for ensuring clean audit opinions, addressing system security issues, and remediating control and system weaknesses. It will also strengthen financial management and reporting capabilities, and address inefficiencies that stem from the lack of integration of critical business systems.

Based on successful migration of a large component to TASC (to be announced), DHS will assess the critical needs of other DHS components to determine appropriate next steps that are consistent with the requirements of OMB's policy. Any decisions regarding those next steps will be the responsibility of a formal Executive Steering Committee chaired by the Under Secretary for Management and will comport with the administration's policy on financial management systems.

DHS has been working closely with OMB to review TASC and demonstrate how DHS will ensure the success of TASC at a large DHS component. The Department continues to work with OMB and the newly formed Financial Systems Advisory Board to illustrate how TASC aligns with OMB's new policy and the policy's "Guiding Principles." Once awarded, TASC will focus on: (1) the agency's highest priority business needs, (2) a project path that minimizes cost and risk, (3) a deployment schedule of 18 to 24 months, (4) timely and effective change management, and (5) leveraging technology at the initiation of the deployment. The bottom-line is that we will move forward with TASC in a manner that complies with OMB's policy. This will result in a solution that will strengthen DHS's financial management and reporting capabilities and protect taxpayer dollars.

DHS Headquarters Consolidation Program

The DHS Headquarters Consolidation Program is on target, on schedule, and on budget for the St. Elizabeths campus development. Phase 1 (USCG HQ) is under construction and Phase 2a design is underway. The consolidated headquarters will improve communications, cooperation, and coordination among components in executing the Department's mission.

The DHS Headquarters Consolidation Program will consolidate DHS Headquarters facilities in the National Capital Region (NCR) from approximately 50 locations scattered throughout the NCR to 7-9 by the end of FY 2016, creating numerous operational efficiencies. Mission execution functions of executive leadership, policy, program management, and operations coordination will be consolidated at St. Elizabeths in 4.5 million square feet of office space housing 14,000 employees. Mission support functions will consolidate to 1-3 locations in the NCR. DHS is currently working with GSA on identifying appropriate lease space.

In addition to the daily operational efficiencies realized by consolidation, GSA has determined that consolidating 4.5 million square feet of DHS office space on a federal site at St. Elizabeths will save DHS over \$600 million on a 30-year present value analysis as compared to leasing an equivalent amount of space on the market without consolidation.

Human Resources Information Technology

Completion of this mission will fulfill the critical need for Department-wide Human Resources interoperability that enables executives to strategically manage the workforce in support of the Department's mission. DHS's current IT infrastructure includes hundreds of Component legacy

Human Resources Information Technology (HRIT) systems that are unnecessarily costly and complex.

The HRIT program includes five operating enterprise solutions: EmpowHR (Personnel), webTA (Time & Attendance), eOPF (Electronic Personnel Folders), NFC Corporate (Payroll/Personnel), and the Enterprise Integration Environment (EIE). The Office of the Chief Human Capital Officer (OCHCO) manages the annual distribution of \$16 billion through payroll and benefits systems for all civilian DHS employees as it simultaneously works to streamline and modernize the HRIT capabilities of the Department.

We are continuing to identify and eliminate redundant systems and deliver modern HRIT systems in support of *One DHS*. In January of this year, I mandated that no new HRIT systems could be developed or deployed without the approval of both the Chief Information Officer and Chief Human Capital Officer. This spring, the Department committed support and resources to efforts of the Office of Personnel Management to enhance USAJobs.gov, the government-wide enterprise hiring system. Last month, an HRIT Executive Steering Committee, comprised of component and headquarters HR and IT executives, was established to direct our efforts to further deploy and consolidate existing HRIT systems. I have tasked this executive steering committee with preparing recommendations by the end of this year to direct our future implementation efforts.

Data Center Consolidation

The goal of the data center consolidation initiative is to consolidate operations from 24 legacy data centers to 2 large-scale, physically secure, enterprise facilities located at NASA's Stennis Space Center in Mississippi and a leased facility in Clarksville, VA. When completed, this consolidation effort will improve security, interoperability, redundancies and long-term economic viability. Of the 24 legacy systems identified for consolidation, 5 have already been transferred and contracts have been issued to move the operations of 4 additional centers in FY 2011. If outyear funding is forthcoming, the transfer of operations for the remaining 15 legacy data centers will be completed sometime in FY 2014.

Homeland Security Presidential Directive 12, HSPD-12

HSPD-12, the Policy for a Common Identification Standard for Federal Employees and Contractors, requires the development and implementation of a mandatory, government-wide standard for secure and reliable forms of identification for federal employees and contractors. DHS has established an identification credentialing and issuance process to bring the Department into alignment with HSPD-12, and is using a centralized, managed approach to issue Personal Identity Verification (PIV) cards to DHS employees nationwide.

The DHS PIV credentialing system will facilitate more efficient and secure access to DHS facilities and IT assets. More than 112,000 PIV cards have been issued to date and DHS is on target to issue 141,000 cards by December 30, 2010. On or before September 30, 2011, all DHS employees will hold an official PIV card. The DHS PIV card system and its supporting

infrastructure will improve security and interoperability by having a single Department-wide management system to validate and authenticate identity.

A Comprehensive Strategy for Integration

As I mentioned earlier, in May of this year I initiated a more comprehensive, strategic management approach that enhances *the people, structures and processes* necessary to meet our mission goals by integrating and aligning functional areas at both the Departmental and Component levels. Our strategy to achieve cohesive integration is to establish a common language and business discipline that strategically aligns department resources to mission goals.

We have arranged this strategy around three key themes:

- 1) Acquisition Enhancement
 - Improving upon the current Department process and procedures – particularly the “front end” requirements and the “back end” program management with improved governance across the acquisition life-cycle.
- 2) Financial Enhancement
 - Improving our financial, asset, and acquisition systems in those components with a critical business need, and the implementation of business intelligence tools to enable near-real time decision making by Department leadership.
- 3) Human Capital Management Enhancement
 - Making sure we have the right people in the right positions at the right time, with the proper workforce balance between DHS and contract employees.

In July and September, the top leadership from across the Department met to discuss how best to augment the original seven management integration initiatives and create more cohesive *structures* and *processes*. In addition, we discussed the best way to manage the assets, resources, and nearly 230,000 *people*, who are our Department’s greatest asset. I have consistently stated that we must have the right people, in the right place, at the right time, with the right resources.

Given its cross-cutting impact on all facets of Departmental operations, the next phase of management integration will focus on transforming acquisition processes and programs. Roughly half of the department’s annual budget is spent on procurement and acquisition related activities. Simply stated, acquisition management or the process we use to plan, acquire and manage our programs, is a primary nexus at which the Department’s mission is implemented.

The enhanced integration strategy has been shared with GAO and is being tested across the Department with many of the enhancement initiatives that will drive this strategy targeted for implementation in FY 2011. In sum, the enhanced strategy will drive business decisions on issues such as: efficient allocation of resources, progress against performance metrics, effective organizational alignment to sustain continuous improvement, and strategies to hire and retain the right caliber of talent to lead and deliver acquisition capability.

I'd like to take a few moments to discuss further our enhanced integration strategy.

Structure

In the years since it was first created, DHS has been challenged by not having common, clearly articulated program management expectations across the Department.

To address this issue, we recently established a common program management structure under one authority—the Under Secretary for Management. At the component level, I have enhanced the role of the Component Acquisition Executive (CAE) to serve as the central authority for program performance within a Component, similar to the Head of the Contracting Activity for procurement. When fully matured, the CAE structure will improve communications and accountability, as well as conditions for institutionalizing a common strategy for managing all facets of acquisition.

Process

To complement the enhanced organizational structure, we are working to build business intelligence into our processes through decision support tools. In the area of financial reporting within the Department we are focused on leveraging business intelligence tools effectively to extract data for management decision making. We have worked closely with both OMB and GAO to develop an incremental deployment strategy to balance risk with positive outcomes.

Secondly, we will build upon the progress resulting from our recent acquisition oversight efforts guided by our internal acquisition policy, Management Directive 102.01. This will allow us to sustain support for all acquisition programs while focusing energy on our highest risk programs. Our goal is to enhance existing processes and institutionalize the tracking of acquisition lead time and to predict acquisition and program health throughout an initiative's entire life cycle.

Finally, in addition to a decision support tool to track program performance, another key tenet of our integration strategy is to expand the use of enterprise-wide spend data to source commonly used goods and services strategically. By maturing the analysis of spend-data, DHS can better understand enterprise-wide buying habits and adjust strategies where appropriate to reduce or eliminate redundant and wasteful spending patterns.

People

The safety and security of our nation is the focus of the U.S. Department of Homeland Security workforce. Our mission couldn't be more important—and it can only be achieved through the hard work and dedication of our employees with widest wide array of backgrounds, experiences, skills and ideas. For this reason, Secretary Napolitano directed that a DHS Workforce Strategy be developed for Fiscal Years 2011-2016. This strategy serves as the foundation to ensure the continued growth of DHS employees and our collective ability to prevent and respond to the evolving threats facing America.

Under the leadership of the Chief Human Capital Officer, the strategy addresses programs and resources to support employees and advances the Department's capabilities in the areas of recruitment, retention, and employee development. This strategy supports a strategic and unified approach to building pipelines of talent while ensuring the continued development, recognition, and advancement of our current workforce. The strategy centers around four key goals: building an effective, mission-focused, diverse, and inspiring cadre of leaders; recruiting a highly qualified and diverse workforce; retaining an engaged workforce; and solidifying a unified DHS culture of mission performance, adaptability, accountability, equity, and results.

Since roughly half of the department's annual budget is spent on procurement and acquisition related activities, we will first apply the principals of the new workforce strategy to our cadre of acquisition professionals. Investing in our acquisition workforce is critical for the stewardship of nearly \$18 billion, annually. While our Federal Acquisition Certification (FAC) rates are among the highest in government, we will continue to invest in the training and education of the current acquisition workforce and support the development and career advancement of less experienced employees as well.

Conclusion

Thank you again for the opportunity to speak with you today about DHS management integration and strategic planning. It's clear that the Department has made significant progress, and is on the right track, yet we know we still have considerable work to do and we look forward to working with the committee to continue the implementation of these critical reform efforts. I look forward to your questions.

United States Government Accountability Office

GAO

Testimony
Before the Subcommittee on Oversight of
Government Management, the Federal Workforce,
and the District of Columbia, Committee on
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**DEPARTMENT OF
HOMELAND SECURITY**

**Progress Made in
Implementation and
Transformation of
Management Functions,
but More Work Remains**

Statement of Cathleen A. Berrick, Managing Director
Homeland Security and Justice Issues



GAO-10-911T



Highlights of GAO-10-911T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate.

Why GAO Did This Study

Since 2003, GAO has designated implementing and transforming the Department of Homeland Security (DHS) as high risk because DHS had to transform 22 agencies—several with significant management challenges—into one department, and failure to effectively address its mission and management risks could have serious consequences for national and economic security. This high-risk area includes challenges in management functional areas, including acquisition, information technology, financial, and human capital management; the impact of those challenges on mission implementation; and management integration. GAO has reported that DHS's transformation is a significant effort that will take years to achieve. This testimony discusses DHS's progress and actions remaining in (1) implementing its management functions; (2) integrating those functions and strengthening performance measurement; and (3) addressing GAO's high-risk designation. This testimony is based on GAO's prior reports on DHS transformation and management issues and updated information on these issues obtained from December 2009 through September 2010.

What GAO Recommends

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

View GAO-10-911T or key components. For more information, contact Cathleen A. Berrick at (202) 512-3404 or berrickc@gao.gov.

September 30, 2010

DEPARTMENT OF HOMELAND SECURITY

Progress Made in Implementation and Transformation of Management Functions, but More Work Remains

What GAO Found

DHS has made progress in implementing its management functions, but additional actions are needed to strengthen DHS's efforts in these areas.

- DHS has revised its acquisition management oversight policies, and its senior-level Acquisition Review Board reviewed 24 major acquisition programs in fiscal years 2008 and 2009. However, more than 40 major programs had not been reviewed, and DHS does not yet have accurate cost estimates for most of its major programs.
- DHS has undertaken efforts to establish information technology management controls and capabilities, but its progress has been uneven and major information technology programs, such as the SBInet virtual fence, have not met capability, benefit, cost, and schedule expectations.
- DHS has developed corrective action plans to address its financial management weaknesses. However, DHS has been unable to obtain an unqualified audit opinion on its financial statements, and for fiscal year 2009, the independent auditor identified six material weaknesses in DHS's internal controls. Further, DHS has not yet implemented a consolidated departmentwide financial management system.
- DHS has issued plans for strategic human capital management and employee development. Further, its scores on the Partnership for Public Service's 2010 rankings of Best Places to Work in the Federal Government improved from prior years, yet DHS was ranked 28 out of 32 agencies on scores for employee satisfaction and commitment.

DHS has also taken action to integrate its management functions by, for example, establishing common policies within management functions. The Implementing Recommendations of the 9/11 Commission Act of 2007 required DHS to develop a strategy for management integration. In a 2005 report GAO recommended that a management integration strategy contain priorities and goals. DHS developed an initial plan in February 2010 that identified seven initiatives for achieving management integration. While a step in the right direction, among other things, the plan lacked details on how the initiatives contributed to departmentwide management integration. DHS is working to enhance its management integration plan, which GAO will review as part of the 2011 high-risk update. DHS also has not yet developed performance measures to fully assess its progress in integrating management functions.

Since GAO first designated DHS's transformation as high risk, DHS has made progress in transforming into a fully functioning department. However, it has not yet fully addressed its transformation, management, and mission challenges, such as implementing effective management policies and deploying capabilities to secure the border and other sectors. In 2009 GAO reported that DHS had developed a strategy for managing its high-risk areas and corrective action plans to address its management challenges. While these documents identified some root causes and corrective actions, GAO reported that they could be improved by DHS identifying resources needed for implementing corrective actions and measures for assessing progress.

United States Government Accountability Office

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear today to discuss the Department of Homeland Security's (DHS) efforts to transform its component agencies and integrate departmentwide management functions into a single, fully functioning department. DHS began operations in March 2003 with missions that included preventing terrorist attacks from occurring within the United States, reducing the nation's vulnerability to terrorism, minimizing damages from attacks that occur, and helping the nation recover from any attacks. The creation of DHS represented one of the largest reorganizations and consolidations of government agencies, personnel, programs, and operations in recent history, initially bringing together approximately 180,000 employees from 22 originating agencies. More than 7 years later, DHS is now the third largest federal government department with more than 200,000 employees and an annual budget of more than \$40 billion. DHS has taken a number of actions to transform its component agencies and integrate and strengthen its management functions into an effective cabinet-level department. In addition, DHS has issued various reports and strategic documents to guide the implementation of its mission and the integration and strengthening of its management functions, including a revised strategic plan, the *Quadrennial Homeland Security Review Report*, and the *Bottom-Up Review Report*.¹ However, we have continued to report that more work remains to integrate and strengthen DHS's acquisition, information technology, financial, and human capital management functions to better support the department's ability to fulfill its various missions.²

In 2003, we designated the implementation and transformation of DHS as high risk because it represented an enormous and complex undertaking that would require time to achieve in an effective and efficient manner,

¹Department of Homeland Security, *One Team, One Mission, Securing Our Homeland: U.S. Department of Homeland Security Strategic Plan, Fiscal Years 2008-2013* (Washington, D.C.); Department of Homeland Security, *Quadrennial Homeland Security Review Report: A Strategic Framework for a Secure Homeland* (Washington, D.C., February 2010), and Department of Homeland Security, *Bottom-Up Review Report* (Washington, D.C., July 2010). We are currently assessing DHS's Quadrennial Homeland Security Review and will report on the results of that work later this year.

²GAO, *Department of Homeland Security: Progress Made in Implementation of Management Functions, but More Work Remains*, GAO-08-646T (Washington, D.C.: Apr. 9, 2008).

and it has remained on our high-risk list since.³ We reported that the components that became part of DHS already faced a wide array of existing challenges, and any failure to effectively carry out the department's mission would expose the nation to potentially serious consequences. In designating the implementation and transformation of DHS as high risk, we noted that building an effective department would require consistent and sustained leadership from top management to ensure the transformation of disparate agencies, programs, and missions into an integrated organization, among other needs. 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.⁴ We have made over 100 recommendations to DHS over the past 7 years to strengthen the department's transformation and its integration and implementation of management functions. DHS has implemented many of these recommendations and is in the process of implementing others.

Within the DHS implementation and transformation high risk area, we identified as at risk the implementation of acquisition, information technology, financial management, and human capital management functions; the impact of weaknesses in those management functions on DHS's accomplishment of its missions, such as DHS's deficiencies in financial management hindering the department's ability to use reliable financial data to support day-to-day decision making; and the integration of management functions within and across the department.⁵ In November

³We have identified six high-risk areas involving DHS that need broad-based transformation to address major economy, efficiency, or effectiveness challenges. Among the six areas that we have designated as high risk, there are four in which DHS has primary responsibility: (1) Implementing and Transforming the Department of Homeland Security; (2) the National Flood Insurance Program; (3) Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructure; and (4) Establishing Effective Mechanisms for Sharing Terrorism-Related Information to Protect the Homeland. The other two areas, Strategic Human Capital Management and Managing Federal Real Property, are governmentwide areas for which DHS does not have overall leadership responsibilities. GAO *High-Risk Series: An Update*, GAO-09-271 (Washington, D.C.: Jan. 2009); *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: Jan. 2007); *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: Jan. 2005); and *High-Risk Series: An Update*, GAO-03-119 (Washington, D.C.: Jan. 2003).

⁴GAO-08-646T.

⁵We define management integration as the development of consistent and consolidated processes, systems, and people—in areas such as information technology, financial management, procurement, and human capital—as well as in its security and administrative services, for greater efficiency and effectiveness.

2000, we published our criteria for removing any area from the high-risk list.⁶ Specifically, agencies must have (1) a demonstrated strong commitment and top leadership support to address the risks; (2) the capacity (that is, the people and other resources) to resolve the risks; (3) a corrective action plan that identifies the root causes, identifies effective solutions, and provides for substantially completing corrective measures near term, including but not limited to, steps necessary to implement solutions we recommended; (4) a program instituted to monitor and independently validate the effectiveness and sustainability of corrective measures; and (5) the ability to demonstrate progress in implementing corrective measures.

My testimony today discusses DHS's progress and actions remaining in

- implementing its management functions in the areas of acquisition, information technology, financial, and human capital management;
- integrating management functions within and across the department and strengthening the department's performance measures; and
- addressing our designation of DHS implementation and transformation as high risk.

My statement is based on our January 2009 high-risk update and GAO reports on DHS's management areas, management integration, and performance measurement.⁷ In addition, we obtained updated information from DHS from December 2009 through September 2010 on its transformation and management integration efforts and its plans to revise its departmentwide performance measures through meetings and communication with DHS officials, including the former and current Under Secretary for Management and Deputy Under Secretary for Management. We also reviewed DHS's initial plan for management integration. We conducted our work in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

⁶GAO-09-271 and GAO, *Determining Performance and Accountability Challenges and High Risks*, GAO-01-159SP (Washington, D.C.: November 2000).

⁷GAO-09-271. See also the related GAO products list at the end of this statement.

In summary, DHS has made progress in implementing its management functions, but additional actions are needed to strengthen DHS's efforts in these areas. For example, DHS has revised its oversight policies for acquisition and information technology management, developed corrective action plans to address financial management internal control weaknesses, and developed human capital plans for strategic human capital management and employee training and development. However, we identified challenges remaining in DHS's management areas. For example, while DHS reviewed 24 major acquisition programs through its Acquisition Review Board in fiscal years 2008 and 2009, more than 40 major programs had not been reviewed, and DHS does not yet have accurate cost estimates for most of its major programs.⁸ While DHS has made progress in strengthening its enterprise architecture, the department has not yet adequately addressed how it determines that its information technology investments align with that architecture.⁹ DHS has also not yet implemented a consolidated departmentwide financial management system and, since its establishment, has been unable to obtain an unqualified audit opinion on its financial statements. DHS has also faced challenges in identifying and addressing barriers to equal employment opportunities and improving its foreign language capabilities. DHS has taken action to integrate its management functions by, for example, establishing common policies, procedures, and systems within individual management functions, such as human capital management. The Implementing Recommendations of the 9/11 Commission Act of 2007 (9/11 Commission Act) required DHS to develop a strategy for management integration, and in a 2005 report GAO recommended that a management integration strategy contain such elements such as priorities and implementation goals.¹⁰ DHS developed an initial plan in February 2010 that identified seven initiatives for achieving management integration. While a step in the right direction, among other things, we noted that the plan lacked details on how the initiatives contributed to departmentwide

⁸The Acquisition Review Board reviews DHS acquisitions for executable business strategy, resources, management, accountability, and alignment to strategic initiatives. It also approves acquisitions to proceed to their next acquisition lifecycle phases upon satisfaction of applicable criteria.

⁹An enterprise architecture is a departmentwide operational and technological blueprint to guide and constrain acquisitions.

¹⁰See Pub. L. No. 110-53, § 2405(a)(3), 121 Stat. 266, 548 (2007) (codified at 6 U.S.C. § 341(a)(9)), and GAO, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO-05-139 (Washington, D.C.: Mar. 16, 2005).

management integration and linked to the department's overall strategy for transformation. DHS is revising the initial management integration plan and is working to enhance it to include a framework for strengthening acquisition management. We will review DHS's revised management integration plan as part of our 2011 high-risk update. In addition, since we first designated the implementation and transformation of DHS as high risk, the department has made progress in addressing the criteria GAO established in 2000 for removing agencies from the high-risk list. Specifically, DHS has developed a strategy for managing its high-risk area and corrective action plans to address challenges in each of its management areas. The strategy and plans addressed several of the high-risk criteria, such as identifying some of the root causes of problems and corrective actions to address the causes, but did not address other elements, such as the resources needed to implement corrective actions and measures to assess implementation efforts.

In order to address the high-risk designation, DHS needs to meet our five high-risk criteria and, within the context of these criteria, address specific actions and outcomes within its management areas and management integration and demonstrate measurable, sustainable progress in implementing those actions. These actions and outcomes include validating required acquisition documents at each major milestone in the acquisition review process, implementing information technology investment management practices that have been independently assessed as having satisfied the capabilities associated with stage three of our Information Technology Investment Management Framework, and linking workforce planning efforts to strategic and program-specific planning efforts to identify current and future human capital needs, among others.¹¹

¹¹GAO, *Homeland Security: Despite Progress, DHS Continues to Be Challenged in Managing Its Multi-Billion Dollar Annual Investment in Large-Scale Information Technology Systems*, GAO-09-1002T (Washington, D.C.: Sept. 15, 2009); and *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity, version 1.1*, GAO-04-394G (Washington, D.C.: March 2004). GAO's Information Technology Investment Management Framework provides a method for evaluating and assessing an organization's institutional capacity for selecting and managing its information technology investments. At maturity stage three of this framework, organizations have in place capabilities that assist in establishing selection, control, and evaluation structures, policies, procedures, and practices that are required by the investment management provisions of the Clinger-Cohen Act of 1996.

DHS Has Made Progress in Implementing Its Management Functions, but Additional Actions Are Needed to Strengthen These Functions

DHS has made progress in implementing its acquisition, information technology, financial, and human capital management functions, but continues to face obstacles and weaknesses in these functions that could hinder the department's transformation and implementation efforts. For example, DHS has faced challenges in implementing acquisition management controls, a consolidated financial management system, and a strategic human capital plan, among other things. As DHS continues to mature as an organization, it will be important that the department continue to work to strengthen its management functions since the effectiveness of these functions affects its ability to fulfill its homeland security and other missions.

Acquisition management. While DHS has made recent progress in clarifying acquisition oversight processes, it continues to face obstacles in managing its acquisitions and ensuring proper implementation and departmentwide coordination. We previously reported that DHS faced challenges in acquisition management related to acquisition oversight, cost growth, and schedule delays.¹² In June 2010, we reported that DHS continued to develop its acquisition oversight function and had begun to implement a revised acquisition management directive that includes more detailed guidance for programs to use when informing component and departmental decision making.¹³ We also reported that the senior-level Acquisition Review Board had begun to meet more frequently and provided programs decision memorandums with action items to improve performance. However, while the Acquisition Review Board reviewed 24 major acquisition programs in fiscal years 2008 and 2009, more than 40 major acquisition programs had not been reviewed, and programs had not consistently implemented review action items identified as part of the review by established deadlines. DHS acquisition oversight officials raised concerns about the accuracy of cost estimates for some of its major programs, making it difficult to assess the significance of the cost growth we identified. In addition, over half of the programs we reviewed awarded contracts to initiate acquisition activities without component or department approval of documents essential to planning acquisitions,

¹²GAO, *Department of Homeland Security: Billions Invested in Major Programs Lack Appropriate Oversight*, GAO-09-29 (Washington, D.C.: Nov. 18, 2008), and *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, GAO-08-263 (Washington, D.C.: Apr. 22, 2008).

¹³GAO, *Department of Homeland Security: Assessments of Selected Complex Acquisitions*, GAO-10-588SP (Washington, D.C.: June 30, 2010).

setting operational requirements, and establishing acquisition program baselines. Programs also experienced other acquisition planning challenges, such as staffing shortages and lack of sustainment. For example, we reported that the U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT) did not sufficiently define what capabilities and benefits would be delivered, by when, and at what cost, which contributed to development and deployment delays. In addition, we reported that three Coast Guard programs we reviewed—Maritime Patrol Aircraft, Response Boat-Medium, and Sentinel—reported placing orders for or receiving significant numbers of units prior to completing testing to demonstrate that what the programs were buying met Coast Guard needs. Our prior work has found that resolution of problems discovered during testing can sometimes require costly redesign or rework.¹⁴

We have made a number of recommendations to DHS to strengthen its acquisition management functions, such as (1) reinstating the Joint Requirements Council—the department’s requirements review body—or establishing another departmental joint requirements oversight board to review and approve acquisition requirements and assess potential duplication of effort; (2) ensuring that budget decisions are informed by the results of investment reviews; (3) identifying and aligning sufficient management resources to implement oversight reviews throughout the investment life cycle; and (4) ensuring major investments comply with established component and departmental review policy standards. DHS generally concurred with these recommendations and reported taking action to begin to address some of them, including developing the Next Generation Periodic Reporting System to capture and track key program information, and monitoring cost and schedule performance, contract awards and program risks.

Based on our work on DHS’s acquisition management, we have identified specific actions and outcomes that we believe the department needs to achieve to address its acquisition management challenges. We believe that these actions and outcomes are critical to addressing the underlying root causes that have resulted in the high-risk designation. In particular, DHS

¹⁴See, for example, GAO, *Best Practices: High Levels of Knowledge at Key Points Differentiate Commercial Shipbuilding from Navy Shipbuilding*, GAO-09-322 (Washington, D.C.: May 13, 2009); *Joint Strike Fighter: Significant Challenges and Decisions Ahead*, GAO-10-478T (Washington, D.C.: Mar. 24, 2010); and *Uncertainties Remain Concerning the Airborne Laser’s Cost and Military Utility*, GAO-04-643R (Washington, D.C.: May 17, 2004); and GAO-10-588SP.

should demonstrate and sustain effective execution of a knowledge-based acquisition process for new and legacy acquisition programs by, among other things, (1) validating required acquisition documents in a timely manner at each major milestone; (2) establishing and operating a Joint Requirements Council, or a similar body, to review and validate acquisition programs' requirements; (3) ensuring sufficient numbers of trained acquisition personnel at the department and component levels; and (4) establishing and demonstrating measurable progress in achieving goals that improve acquisition programs' compliance with departmental policies.

Information technology management. DHS has undertaken efforts to establish information technology management controls and capabilities, but in September 2009 we reported that DHS had made uneven progress in its information technology management efforts to institutionalize a framework of interrelated management controls and capabilities.¹⁵ For example, DHS had continued to issue annual updates to its enterprise architecture that added previously missing scope and depth, and further improvements were planned to incorporate the level of content, referred to as segment architectures, needed to effectively introduce new systems and modify existing ones. Also, we reported that DHS had redefined its acquisition and investment management policies, practices, and structures, including establishing a system life cycle management methodology, and it had increased its acquisition workforce.¹⁶ Nevertheless, challenges remain relative to, for example, implementing the department's plan for strengthening its information technology human capital and fully defining key system investment and acquisition management policies and procedures for information technology. Moreover, the extent to which DHS had actually implemented these investment and acquisition management policies and practices on major information technology programs had been inconsistent. For example, our work showed that major information technology acquisition programs had not been subjected to executive-level acquisition and investment management reviews. As a result, we reported that major information technology programs aimed at delivering important mission capabilities, such as the Rescue 21 search and rescue system and the Secure Border

¹⁵GAO-09-1002T.

¹⁶A system life cycle management process normally begins with initial concept development and continues through requirements definition to design, development, various phases of testing, implementation, and maintenance.

Initiative Network (SBInet) virtual border fence, had not lived up to their capability, benefit, cost, and schedule expectations because of, for example, deficiencies in development and testing, and lack of risk management processes and key practices for developing reliable cost and schedule estimates.¹⁷ We have made a range of recommendations to strengthen DHS information technology management, such as establishing procedures for implementing project-specific investment management policies, and policies and procedures for portfolio-based investment management. We reported that while DHS and its components have made progress, more needs to be done before DHS can ensure that all system acquisitions are managed with the necessary rigor and discipline.

Based on our work, we have identified actions and outcomes that we believe would help the department address challenges in information technology management that have contributed to our designation of DHS implementation and transformation as high risk. For example, DHS should, among other things, demonstrate measurable progress in implementing its information technology human capital plan and accomplishing defined outcomes, including ensuring that each system acquisition program office is sufficiently staffed. DHS should also establish and implement information technology investment management practices that have been independently assessed as having satisfied the capabilities associated with stage three of our Information Technology Investment Management Framework.¹⁸ In addition, the department should establish enhanced security of the department's internal information technology systems and networks.

Financial management. DHS has made progress in addressing its financial management and internal controls weaknesses, but has not yet addressed all of them or developed a consolidated departmentwide financial management system. Since its establishment, DHS has been unable to obtain an unqualified audit opinion on its financial statements (i.e., prepare a set of financial statements that are considered reliable). For

¹⁷Rescue 21 is a Coast Guard program to modernize a 30-year-old search and rescue communications system used for missions 20 miles or less from shore, referred to as the National Distress and Response System. SBInet is the technology component of a U.S. Customs and Border Protection program known as the Secure Border Initiative, which is to help secure the nation's borders and reduce illegal immigration through physical infrastructure (e.g., fencing), surveillance systems, and command, control, communications, and intelligence technologies.

¹⁸GAO-09-1002T and GAO-04-394G.

fiscal year 2009, the independent auditor issued a disclaimer on DHS's financial statements and identified eight deficiencies in DHS's internal control over financial reporting, six of which were so significant that they qualified as material weaknesses.¹⁹ Until these weaknesses are resolved, DHS will not be in position to provide reliable, timely, and useful financial data to support day-to-day decision making. DHS has taken steps to prepare and implement corrective action plans for its internal control weaknesses through the *Internal Control Playbook*, DHS's annual plan to design and implement departmentwide internal controls.

In addition, in June 2007 and December 2009 we reported on DHS's progress in developing a consolidated financial management system, called the Transformation and Systems Consolidation (TASC) program, and made a number of recommendations to help DHS address challenges affecting the departmentwide financial management integration.²⁰ In June 2007, we reported that DHS had made limited progress in integrating its existing financial management systems, and we made six recommendations focused on the need for DHS to define a departmentwide strategy and embrace disciplined processes necessary to properly manage the specific projects.²¹ We followed up on these recommendation in our December 2009 report and found that DHS had begun to take actions to implement four of our six 2007 recommendations but had not yet fully implemented any of them. Specifically, DHS had made progress in (1) defining its financial management strategy and plan, (2) developing a comprehensive concept of operations, (3) incorporating disciplined processes, and (4) implementing key human capital practices

¹⁹A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

²⁰GAO, *Homeland Security: Departmentwide Integrated Financial Management Systems Remain a Challenge*, GAO-07-536 (Washington, D.C.: Jun. 21, 2007), and *Financial Management Systems: DHS Faces Challenges to Successfully Consolidating Its Existing Disparate Systems*, GAO-10-76 (Washington, D.C.: Dec. 4, 2009).

²¹Disciplined processes have been shown to reduce the risks associated with software development and acquisition efforts to acceptable levels and are fundamental to successful system implementations. A disciplined process includes, among other things, management, testing, data conversion and system interfaces, risk and project management, and other related financial management activities.

and plans for such a systems implementation effort. However, DHS had not yet taken the necessary actions to standardize and reengineer business processes across the department, including applicable internal controls, and to develop detailed consolidation and migration plans. While some of the details of the department's standardization of business processes and migration plans depend on the selected new financial management system, DHS would benefit from performing a gap analysis and identifying all of its affected current business processes so that DHS can analyze how closely the proposed system will meet the department's needs. In addition, we reported that DHS's reliance on contractors to define and implement the new financial management system, without the necessary oversight mechanisms to ensure that the processes were properly defined and effectively implemented, could result in system efforts plagued with serious performance and management problems. We reported that these issues placed DHS at risk for implementing a financial management system that does not meet cost, schedule, and performance goals. We recommended that DHS establish contractor oversight mechanisms to monitor the TASC program; expedite the completion of the development of the TASC financial management strategy and plan so that the department is well positioned to move forward with an integrated solution; and develop a human capital plan for the TASC program that identifies needed skills for the acquisition and implementation of the new system. DHS agreed with our recommendations and described actions it had taken and planned to take to address them, noting, for example, the importance of being vigilant in its oversight of the program.

Based on our work on DHS's financial management we have identified specific actions and outcomes that we believe the department needs to address to resolve its financial management challenges. Among other things, DHS should develop and implement a corrective action plan with specific milestones and accountable officials to address the weaknesses in systems, internal control, and business processes that impede the department's ability to integrate and transform its financial management. DHS should also sustain clean opinions on its departmentwide financial statements, adhere to financial system requirements in accordance with the Federal Financial Management Improvement Act of 1996,²² and have

²²Pub. L. No. 104-208, Div. A, tit. I § 101(f), tit. VIII, 110 Stat. 3009, 3009-389 (1996). See generally 31 U.S.C. § 3512 and accompanying note. This act requires agencies to implement financial management systems that substantially comply with (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the U.S. Standard General Ledger at the transaction level.

independent auditors report annually on compliance with the act.²³ In addition, DHS should establish contractor oversight mechanisms to monitor the contractor selected to implement TASC and successfully deploy TASC to the majority of DHS's components, such as the Coast Guard, the Federal Emergency Management Agency, and the Transportation Security Administration.

Human capital management. DHS has issued various strategies and plans for its human capital activities and functions, such as a human capital strategic plan for fiscal years 2009-2013 that identifies four strategic goals for the department related to talent acquisition and retention; diversity; employee learning and development; and policies, programs, and practices.²⁴ DHS is planning to issue an updated strategic human capital plan in the coming months. While these initiatives are promising, DHS has faced challenges in implementing its human capital functions. For example, our prior work suggests that successful organizations empower and involve their employees to gain insights about operations from a frontline perspective, increase their understanding and acceptance of organizational goals and objectives, and improve motivation and morale.²⁵ DHS's scores on the 2008 Office of Personnel Management's Federal Human Capital Survey—a tool that measures employees' perceptions of whether and to what extent conditions characterizing successful organizations are present in their agency—and the Partnership for Public Service's 2010 rankings of the Best Places to Work in the Federal Government improved from prior years. However, in the 2008 survey, DHS's percentage of positive responses was 52 percent for the leadership and knowledge management index, 46 percent for the results-oriented performance culture index, 53 percent for the talent management index,

²³Division A, Section 101(f), Title VIII of Public Law 104-208.

²⁴DHS, *Human Capital Strategic Plan, Fiscal Years 2009-2013* (Washington, D.C.).

²⁵GAO, *High-Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington, D.C.: January 2003).

and 63 percent for the job satisfaction index.²⁶ In addition, in 2010, DHS was ranked 28 out of 32 agencies in the Best Places to Work ranking on overall scores for employee satisfaction and commitment.²⁷

In addition, our prior work has identified several workforce barriers to achieving equal employment opportunities and the identification of foreign language needs and capabilities at DHS. In August 2009 we reported that DHS had developed a diversity council, among other initiatives, but that DHS had generally relied on workforce data and had not regularly included employee input from available sources to identify triggers to barriers to equal employment opportunities, such as promotion and separation rates.²⁸ We also reported that, according to DHS, it had created planned activities to address these barriers, but modified target completion dates by up to 21 months and had not completed any planned activities due to staffing shortages. In June 2010 we reported on DHS's foreign language capabilities, noting that DHS has taken limited actions to assess its foreign language needs and existing capabilities and to identify potential shortfalls.²⁹ Assessing hiring needs is crucial in achieving a range of component and departmentwide missions. As just one example, employees with documented proficiency in a variety of languages can contribute to U.S. Immigration and Customs Enforcement's intelligence

²⁶ *Department of Homeland Security: 2008 Federal Human Capital Survey Results* (Washington, D.C.: 2008). The leadership and knowledge management index indicates the extent to which employees hold their leadership in high regard, both overall and on specific facets of leadership. The results-oriented performance culture index indicates the extent to which employees believe their organizational culture promotes improvement in processes, products and services, and organizational outcomes. The talent management index indicates the extent to which employees think the organization has the talent necessary to achieve its organizational goals. The job satisfaction index indicates the extent to which employees are satisfied with their jobs and various aspects thereof.

²⁷ Partnership for Public Service and the Institute for the Study of Public Policy Implementation at the American University School of Public Affairs, *The Best Places to Work in the Federal Government* (Washington, D.C.: 2010).

²⁸ GAO, *Equal Employment Opportunity: DHS Has Opportunities to Better Identify and Address Barriers to EEO in Its Workforce*, GAO-09-639 (Washington, D.C.: Aug. 31, 2009). The Equal Employment Opportunity Commission uses the term "triggers" to refer to indicators of potential barriers to equal employment opportunity.

²⁹ GAO, *Department of Homeland Security: DHS Needs to Comprehensively Assess Its Foreign Language Needs and Capabilities and Identify Shortfalls*, GAO-10-714 (Washington, D.C.: June 22, 2010). DHS has a variety of responsibilities that utilize foreign language capabilities, including investigating transnational criminal activity and staffing ports of entry into the United States.

and direct law enforcement operations, but staff with these capabilities are not systematically identified.

We have made several recommendations to help DHS address weaknesses concerning equal employment opportunity and assessments of foreign language needs and capabilities within human capital management. For example, we recommended that DHS identify timelines and critical phases along with interim milestones as well as incorporate employee input in identifying potential barriers to equal employment opportunities. DHS concurred with our recommendations and reported taking action to address them, such as revising plans to identify steps and milestones for departmental activities to address barriers to equal employment opportunities, and developing a strategy for obtaining departmentwide employee input. We also recommended that DHS comprehensively assess its foreign language needs and capabilities and identify potential shortfalls. DHS concurred with our recommendations and reported taking actions to address them, such as developing a task force consisting of DHS components and offices that have language needs in order to identify requirements and assess the necessary skills.

Based on our work on human capital management at the department, we have identified various actions and outcomes for DHS to achieve to address those human capital management challenges that have contributed to our designation of DHS implementation and transformation as high risk. The department should, among other things, develop and implement a results-oriented strategic human capital plan that identifies the department's goals, objectives, and performance measures for strategic human capital management and that is linked to the department's overall strategic plan. DHS also needs to link workforce planning efforts to strategic and program-specific planning efforts to identify current and future human capital needs, and improve DHS's scores on the Federal Employee Viewpoint Survey.³⁰ In addition, DHS should develop and implement mechanisms to assess and provide opportunities for employee education and training, and develop and implement a recruiting and hiring strategy that is targeted to fill specific needs.

³⁰The Federal Employee Viewpoint Survey is the Office of Personnel Management's new name for its former Federal Human Capital Survey.

DHS Has Taken Action to Integrate Its Management Functions and Develop Performance Measures, but Could Strengthen Its Integration and Performance Measurement Efforts

DHS has taken actions to integrate its management functions and to strengthen its performance measures to assess progress in implementing these functions, but the department has faced challenges in these efforts. We have reported that while it is important that DHS continue to work to implement and strengthen its management functions, it is equally important that DHS address management integration and performance measurement from a comprehensive, departmentwide perspective to help ensure that the department has the structure, processes, and accountability mechanisms in place to effectively monitor the progress made to address the threats and vulnerabilities that face the nation.³¹ Management integration and performance measurement are critical to the successful implementation and transformation of the department.

Management integration. DHS has put in place common policies, procedures, and systems within individual management functions, such as human capital, that help to vertically integrate its component agencies.³² However, DHS has placed less emphasis on integrating horizontally, and bringing together its management functions across the department through consolidated management processes and systems.³³ In November 2009, we reported that DHS had not yet developed a strategy for management integration as required by the 9/11 Commission Act and with the characteristics we recommended in our 2005 report.³⁴ Specifically, we recommended that the strategy (1) look across the initiatives within each of the management functional units, (2) clearly identify the critical links that must occur among these initiatives, (3) identify tradeoffs and set priorities, (4) set implementation goals and a time line to monitor the progress of these initiatives to ensure the necessary links occur when needed, and (5) identify potential efficiencies, and ensure that they are achieved. In the absence of a management integration strategy, DHS

³¹GAO-08-646T.

³²Vertical integration refers to integration of these elements—processes, systems, and people—within management functions, from the department level down through each of the corresponding management functions in the component agencies.

³³Horizontal integration refers to integration of the elements mentioned across management functions, such as the integration of human capital management and financial management activities in areas related to payroll. GAO, *Department of Homeland Security: A Comprehensive Strategy Is Still Needed to Achieve Management Integration Departmentwide*, GAO-10-318T (Washington, D.C.: Dec. 15, 2009).

³⁴GAO, *Department of Homeland Security: Actions Taken Toward Management Integration, but a Comprehensive Strategy Is Still Needed*, GAO-10-131 (Washington, D.C.: Nov. 20, 2009) and GAO-05-139.

officials stated that documents such as management directives and strategic plans addressed aspects of a management integration strategy and could help the department to manage its integration efforts. However, we reported that without a documented management integration strategy, it was difficult for DHS, Congress, and other key stakeholders to understand and monitor the critical linkages and prioritization among these various efforts. We also reported that while DHS increased the number of performance measures for its Management Directorate, it had not yet established measures for assessing management integration across the department. We reported that without these measures DHS could not assess its progress in implementing and achieving management integration. We recommended that once a management integration strategy was developed, DHS establish performance measures for assessing management integration. DHS stated that the department was taking actions to address our recommendation.

Since our November 2009 report, DHS has taken action to develop a *management integration strategy*. Specifically, DHS developed and provided us with an initial management integration plan in February 2010. The initial plan identified seven priority initiatives for achieving management integration:

- *Enterprise governance*. A governance model that would allow DHS to implement mechanisms for integrated management of DHS programs as parts of broader portfolios of related activities.
- *Balanced workforce strategy*. Workforce planning efforts to identify the proper balance of federal employees and private labor resources to achieve the department's mission.
- *TASC*. DHS initiative to consolidate financial, acquisition, and asset management systems, establish a single line of accounting, and standardize business processes.
- *DHS headquarters consolidation*. The collocation of the department by combining existing department and component leases and building out St. Elizabeths campus in Washington, D.C.
- *Human resources information technology*. Initiative to consolidate, replace, and modernize existing departmental and component payroll and personnel systems.
- *Data center migration*. Initiative to move DHS component agencies' data systems from the agencies' multiple existing data centers to two DHS consolidated centers.
- *Homeland Security Presidential Directive 12 personal identification verification cards deployment*. Provision of cards to DHS employees and contractors for use to access secure facilities, communications, and data.

This initial management integration plan contained individual action plans for each of the seven initiatives. In March 2010, we met with DHS officials and provided oral and written feedback on the initial plan. We noted that, for example:

- the action plans lacked details on how the seven initiatives contribute to departmentwide management integration and links to the department's overall strategy for transformation;
- the performance measures contained in the plans did not identify units of measure, baseline measurements, or target metrics that would be used to measure progress;
- the impediments and barriers described in the plans did not align with identified risks and the strategies for addressing these impediments and barriers; and
- the plans did not identify planned resources for carrying out these initiatives.

DHS officials told us the department is working to enhance its initial management integration plan to include a framework for strengthening the department's acquisition management. We plan to review the changes DHS is making to the initial management integration plan as part of our work for the 2011 high-risk update.

Based on our work and recommendations on management integration, we have identified specific actions and outcomes for DHS that we believe will help the department address those management integration challenges that contributed to our designation of DHS implementation and transformation as high risk. Specifically, we believe that addressing these actions and outcomes within the individual management functional areas of acquisition, information technology, financial, and human capital management would help DHS to integrate those functions. For example, to successfully implement the TASC program, the Chief Financial Officer would need to work with the Chief Procurement Officer to establish effective mechanisms for overseeing the contractor selected to implement the TASC program; the Chief Information Officer to ensure that data conversions and system interfaces occur when required; and the Chief Human Capital Officer to ensure that relevant personnel at the department and component levels are trained on use of the TASC program once the system is implemented. In addition, DHS should revise its strategy for management integration to address the characteristics for such a strategy that we recommended in 2005.

description improvements to 37 existing performance measures. DHS is continuing to work on developing and revising its performance measures to improve its focus on assessing results and outcomes and to align its measures to the goals and objectives established by the Quadrennial Homeland Security Review. In August and September 2010, we provided feedback on the department's proposals for outcome-oriented performance measures aligned with the Quadrennial Homeland Security Review's goals and objectives. We look forward to continuing working with the department to provide feedback to help strengthen its ability to assess the outcomes of its efforts.

DHS Has Taken Actions to Transform into an Integrated Department, but Has Not Yet Fully Addressed Its Transformation Challenges

Since we first designated the implementation and transformation of DHS as high risk in 2003, the department has made progress in its transformation efforts in relation to the five criteria we established in November 2000 for removing agencies from the high-risk list, but has not yet fully addressed its transformation, management, and mission challenges, such as implementing effective management policies and deploying capabilities to secure the border and other sectors. In January 2009, we reported that DHS had developed its *Integrated Strategy for High Risk Management* outlining the department's overall approach for managing its high-risk areas and the department's processes for assessing risks and proposing initiatives and corrective actions to address its risks and challenges.³⁸ We also reported that DHS had developed corrective action plans to address challenges in the areas of acquisition, financial, human capital, and information technology management. The corrective action plans addressed some, but not all, of the factors we consider in determining whether agencies can be removed from our high-risk list. Specifically, the strategy and corrective action plans identified senior officials with the responsibility for managing DHS's transformation high-risk area and for implementing the corrective action plans. The strategy and plans defined some root causes for problems within management areas, identified initiatives and corrective actions to address the causes, and established milestones for completing initiatives and actions, though we noted that these elements could have been better defined to, for example, more clearly address the management challenges we have identified. The strategy also included a framework for DHS to monitor the implementation of its corrective action plans primarily through various departmentwide committees

³⁸GAO-09-271.

BACKGROUND
IMPLEMENTATION, IMPROVEMENT, AND SUSTAINABILITY: MANAGEMENT
MATTERS AT THE DEPARTMENT OF HOMELAND SECURITY
SEPTEMBER 30, 2010

BACKGROUND

In response to the terrorist attacks of September 11, 2001, Congress passed and President Bush signed into law the Homeland Security Act of 2002 to create the Department of Homeland Security.¹ DHS brought together 22 federal agencies and offices into a single cabinet Department that began operations in March 2003, the single largest restructuring of the federal government since the creation of the Department of Defense in 1947.² Charged with leading the unified national effort to secure America by preventing and deterring terrorist attacks, protecting against and responding to threats and hazards to the nation, securing our national borders, and welcoming lawful immigrants, visitors, and trade,³ the Department has approximately 230,000⁴ employees and a budget of nearly \$44 billion in fiscal year (FY) 2010,⁵ making it the third largest agency in the federal government.

The DHS Directorate for Management is responsible for ensuring that the Department's workforce has the necessary resources and systems in place to carry out its mission including financial, information technology (IT), and acquisition systems, as well as human, material, and facilities resources.⁶ The Directorate also is responsible for performance measurement throughout the Department.

Rafael Borrás is the current Under Secretary for Management. Mr. Borrás was nominated for the post on July 6, 2009, and recess appointed on March 27, 2010, succeeding former Under Secretary Elaine Duke.⁷ DHS's Chief Administrative Services Officer, Chief Financial Officer, Chief Human Capital Officer, Chief Information Officer, Chief Procurement Officer, and Chief Security Officer assist the Under Secretary in carrying out his duties.

The Deputy Secretary of Homeland Security, Jane Holl Lute, serves as the Department's chief operating officer, managing day-to-day operations of the DHS. Ms. Lute was nominated by President Obama in January 2009, and she was confirmed on April 3, 2009.

¹ Pub. L. 107-296, signed November 25, 2002.

² Government Accountability Office, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO-05-139, March 16, 2005, at 7.

³ See Department of Homeland Security, *One Team, One Mission, Securing our Homeland: U.S. Department of Homeland Security Strategic Plan for Fiscal Years 2008-2013*, available at http://www.dhs.gov/xlibrary/assets/DHS_StratPlan_FINAL_spread.pdf.

⁴ DHS CHCO informational briefing to the Homeland Security and Governmental Affairs Committee, May 11, 2010.

⁵ Congressional Research Service, *Homeland Security Department: FY2010 Appropriations*, R40642, (December 14, 2009), at Summary page.

⁶ See http://www.dhs.gov/xabout/structure/editorial_0096.shtm.

⁷ See http://www.dhs.gov/xabout/structure/bio_1271343166730.shtm.

Prior Hearings

The Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia (OGM) most recently held a hearing on the status of efforts to reform the management of DHS on December 15, 2009.⁸ Then-DHS Under Secretary for Management Elaine Duke; Assistant DHS Inspector General (DHS OIG) Anne Richards; and Director for Strategic Issues at the Government Accountability Office (GAO) Bernice Steinhardt testified.

The hearing reviewed the status of DHS's efforts to effectively manage and integrate DHS into one organization responsible for missions critical to the safety of our nation. In particular, the hearing examined the results of a GAO report⁹ released in conjunction with the hearing, and a DHS OIG report¹⁰ on major management challenges at the Department.

OGM also held a hearing on the status of efforts to reform the management of DHS on May 10, 2007.¹¹ The then-DHS Under Secretary for Management, Paul Schneider, and then-Comptroller General, David Walker of the Government Accountability Office, testified at the hearing. At that hearing, Mr. Schneider outlined some of the steps DHS has taken to achieve management integration and the challenges that remained, as well as responding to GAO's analysis. The Comptroller General presented the GAO's findings and recommendations regarding the Department's status on its high risk list as a result of its management difficulties.

In addition, OGM held a hearing on DHS's acquisition structure on June 7, 2007, at which then-DHS Under Secretary for Management, Paul Schneider, testified. In addition, **Rear Admiral John Currier**, the Assistant Commandant for Acquisition for the Coast Guard, and **John Hutton**, Director of Acquisition and Sourcing Management for the Government Accountability Office testified. That hearing examined the interaction and coordination between the DHS Chief Procurement Officer (CPO) and those acquisition functions that do not fall under the CPO. It also examined efforts to improve management and oversight of contracts within the Department.

HOMELAND SECURITY GAO HIGH RISK DESIGNATION

Implementing and Transforming the Department of Homeland Security was placed on the GAO's High-Risk List in 2003, shortly after the Department was established. The High-Risk List is a program at GAO that identifies government operations that it considers at high risk of

⁸ Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia of the Senate Homeland Security and Government Affairs Committee hearing, *One DHS, One Mission: Efforts to Improve Management Integration at the Department of Homeland Security*, S. Hrg. 111-532, December 15, 2009.

⁹ Government Accountability Office, *Department of Homeland Security: Actions Taken Toward Management Integration, But a Comprehensive Strategy is Still Needed*, GAO-10-131, December 15, 2009.

¹⁰ DHS Office of the Inspector General, *Major Management Challenges Facing the Department of Homeland Security*, OIG-10-16, November 2009.

¹¹ Subcommittee on the Oversight of Government Management, the Federal Workforce, and the District of Columbia of the Senate Homeland Security and Government Affairs Committee hearing, *Managing the Department of Homeland Security: A Status Report on Reform Efforts by the Under Secretary for Management*, S. Hrg. 110-238, May 10, 2007.

waste, fraud, abuse, or mismanagement.¹² This issue has remained high risk in GAO updates, generally issued every two years, coinciding with a new Congress.

In particular, GAO has highlighted planning and priority setting; accountability and oversight; and several management, programmatic, and partnering challenges as key contributors to the high risk designation.¹³ To address the high risk designation, DHS developed an *Integrated Strategy for High Risk Management*, which outlines processes for assessing risks and initiatives to address challenges.¹⁴ It has also developed corrective action plans to address to address management challenges, using GAO's recommended plan elements.

While DHS has made progress in implementing these plans, these efforts have fallen short of removing DHS from the High Risk List. According to GAO, DHS has not, in many cases, identified the root causes of management challenges, and must increase the use of performance measures and demonstrate progress in remediating the high risk areas.¹⁵

DHS also has a role in several other GAO High-Risk List areas, including Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructures,¹⁶ and Establishing Effective Mechanisms for Sharing Terrorism-Related Information to Protect the Homeland.¹⁷

FUNCTIONAL MANAGEMENT CHALLENGES

As with many agencies, DHS faces challenges in several areas of functional management that fall within the Management Directorate. Many of these challenges have been highlighted by the DHS OIG,¹⁸ as well as discussed by GAO in the context of high risk management.

While the DHS OIG has a comprehensive analysis of functional management weaknesses at the Department, several key management challenges and initiatives are especially important.

Acquisition Management

DHS spends a significant portion of its budget on mission-critical goods and services contractors, making effective acquisition management vital to DHS's mission success. The OIG found that DHS made only modest progress in the area of acquisition management.¹⁹ In addition, several high profile procurements have been plagued with problems, cost overruns and waste, including the Secure Border Initiative Network (SBIInet).

¹² <http://www.gao.gov/highrisk>.

¹³ Government Accountability Office, *High Risk Series: An Update*, GAO-09-271, January 2009, p.49.

¹⁴ http://www.dhs.gov/xabout/budget/gc_1214229806734.shtm.

¹⁵ Government Accountability Office, *High Risk Series: An Update*, GAO-09-271, January 2009, p.49.

¹⁶ *Id.* at p.47

¹⁷ *Id.* at p.51

¹⁸ DHS Office of the Inspector General, *Major Management Challenges Facing the Department of Homeland Security*, OIG-10-16, November 2009.

¹⁹ *Id.* at p. 4

In January 2010, then-Under Secretary for Management Elaine Duke signed Management Directive 102, which provides a policy and structure for acquisition management. This document clarified responsibilities and authorities of headquarters, component heads, decision authorities, and the Acquisition Review Board.

Financial Management

Independent auditors were unable to provide an opinion on DHS's consolidated financial statements in fiscal year 2009 because DHS could not provide sufficient evidence to support them.²⁰ This has been an ongoing problem since DHS's creation. The independent auditor found significant challenges that have a pervasive effect on DHS's consolidated financial reporting, including a lack of skilled financial personnel, an underdeveloped financial infrastructure, inadequate financial accountability for field and operational personnel, and an aged and limited IT infrastructure. It is worth noting that the Chief Financial Officer, while part of the Management Directorate, also reports directly to the Secretary of DHS.

In order to address these ongoing concerns, DHS has been in the process of creating a new financial management system that would consolidate the disparate systems in use across the 22 original agencies that came together to form DHS. The first attempt to consolidate was known as the Electronically Managing Enterprise Resources for Government Effectiveness and Efficiency project, which was cancelled in 2005. In 2007, DHS attempted to procure a new system, but no bids were received. DHS made a third attempt, known as Transformation and Systems Consolidation (TASC) Baseline, which would move all components to one of two established platforms. That effort was halted after a court ruled that the decision to use one of two companies without open competition violated the *Competition in Contracting Act*. In 2008, TASC was revised as a procurement for an enterprise-wide financial, acquisition, and asset management solution.²¹

DHS is preparing to move forward with awarding a contract for TASC. However, there is concern that more planning is needed for TASC²² and that DHS may be violating an OMB memorandum halting all financial management systems development at agencies.²³

Human Capital Management

DHS relies on contractors to a greater extent than many agencies. In part, this is due to the way in which DHS was stood up quickly, requiring more personnel than could be immediately hired

²⁰ DHS Office of the Inspector General, *Independent Auditor's Report on DHS' FY 2009 Financial Statements and Internal Control over Financial Reporting*, OIG-10-11, November 2009.

²¹ DHS Office of the Inspector General, *DHS Needs to Address Challenges to Its Financial Systems Consolidation Initiative*, OIG-10-95(revised), July 2010, p. 2.

²² *Id.* at pp. 1-8.

²³ Alyya Sternstein, *Lawmakers Ask White House to Stop DHS Financial System*, NextGov, September 24, 2010, http://www.nextgov.com/nextgov/ng_20100924_7678.php.

through the federal hiring process. In addition, DHS has scored poorly on employee morale surveys²⁴ and lags in workforce diversity.²⁵

In March 2009, DHS launched the Workforce Assessment Efficiency Review Initiative, a strategic review of the federal/contractor balance supporting the Department's overall mission. The review identified the number of federal employees (approximately 230,000), number of contractors (estimated at 210,000), and the initial contractor conversions (3,500 positions).²⁶ DHS is emphasizing the need to have federal employees perform inherently governmental and critical/core functions and has established the Balanced Workforce Program Management Office to lead and implement the Department's balanced workforce strategy.²⁷

COMPREHENSIVE STRATEGIC PLANNING

According to GAO, DHS has yet to develop a comprehensive strategy for management integration as required by the 9/11 Commission Act of 2007 and with the characteristics recommended in GAO's 2005 report on DHS management.²⁸ Without an overall management strategy, DHS does not systematically prioritize and identify the trade-offs and links between initiatives, nor does it establish specific implementation goals and a time line to monitor progress of the initiatives.²⁹

While such a plan does not yet exist, DHS has begun examining performance measures as a component of management, notably in the Quadrennial Homeland Security Review (QHSR),³⁰ and the Bottom-Up Review.³¹ The QHSR report notes that these two documents represent the first two parts of a three-step process, the last being the Department's FY 2012 Budget.³² However, while the Department has noted the importance of improving performance measures, it has yet to issue a comprehensive integration plan putting such measures into action.

PENDING LEGISLATION

The *Effective Homeland Security Management Act*, S. 872, introduced by Senator Voinovich and cosponsored by Senators Akaka, Levin, and Carper, was introduced on April 23, 2009, to address the considerable management challenges facing DHS. The legislation would elevate the current Under Secretary for Management to a Deputy Secretary with a term appointment to provide sustained, high-level focus to management and integration efforts at DHS. The

²⁴ See <http://www.bestplacetowork.org/BPTW/rankings/detail/HS00>.

²⁵ See Government Accountability Office, *Equal Employment Opportunity: DHS Has Opportunities to Better Identify and Address Barriers to EEO in Its Workforce*, GAO-10-160T, October 14, 2009.

²⁶ DHS CHCO informational briefing to the Homeland Security and Governmental Affairs Committee, May 11, 2010.

²⁷ *Id.*

²⁸ See GAO-10-131, *supra* note 9, at Highlights page.

²⁹ *Id.* at 15.

³⁰ Department of Homeland Security, *Quadrennial Homeland Security Review (QHSR) Report to Congress*, February 1, 2010, p.78.

³¹ Department of Homeland Security, *Bottom-Up Review Report*, July 2010, p.39.

³² QHSR Report to Congress, *supra* note 30, at pp. iii-iv.

legislation was reported out of the Senate Homeland Security and Government Affairs Committee on October 26, 2009, and was placed on the Senate calendar.

A prior version of the bill, S. 547 passed the Senate in 2007, and some elements of the earlier bill strengthening the authorities of the Under Secretary were included in the Implementing Recommendations of the 9/11 Commission Act.³³

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³³ Pub. L. 110-53. S. 547 passed the Senate on March 13, 2007 as an amendment to S.4, a companion to H.R. 1, which ultimately became Public Law 110-53.

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