

**THE DEPARTMENT OF HOMELAND SECURITY'S
MANAGEMENT DIRECTORATE: GOALS AND
OBJECTIVES OF THE NEW UNDER SECRETARY**

HEARING

BEFORE THE

SUBCOMMITTEE ON MANAGEMENT,
INVESTIGATIONS, AND OVERSIGHT

OF THE

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**THE DHS'S MANAGEMENT DIRECTORATE:
GOALS AND OBJECTIVES OF THE NEW
UNDER SECRETARY**

Thursday, March 1, 2007

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

The subcommittee met, pursuant to call, at 2:02 p.m., in Room 311, Cannon House Office Building, Hon. Christopher Carney [chairman of the subcommittee] presiding.

Present: Representatives Carney, Clarke, Norton, Thompson, and Rogers.

Mr. CARNEY. [Presiding.] The Subcommittee on Management Investigations Oversight will come to order.

Under Secretary Schneider, I would like to thank you for agreeing to appear before us today. Today is actually the first time I am officially wielding a gavel. Although I met you informally a few weeks ago, I really appreciated that meeting.

Although you and I have each served our country in various capacities in the past, including in the Navy—thank you for your service, by the way—we are both relatively new to the world of the Department of Homeland Security. In fact, we were both sworn in on our roles on the same day. Congratulations again on your new job.

I think I speak for many in this subcommittee when I say that I have been shocked with several issues still afflicting DHS at the management level. These include hardships affecting recruitment efforts, wasteful procurement issues, like Deepwater, troubling failed efforts to unify multiple information systems and dizzying staff departures for the private sector, and the list goes on.

It seems as if you have inherited quite a beleaguered directorate over at DHS. In fact, I am sure many of my colleagues are wondering why someone of your outstanding background would want to take on such a job. We appreciate you doing it, certainly.

From what I understand, your predecessor left with, at best, mixed reviews for both inside and outside DHS.

During our conversation a few weeks back, I found your candor very welcome. I walked away from the meeting looking forward to a productive relationship between you, your staff and this subcommittee, as well as the overall committee.

I hope we can continue with such frank dialogue. It was heartening to hear you discuss a number of the management shortcomings that now fall under your purview. That said, it is very common for people to run when they hear the word, "oversight," but I think you know from your prior service that with the right people, both solving problems and overseeing those solutions, the best interests of the taxpayers and the government are both addressed.

This subcommittee looks forward to hearing from you about what you have already proposed and begun to implement at DHS, as well as how your solutions are fairing. In the coming months, the subcommittee is planning a number of hearings where the input of your directorate will be invaluable.

I look forward to continued cooperation between your organization and the MI&O Subcommittee.

I hear from Pennsylvanians who have not only suffered from the so-called 100-year floods, a couple of them, actually, in the last couple years, they again suffered at the hands of a lethargic federal response to each of the floods. They expect oversight into these issues and others.

I am sure you are already hearing from individual offices along the southern border about the SBInet and from coastal communities about Deepwater. While many in Congress see these as regional problems, these are issues that affect all of us. Our dialogue and cooperation is essential to ensuring that DHS is meeting its responsibilities to the American people.

Neither secrets nor partisanship, nor antagonism will help us accomplish our ultimate goal, which is keeping our country safe, preparing for, preventing and responding to disasters.

I would be remiss if I did not take a moment to recognize Mr. Rogers, the ranking Republican on this subcommittee, as well. While I did not yet have the privilege of being a member of Congress during the 109th, I have heard that Mr. Rogers worked tirelessly on management issues and laid a great foundation upon which we can continue to build. I look forward to working closely with him as well.

I would also like to recognize Chairman Thompson—perfect timing—and thank him for the opportunity to sit as the chair on this subcommittee. His willingness and encouragement to let MI&O determine its own course is certainly welcome.

I would also like to thank him for the support he has given us to accomplish our goals, as well as to restore more regular and vigorous oversight of DHS to this body.

This subcommittee had a very productive joint hearing yesterday with the Subcommittee on Emergency Communications, Preparedness and Response. We heard from FEMA director, the director of the former Directorate of Preparedness and one of the deputy inspector generals. I am hopeful that today's hearing will provide us with similar meaningful insight into the Directorate of Management.

Under Secretary Schneider, I cannot stress to you enough how much I am looking to working with you in the future and hearing your testimony today.

Thank you.

Mr. Rogers?

Mr. ROGERS. Thank you, Chairman Carney, and I too want to congratulate you on your new chairmanship. Thank you for calling this hearing and giving us a chance to hear from Undersecretary Schneider.

I want to thank you for taking the time to be here. I know you're busy, and I appreciate your effort. And congratulations on your new appointment.

The department became operational 4 years ago today—so a lot of things happened on today recently—in the largest reorganization of the federal government in 50 years. DHS now has approximately 207,000 employees and a budget of \$43 billion.

When the department was created from 22 separate agencies, challenges and problems were expected. The Government Accountability Office has acknowledged that, “Successful transformations of large organizations, even those faced with less strenuous reorganizations than DHS, can take years to achieve.”

Improving the management of DHS remains one of the top priorities facing the department today. While much progress has been made over the past 4 years, there is much more work to do.

In the 109th Congress, this subcommittee held a number of hearings on the management structure at DHS. Through our in-depth reviews, we identified a number of areas which need to be improved, including the authority of the chief operating officers over the department's component agencies, morale and retention at DHS, security of information systems, staff shortages in procurement and contract oversights, financial management that will lead to a clean audit opinion and further integration of the department's operations and programs.

To address these areas, the Committee on Homeland Security reported two authorization bills in the 109th Congress, which included provisions to strengthen the department's management structure. The testimony we hear today will be helpful as the committee drafts its third DHS authorization bill this month.

I look forward to hearing from Undersecretary Schneider about his plans to address the department's management challenges and what goals he expects to accomplish during his tenure in office.

And with that, Chairman Carney, I yield back.

Mr. CARNEY. Thank you, Mr. Rogers.

The chair now recognizes the chairman of the full committee, the gentleman from Mississippi, Mr. Thompson, for an opening statement.

Mr. THOMPSON. Thank you very much, Mr. Chairman.

Welcome, Mr. Undersecretary. Welcome to the hot seat.

I appreciate you coming today, but I also appreciate your outreach before this particular hearing. It tells me that even though you have a tough job, you don't mind admitting it. And they tell me that is 90 percent of the challenge is to know what you face.

You have some awesome responsibility is to tell people what they need to do, to look at it and somehow get them to understand that it is in their best interest. And your office oversees the department's procurement operations. We heard about SBInet, for instance, yesterday. We know about Deepwater. We know about a lot of programs that speak to procurement.

But it is also your responsibility to unify the department's information technology, human resources and financial systems. MaxHR, I hope you will officially pronounce it dead before the hearing is over today, so we can move on to something else.

But I look forward to your testimony, and I appreciate your service.

And I yield back.

Mr. CARNEY. Thank you, Mr. Thompson.

Mr. King is not here.

Other members of the subcommittee are reminded that, under the committee rules, opening statements may be submitted for the record.

I welcome our witness, the undersecretary for management, the Honorable Paul Schneider.

Without objection, the undersecretary's full statement will be inserted into the record.

I now recognize Undersecretary Schneider to summarize his statement for 5 minutes.

STATEMENT OF HON. PAUL A. SCHNEIDER, UNDER SECRETARY FOR MANAGEMENT, DEPARTMENT OF HOMELAND SECURITY

Mr. SCHNEIDER. Thank you, Mr. Chairman, Chairman Thompson, Congressman Rogers and members of the subcommittee. It is a pleasure to appear before you today for the first time as the undersecretary for management.

I have been the undersecretary for 2 months. For the previous 3.5 years, I was a defense and aerospace consultant doing work for NASA, Federal Aviation Administration, Department of Defense, the United States Coast Guard and several others.

Prior to consulting, I was a career civil servant for 38 years. I began my career at the Portsmouth Naval Shipyard, working as an engineer on designing and constructing nuclear submarines.

My last three government positions, I served as the senior acquisition executive at the National Security Agency, I was the principal deputy assistance secretary of the Navy for research, development and acquisition, and I was the executive director and senior civilian of the Naval Sea Systems Command, which is the Navy's largest shore command.

I am here today to discuss the major management and programmatic challenges the department faces and the areas that I am going to focus on as the undersecretary for management.

The most significant challenge we have is to continue the effort that was started with the creation of the new department, merging 22 agencies with approximately 180,000 people and turning it into the most effective force to protect our country. This effort requires effective and efficient use of financial and human resources, enabling technology and superb management.

The major elements are our strategy are to improve acquisition and procurement throughout the department, strengthen the requirements and investment review process, acquire and maintain the necessary human capital to do the job, seek efficiencies across the enterprise in various operations and resources and making the

key management systems, such as financial and information technology, world-class.

What we are currently doing is reviewing our major programs and investments to ensure that the requirements are clear, the cost estimates are valid, technology risk is properly assessed, schedules are realistic, contract vehicles are proper and that our programs are well-managed with effective oversight. We are ensuring that the program offices that manage the major efforts are properly structured and staffed with the right people and the right skill sets.

To date, the department's focus has been on procurement, but procurement is only one element that is required and one skill set for proper acquisition management. Acquisition includes understanding operational and lifecycle requirements, concepts of operations, how the ultimate product or system would ultimately be employed, developing sound business strategies, exercising prudent financial management, making tradeoffs and managing program risk.

One of the things I have found in my 2 months here is that we need to transition from a focus on procurement to a focus in the broader context on management. Prior to DHS' establishment in 2003, the department's components did not have major acquisitions, like the Coast Guard's Deepwater Program, which require large numbers of mature and experienced acquisition personnel, like those that are in the Department of Defense. It was a different business model, with a different type of business.

DHS has a shortage of people that are experienced in program management, including its related functions, such as acquisition logistics and cost analysis.

To reduce our reliance on contractors, which I know is a big concern of this committee and others in Congress, for fiscal year 2007 and 2008, we are focusing on developing from within an acquisition workforce through targeted recruiting and advanced training programs for those people we currently have.

DHS did very poorly in the OPM federal human capital survey. Managers and line employees alike delivered a message that the leadership has heard loud and clear. As initial steps toward improving employee satisfaction, we have already identified the need for better communications throughout the workforce, continued emphasis on performance management training at the supervisory and employee level and improved recognition of good performance. Those messages came out loud and clear from our analysis of the survey.

There has been considerable publicity about the department's efforts to implement MaxHR, which is the personnel management system. In consideration of the recent court decision on collective bargaining, we are considering our next steps in how we implement a truly effective personnel management system in the department.

And so what we are doing is focusing on performance management, we are focusing on targeted hiring and efforts to retain our workforce through training and development.

The OPM survey told that one of the most important things we need to concentrate on first is building this performance-based, results-oriented culture, and it is the area that we have to focus on.

We started with training over 13,000 supervisors across the department to administer the new program and we have implemented an automated system to support it.

We are going to continue to expand our coverage of the new performance management program, because it allows us on the most basic level, between supervisor and employee, to understand what performance is required of the employee, make sure it is properly aligned with the higher level department objectives, and that helps us achieve our overall department strategy, and people at the working level can relate to their contribution to the overall organization's goals.

This clearly was an identified deficiency in the survey, and so what we need to do is take the process we started, increase our emphasis on it, expand the performance management aspects in other areas, additional training for employees and the like. And so this is the centerpiece of our near-term efforts.

We are also going to be deploying a pilot effort on linking performance and pay in one area, and that is in the intelligence and the analysis component. And this will be for the INA people that are not part of a collective bargaining unit. We chose this component because, first, they were eager to do it and because we are in an intense competition with the private sector and other government agencies for this same talent.

The talent that we are looking for in the intelligence and analysis area is the same talent the CIA, the NSA, the DIA, the DNI—and I forgot all the acronyms—that they are actively trying to compete for. And so what we believe, and in my personal experience—I have had considerable experience in the Navy with performance pay link systems—the better performers, frankly, are much better compensated, and the poor performers are less compensated. And so people, once they are in that type of system, they recognize the potential.

So we are going to try this pilot, it is going to give us some good examples for the future before we march forward.

[The statement of Mr. Schneider follows:]

PREPARED STATEMENT OF THE HONORABLE PAUL A. SCHNEIDER

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

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

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

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

needed a comprehensive strategy. GAO noted that in such a strategy, DHS would integrate planning across management functions to identify critical interdependencies, interim milestones and possible efficiencies. As the Under Secretary for Management, I support the strategy proposed by the GAO. The GAO indicates some of the plans and directives already issued by DHS could be used in building the needed integration strategy. I am reviewing the DHS progress against each of the elements of the integration strategy to confirm that the effort is headed on the right track. My role is to direct this effort and to be the forcing function across the Department.

The most significant challenge we have is to continue the effort that was started with the creation of the new Department: merging 22 agencies with approximately 180,000 people and turning it into the most effective force to protect our country. This effort requires effective and efficient use of financial and human resources, enabling technology, strong processes and superb management. These are the challenges that are the focus of my efforts.

The major elements of our strategy are:

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

Our approach has a common thread through all of these areas. That is to ensure that there is a comprehensive and integrated strategy with specific and measurable goals, and that these goals support the activities and priorities of the Department. On a practical level, we will ensure the success of this strategy by having a team with the right knowledge, skills and abilities to support these programs, the overall transformation and integration efforts. Our progress will be measured against metrics and milestones.

Acquisition and Procurement

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

- Strengthening the requirements and investment review processes by improving the Joint Requirements Council (JRC) and Investment Review Board (IRB) process.
- Reviewing the major programs and investments to ensure that the requirements are clear, cost estimates are valid, the technology risk is properly assessed, schedules are realistic, the contract vehicles are proper, and the efforts are well managed.
- Building the capability to manage complex efforts by ensuring that program offices are properly structured and staffed with the right people, and the right skills, to ensure efficient and effective program management and oversight; and aggressively hiring where we have known shortages.

To date, the Department's focus has been on procurement. Procurement, however, is only one element of acquisition management. Acquisition also includes understanding operational and life-cycle requirements, such as formulating concepts of operations, developing sound business strategies, exercising prudent financial management, assessing trade-offs, and managing program risks. Best practice acquisition management is executed by teams of professionals who understand and are able to manage the entire life-cycle of a major program effort. DHS has a shortage of people that are experienced in program management, including its related functional areas (e.g. acquisition logistics, cost analysis). I will focus on this area as one of my major priorities by identifying needed skills and processes and considering expedited delivery of training in key disciplines for those individuals involved in the management of the Department's major programs.

We have established a department-wide real property asset management plan with performance metrics to govern investment decisions regarding our buildings, structures and land. We are expanding this approach to all tangible assets through the investment review process with an Asset Management and Services Board with representation by the component chief administrative officers.

Contracts

DHS' \$12 billion procurement budget provides for the development, fielding and support of significant homeland security capabilities. For example, US Coast Guard contracts are providing aircraft and ships from the Integrated Deepwater System

(IDS) and search and rescue capability from the Rescue 21 program. Transportation Security Administration (TSA) contracts are providing additional capabilities via the Electronic Baggage Screening Program (EBSP) and Transportation Worker Identification Credentialing (TWIC) program. Consistent with the SBI Strategy, U.S. Customs and Border Protection (CBP) is developing and fielding the capabilities at and between our nation's ports of entry to gain effective control of our borders.

Our model for using contractors has been to address immediate staffing shortfalls. Because the Department has launched a number of new large scale initiatives, our acquisition workforce requires skill sets and experience that are very different from an ordinary acquisition program. Prior to DHS' establishment in 2003, the Department's components did not have major acquisitions like the USCG's Deepwater program, which require large mature and experienced acquisition support services such as those that exist in the Department of Defense for major weapons systems and ship-building. To reduce our reliance on contractors, for fiscal year 2007 and 2008 we are focusing on developing a mature acquisition workforce through targeted recruiting and advanced training programs. Our goal is to build our *own* pipeline of people from within the Department and we've begun to do this.

Also, it is worth noting that DHS has exceeded the Administration's goal for small business prime contracts as well as our own goal of 30 percent. I am happy to report that in fiscal year 2006, 34.6% of the procurement dollars went to small business prime contractors. Of that 34.6%, 12.1% went to small, minority owned businesses.

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

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

As initial steps toward improving employee satisfaction both at the headquarters and within the operating components, we have already identified the need for better communication throughout the workforce, continued emphasis of performance management training at the individual supervisor and employee level and implemented improved recognition of good performance. Although the general results of the survey were disappointing we are encouraged by the fact that DHS employees have passion for our mission. 89% percent of employees report that they believe the work they do is important, and 80% percent like the work that they do. This is a strong foundation to build upon for improvement.

We will continue to evaluate the detailed results of the survey, analyze the practices of Departments that are recognized for their high performance, and use this information to develop additional steps that will lead to DHS' employee satisfaction. This summer, we will conduct another survey of our workforce to ensure that our efforts are on track with addressing key employee concerns.

Additionally, the leadership team in each operating component and headquarters unit will discuss details of the survey with our workforce in order to gather employee suggestions and recommendations that will inform the way forward.

Human Capital

We are aggressively moving towards building a world-class organization by continuing to hire and retain a talented and diverse workforce. There has been considerable publicity about the Department's initial efforts to implement the MaxHR personnel management system, mostly resulting from recent court decisions regarding the labor relations portion of the system. In consideration of the recent court decision on collective bargaining, we are considering next steps in this area.

In the meantime, our Chief Human Capital Officer Marta Brito Pérez and I are broadening our efforts to encompass a wider range of human resource effectiveness with an initial focus on performance management. A performance-based management system compensates and rewards employees based on merit, that is, their performance and contribution toward the achievement of the Department's mission. Moreover, a performance-based management system requires work on everyone's part, as staff members at all levels of the Department to collaborate and define requirements, establish targets towards desired results, and agree on management methods for measuring and evaluating success. Based on the results of the OPM survey this is the area we need to focus on first.

Building a performance based, results oriented culture at DHS is very important. It will foster an environment of open communication and feedback between the supervisor and employee.

To date, we have implemented the new performance management program to over 14,000 employees, trained over 13,000 supervisors to ensure they develop the skills

needed to administer the new program, and implemented a new automated system to facilitate the new performance management process. We will continue to expand coverage of the new performance management program as it will allow us to work seamlessly across components with the goal of aligning the work we do with the overall strategy, vision and values of the Department.

In addition to establishing a performance-based management program, we will soon be deploying a "performance-based" pay pilot in the Intelligence & Analysis component for non-bargaining unit employees. We chose this component because we are competing with the private sector and other government agencies for the same talent and it will give us experience and employee feedback before we proceed with a wider implementation.

Other efforts underway are captured in a recently developed two year Human Capital Operational Plan. Key goals in the human capital area include:

- Developing career paths to broaden career opportunities for employees.
- Implementing an automated recruiting system to improve our hiring efficiency.
- Providing learning and development programs for DHS employees at all levels.
- Promoting a leadership environment that encourages and supports cross-developmental opportunities.

In addition, we will be improving our hiring processes by educating our hiring managers and human resource officials on the flexibilities that are currently available as well as implementing an enterprise E-recruitment system. We have established a Department-wide branding initiative and will implement proactive recruitment strategies to fill 979 mission support vacancies that cross component lines in areas such as information technology, acquisition, and human resources.

We are well on our way to achieving our hiring targets in our frontline mission critical occupations as well. In ICE, we have already filled over 50% of the 1,477 authorized positions for this fiscal year. As the President committed to last year, we are looking to have 17,819 Border Patrol Agents by the end of FY08 and 18,319 by the end of 2008.

Our recruitment strategies will be designed to ensure that DHS reflects our Nation's diversity. The percent of Hispanic females and males in the DHS workforce is 4.59 and 12.11 respectively. Hispanic males are employed at twice their rate in the National Civilian Labor Force. The percent of African-American females is 7.63, and for males is 6.86, which also exceeds CLF percentages. However, we must do better in ensuring our leadership ranks reflect the Nation's diversity. The Secretary, Deputy Secretary, and I are committed to ensuring that the talent pool for Senior Executive Service positions, in particular, is representative of our Nation as a whole.

Financial Management

The Department has many substantial challenges to overcome in its effort to improve its financial management processes. Chief Financial Office David Norquist and I are working to make measurable, demonstrable progress in the following areas:

- To improve systems and processes eventually leading to sustainable clean audit opinions.
- To provide assurance about our internal controls over financial reporting via a sound internal controls program.
- To provide greater visibility into DHS' financial activity through timely accurate and useful financial related data.
- To provide efficient financial management services.

Success in these areas rests upon a framework of people, policies, processes, systems and assurance. We have efforts underway in each of these areas which include: aggressive hiring and development programs; the "Internal Controls over Financial Reporting (ICOFR) Playbook" - a corrective action plan that addresses identified audit weaknesses; the development of a comprehensive set of financial management policies which represent the best practices of the Federal Government; and a plan to continue the migration and reduction in the number of our financial management systems.

Of particular importance are internal controls. Sound internal controls are essential to effectively meeting the Department's mission. DHS must have a process in place by which it can test whether our internal controls are well designed and operating effectively on a continuous basis. This means that management must move away from reliance on what outside auditors determine is wrong, and be able to independently prevent and address issues before they become problems.

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

Information Technology

The Department has established and institutionalized Department-wide business processes and systems for managing information. The DHS Chief Information Officer (CIO) Scott Charbo, heads the CIO Council, whose membership includes the CIOs from all of the DHS components. The council works to standardize business practices where it makes sense across the Department in order to improve information sharing. These efforts will improve our IT operations and reduce costs by eliminating duplicative IT systems. At this time, more than 60% of information management investments are managed through earned value principles.

Moreover, the DHS CIO has established program management offices (PMOs) to oversee selected major investments. In addition, DHS has awarded the EAGLE and FirstSource contracting agreements, the largest contracting vehicles in the Federal Government for the procurement of IT and program management services, which should result in more streamlined and cost-effective procurements.

- The Department's Enterprise Architecture Board (EAB) reviews investments at various stages in the IRP and CPIC cycles.

- The EAB has published the DHS Enterprise Architecture Version 2.0 to be consistent with best business practices. The Homeland Security Enterprise Architecture 2006 was rated "green" by OMB and rated 5th of 27 in the Federal Government for maturity by GAO. The enterprise architecture informs the creation of DHS strategic plans and all investment reviews.

- Consolidation of major networks and systems continues, reducing seven wide-area networks and creating one common e-mail operation.

- The first 24,000 square feet of the primary data center has been opened. The next 40,000 square feet is under construction and due to open in July. We have migrated systems and more are scheduled to move. The RFP for the second DHS data center has been released.

The Chief Information Officer is working to unify and improve DHS' IT security that is essential to accomplishing our mission. The DHS CIO and Chief Financial Officer (CFO) are working through the Internal Controls Assessment Project to bring information security policy and actions to the Federal Information Security Management Act (FISMA) standards. We are executing a plan to fix identified FISMA deficiencies.

- When we held our first IT security conference (Fall 2005), certification & accreditation (C&A) completion was approximately 22%. We have since increased C&A completion to 95% (Fall 2006), which reflects a 73% increase.

- A baseline list of systems has been integrated into our budget and procurement process.

- Security controls testing increased from 54% to 87% of DHS systems.

- Annual DHS-wide IT security awareness stands at 88% with training for certain specialized job functions at 97%.

- Key policies and procedures have been revised to assure protection of personal identifiable information.

Consolidated Headquarters

DHS' mission demands an integrated approach, yet the Department's legacy facilities are dispersed in more than sixty locations with 7.1 million Gross Square Feet (GSQF) of office space throughout the National Capital Region (NCR). This dispersal adversely impacts critical communication, coordination, and cooperation across the Department. Consolidating executive leadership in a secure setting of no less than 4.5 million GSQF of office space for policy, management, operational coordination, and command and control capabilities at the St. Elizabeths campus is vital to the long-term success of the Department. It will ensure a unity of effort and command for the Secretary as well as build a culture and a spirit which are essential to having a happy and productive workforce.

Without federal construction at St. Elizabeths, DHS will continue to be housed in more than 50 locations in the National Capital Region (NCR). If the project is not funded, the cost to continue housing DHS in leased space is approximately \$5.1 billion based on a net present value (NPV) analysis. The St. Elizabeths development NPV is \$4.1 billion (\$3 billion program investment), a \$1 billion dollar NPV difference providing an equivalent annual cost advantage of \$63,953,000.

Moreover, Congress' approval of this project would reverse the current situation where DHS is currently located in 70 percent commercially leased space and 30 percent government owned space.

Consolidating our facilities will increase efficiency and communication, as well as help foster a "one-DHS" culture to optimize prevention and response capabilities across the Department. I request that Congress support this effort by authorizing and appropriating the funding for DHS' consolidation at St. Elizabeths West Campus.

Authority of the Under Secretary for Management

Throughout the process that ultimately led to my Senate confirmation, the question has been raised as to whether the Under Secretary for Management has sufficient authority to do the job. My answer is an unqualified, yes. I have sufficient authority to direct the type of sustained leadership and overarching management integration and transformation strategy that is needed Department-wide. Under section 701 of the 2002 Homeland Security Act, and internal Departmental directives and delegations, there is a very clear mandate of management authority for the USM. I also have the full support of the Secretary and Deputy Secretary. The Secretary has advised me that if there is any authority that I need that I don't have to do my job, he will provide me that authority. In addition to the statute, I operate with the Department's leadership fully knowing the job I am chartered to do, and that I operate with the full authority of the Secretary to get it done.

Conclusion:

Secretary Chertoff has expressed that one of his key goals for DHS is to strengthen DHS core management, policy and operational integration. I think DHS has come a long way since its inception in management and we will continue to improve by institutionalizing management processes and procedures over the next few years. I know from my 2 months on the job that we have major challenges ahead but I look forward to them with energy and enthusiasm. Thank you for your leadership and your continued support of the Department of Homeland Security and its management programs. I look forward to working together in shaping the future and success of DHS. Thank you for this opportunity to be here today and I am happy to answer any questions that you may have.

Mr. CARNEY. Thank you for the testimony that you have given so far, and of course, we have your written testimony. We certainly appreciate that.

I will remind each member that he or she will have 5 minutes to question the panel, to question Mr. Schneider.

I am going to go out of order. I am going to allow Mr. Rogers to go. He has an urgent appointment he has to make. So he will be able to ask the first question for 5 minutes.

Mr. ROGERS. And I thank the chairman.

Mr. Schneider, as you know, and I have talked with you privately, the morale at DHS has been an issue that this committee has been attentive to during the 109th Congress and concerned about and have held hearings on it. And you also know that OPM recently conducted a survey of all federal employees, and DHS obviously was included in that.

On January 30 of 2007, Deputy Secretary Jackson issued a memo to all DHS employees regarding that OPM survey. In that memo, Mr. Jackson stated that, "Strengthening core management is one of the secretary's highest priorities and the key elements of an effective communications and proper recognition of our workforce."

Mr. Jackson further indicated in that memo that you, he and Secretary Chertoff would be evaluating that OPM survey. Have you had a chance in your brief tenure to review that OPM survey? And if so, what goals have you been able to yield from it, and what are your expectations?

Mr. SCHNEIDER. Yes, sir. I have spent considerable time looking at all the statistics, not just at the macro department level but the individual components, the operating components and the headquarters, and what we see is in certain areas a common thread.

We know that certain organizations have some very serious issues, and that is based on the number of respondents relative to the overall population. And so we also know that we have to do a better job on this performance management.

When you look at the answers to all the questions, people feel, in large part, that they are not properly acknowledged for the work that they do. This is linked to performance management. They, in many cases, feel that the communications—and this gets down to the individual survey questions—communications between them and their supervisor are poor. In some cases, they don't believe that their development requirements are being properly recognized by their management so that they can get the skill set and development they need.

So what we have been doing, and I have been working—I chair Management Council, my counterparts of the operating component. I have met with them. The deputy secretary and myself have met with the seven operational component heads, we have gone through the results of the survey. We have a framework for a package that focuses on communication, change processes for even how we do the future-year or out-year planning where everybody is part of the team and everybody can kind of understand what our objectives are.

We have got an effort under way with focus groups to go down—I mentioned in my opening statement we have trained 13,000 supervisors. We are going to go target several of those across the enterprise and find out what went wrong, okay? They were trained, they should have worked with their employees, we should have performance plans in place. We are going to go in there and we are going to audit these things.

Mr. ROGERS. What timeline do you expect to do this on?

Mr. SCHNEIDER. We are in the process of putting together the focus teams right now. I can't give you the actual timeline. It is something that is currently under development.

Mr. ROGERS. Conceptually, when would you like to see this done, completed?

Mr. SCHNEIDER. I would like to see some of these focus groups under way in the next 60 days. I think we have got a broad outline of an improved communications packages, of how we get the information out to the employees. As a start, the secretary this afternoon, literally as I am speaking, is conducting an all-hands meeting, and we have arranged for that message to get out.

So I can tell you that the recognition that we have to do a better job of communications top down, all the way throughout the 180,000 people is well-understood, and we have got efforts under way.

Mr. ROGERS. And along that line, one of my pet peeves in the last Congress is the fact that your department uses the phrase, "human capital," instead of calling it the Office of Personnel or something that normal people would use. And on page 2 of the report, "The Culture Task Force, which reviewed this, recommends referring to employees by dropping the buzz word, 'human capital,' and replacing it with 'employees' or 'members.'"

Do you agree with that recommendation?

Mr. SCHNEIDER. Yes, sir, I do. I don't like the phrase, "human capital," and when I read that report from that committee, I raised the question, "Why do we use that?" I have not traced it down, but I am in the process. Apparently, there is some—what has been told to me, there is some law that says that is the proper term. So when I trace that down—

Mr. ROGERS. You let us know. We will change the law.

Mr. SCHNEIDER. Yes, sir. With all due respect, I hate the—

Mr. ROGERS. Good. You and I have something in common.

Mr. SCHNEIDER. Well, it doesn't reflect truly the value of the individual.

Mr. ROGERS. Great. Thank you.

My time has expired.

Thank you very much, Mr. Chairman.

Mr. CARNEY. Thank you, Mr. Rogers.

I will now recognize myself for 5 minutes.

Mr. Schneider, integrating 22 legacy agencies into one functioning department is a tremendous challenge; we all appreciate that. How do you plan to use your directorate to facilitate this goal, and what tangible evidence of progress can we look forward to in the coming year? In other words, what are your benchmarks?

Mr. SCHNEIDER. There is a whole series of them. Let's start with the one that gets the most visibility, which is the—and I believe it was in your opening comments—internal controls. And so let's just take that.

We have serious weaknesses in internal controls. I have met with the inspector general. We have a plan, and I refer to it in my statement, called, "A Way Ahead," which is we call it the internal controls over financial reporting, ICOFR. And what it is, it is the road map at the department and operating component levels that addresses every one of the internal weaknesses that has been identified by the I.G. and their accounting firm KPMG.

I have met with the I.G. We are starting a series of meetings that I am personally running between the chief information officer, the chief financial officer at headquarters and then the components that go address each of these identified deficiencies.

We have a plan for each component and the headquarters that is focused on a timeline for partial remediation, full remediation and then assurance. That is the benchmark that I look for in terms of internal controls.

The deputy secretary and I have met with the heads of each of the operating components. We have gone through the framework. They understand they are signed up to do it. And I believe that with periodic monitoring and implementation—this is hard work, but it is not something that is beyond the realm of doing. I mean, it is just hard work, but people can do it. And that is why I believe in our plan. That is our measurement or benchmark.

In the case of the financial management systems integration, there is reference to the 22 different agencies, a myriad of financial management systems. We have an outline of a similar architecture, possible solutions without getting into whether it is SAP or Oracle-based, et cetera. We are working out at a very definitive plan to start migrating each of the financial management systems off their existing platforms to one of those two that meets our architecture.

So I think finance is a big part of it.

In terms of the human resources, one of the problems we have at MaxHR was that it focused on six elements. It didn't address the broader context of human resource type things, like hiring and leadership and development and things like that.

So one of our benchmarks is hiring, how well do we do as a corporation. We have efforts under way to try and substantially meet our hiring goals as well as how do we improve the hiring process, both at headquarters and within each of the operational components.

I have already engaged in several discussions where people are taking a look and doing process reengineering at the operational component level to how they can streamline their end of it. We, at the corporate level, have to figure out how do we basically merge the best practices and do much more efficient hiring?

The consolidation of I.T. infrastructure, I am frequently asked, do I have all the authority I can to do the job? And there are others that have made some proposals that perhaps enhance that. Well, in my discussion with the secretary about 3 weeks ago, we were talking about, "How are we going to integrate this I.T. infrastructure? How are we going to, basically, cut costs, move people to the right types of platforms, basically, execute our enterprise architecture?"

We have an enterprise architecture. The problem is in enforcing it. And so he asked me, "Do you have all the authority that you need and that the CIO needs to make this happen?" And I said, "No, I don't." So he said, "Fine. You tell me what authority you need for you and the CIO to make sure you can execute this thing and I will sign it." And 8 days later, he did that.

So we are in the process right now of structuring, how do we migrate this massive I.T. infrastructure to what we believe is the correct end state based on our enterprise architecture.

So I think I have captured, between financial I.T. and human resources, some of the major elements.

My plan is for every one of these areas, have a clear, definitive approach, just like we have in the internal controls playbook, that the I.G. and the GAO can monitor us on. And I am very hopeful that we will, if we do that, start making progress and that those two oversight agencies will recognize the progress that we make.

Mr. CARNEY. We do look forward to those benchmarks and watching the progress that DHS makes. It is very important, as you know, to certainly the safety of this nation.

I now recognize Mr. Thompson for 5 minutes.

Mr. THOMPSON. Mr. Undersecretary, can you say to the committee how you propose to change how the employees view the agency they work for? Right now, as you know, it ranks dead last in the eyes of the people who work for it, and that is a challenge. So tell us how you see that changing?

Mr. SCHNEIDER. Well, we are starting with a good foundation where a very high percentage, high 80s, think the work they do is important and they think the mission of the organization is important, and they understand how their work relates to the mission. So we are starting with a very good benchmark.

I believe it gets down to how people are treated. As somebody that came up through the ranks, I started as a GS-5. I was very fortunate that I had good supervisors who clearly, in my career, explained what was expected of me, would work with me, and if I did what I was required to do as part of my performance, saw that I got the recognition. I was properly recognized for it, and I could rise through the ranks.

I think that is where we have to focus on, and I spent a lot of time going out talking to people, I personally run town hall meetings. I believe that part of our communication strategy, top down, at all leadership levels, is to get the message out to the people, focus on these employee-supervisor relationships at the lowest level, the mid level and the high level and make it work.

Mr. THOMPSON. Let me tell you what some of us hear. If I am a GS-12 and I am a federal employee, next to me is a contract employee, that contract employee makes one and a half to two times more money than I do and we are doing the same job. You will never get morale up that way.

Mr. SCHNEIDER. I would like to address that. I agree with you if the two people are doing the same job. I personally have a problem that that situation would exist. I believe there are jobs that are inherently governmental that should be done by government employees, and there are those that could be properly done by contractors.

And so from my standpoint, we shouldn't be in that situation, Congressman, where we have two employees doing the same job. Because I would agree that that would be a demoralizing factor, if you will, in employee?

Mr. THOMPSON. That is the concern. Let me give you another one.

We put procurements on the street. We don't have enough employees to manage the procurements, and, therefore, we either get behind on the procurements or, as you know, in times past, we have had to cancel procurements and projects, ISIS and some others, but we are in the middle of one now called, SBInet.

We found out in a hearing yesterday that our next management task we don't have the employees in place to move forward. But yet and still we are pushing out a multibillion dollar project, and we don't have staff in house to staff it. And we are told by the I.G. and GAO that the staff we need are very complicated tasks that you have to have special people. You can't use interns, you can't use entry-level people.

So I think the challenge you are going to have to do is to how first get a hand on the procurement, and so we can't go out with this procurement unless we can adequately staff it. And that is a real problem.

Mr. SCHNEIDER. Yes, sir. And I agree with you, and that is why this is one of those cases where the devil is in the details.

For example, on SBInet, it takes a mix, if you will, of contracting people to execute contracts. It takes a mix of the right system engineers to know whether or not the architecture that is ultimately being developed right now for Project 28, the first 28 miles, is in fact a good architecture that is modular and can be scalable to the entire southwest border. It takes test engineers that frankly can

work with the Army, who is going to be the independent test agent this May and June, to have the expertise in testing to look at and evaluate whether or not those test and evaluation results are proper.

So some of those areas we are short. We are not short in every one, and I think it is a question of, do we have the right talent looking at the specific task at the right time so you can move ahead? And that takes going into the level of detail almost on a frequent basis to make sure as the program ramps up we have all the specialties covered.

Mr. THOMPSON. Thank you.

Mr. CARNEY. Thank you, Mr. Thompson.

The chair would also like to recognize the presence of the gentleman from the District of Columbia at today's proceedings. Representative Holmes Norton has a particular interest in the topic at hand today and approached the committee about participating.

I ask for unanimous consent to allow Representative Norton to sit and question the witnesses at today's hearing.

Without objection, it is so ordered.

I now recognize Ms. Clarke, but before I do that, a series of five votes has been called. The committee will recess, subject to the recall of the chair, to allow members the opportunity to vote. When we return, we will continue with the questions, beginning with Ms. Clarke.

[Recess.]

Mr. CARNEY. The subcommittee will return to order.

I recognize Ms. Clarke from New York for 5 minutes.

Ms. CLARKE. Thank you very much, Mr. Chairman.

Undersecretary Schneider, I thank you for coming before this committee and for your indulgence with the procedures here. I am sure you are probably more accustomed to it than—well, actually, you are pretty new here too, so we are probably all experiencing this simultaneously.

Past leadership has led to many serious concerns and problems within the directorate of management, and now they have sort of left all of this for you to clean up. I just wanted to express my concern, as many of my colleagues have, with respect to the personnel problems within DHS and highlighted specifically by the OPM survey.

You or the agency is 36 out of 36 in job satisfaction, 35 out of 36 in leadership and knowledge management, 36 of 36 on results-oriented performance culture, 33 out of 36 on talent management. And your employees are your most valuable asset, and I think before we left you kind of reaffirmed that.

With statistics like these, DHS cannot possibly expect to recruit and retain the very best possible people when there is a sharp competition coming from the private sector, as, again, you have stated.

I see this survey and your hiring as a possible turning point, and I hope you will take the reigns and provide the fresh insights that are obviously needed to right this ship. Since the only direction we have to go is up, the opportunity could not be a better one.

My question has to do with your testimony in which you noted that the department failed, HR Max personnel system has drawn much publicity lately because of court decisions opposing the de-

partment's proposed treatment of labor relations. You then state, "In consideration of the court decision on collective bargaining, we are considering next steps in this area."

Today, you have discussed at length your general ideas for reforming the personnel and human capital system, but I have not heard you address the future of collective bargaining within the department.

Please tell me, do you intend to allow your currently eligible employees to retain union membership and collective bargaining rights, and do you feel that the department attempts to end collective bargaining through HR Max had an impact on the OMB survey?

Mr. SCHNEIDER. Congresswoman, I do think—and that is a personal opinion—that the uncertainty with MaxHR did have an impact on the survey, and that is one of the reasons why what we are trying to do is to explain to people what are the elements of our human resource management system.

This is the problem, as I see it: MaxHR was comprised of six elements. It was performance management, classification, pay and pay administration, labor management relations, adverse actions and appeals. There were six elements.

The problem, I think, was that with the court case it focused on one of those six, the labor management relations. And because of that, I don't think we did a good job of explaining to the workforce, what exactly were the other five elements of the personnel system.

And so there was a great deal of uncertainty, which what was this MaxHR across the workforce. Shortly after I was sworn in, I conducted a series of town hall meetings with all of my employees. Filled up the auditorium at GSA and the chapel out at Nebraska Avenue. I was asked a lot of questions about it.

And so what appears would happen was the department tried to do too much, too soon, and when people started to think about the fact that we are going to start linking pay and performance, et cetera, nobody really had taken the time to explain to them how that was going to be done, coupled with the visibility in the press regarding labor relations issue.

I think people didn't know what was going on, and when people start feeling that their pay is going to be tinkered with, not understanding exactly how it is going to work, I think that creates an area of concern.

So the first part of your question is, I do think it had an impact, which is why when we are moving—when I say we are moving to a human resource management system, it encompasses the major elements of MaxHR, but it also focuses on hiring, leadership and employee services, which is why that wasn't covered—those other elements were not covered by MaxHR.

So what we have done is we are focusing on performance management, we are deferring the labor relations issue till we have discussions with the proper union representatives, and we are going to do a pilot on pay-for-performance in the INA sector. And then get the basics down right and then move toward the other elements.

And I think that once we explain that, and that was one of the things that I believe the secretary did in his all-hands meeting in

transmission this afternoon. Once we do that and we start getting the word out, explain what we are really doing, I think it will go a lot toward alleviating a lot of the people's concerns.

Mr. CARNEY. Thank you.

I now recognize the gentlewoman from the District of Columbia.

Ms. NORTON. Chairman, I thank you for your courtesy and the courtesy of the ranking member and allowing me to sit it on this hearing. I am a member of the full committee but not a member of this subcommittee, and I appreciate what I have heard of what you are doing in this particular hearing, in particular.

By the way, I didn't hear the gentlelady's original question about pay-for-performance. This came up in government reform, and I am afraid what the government has not come to grips with, as why we have a civil service system in the first place when you have thousands and thousands of employees. And you are in a system that is a public system where the 14th Amendment due process applies.

Maybe you all are smarter than everybody else, but no one has been able to figure out how to do a system with due process, which assumes everybody is treated the same way, and do the kind of individualized pay-for-performance you are describing without getting, first, a gazillion grievances and, second, simply complying with due process.

When Mr. Schneider talked about a consultation with the affected unions, I was pleased to hear that since the statute setting up the Department of Homeland Security all but wiped out collective bargaining, which is part of the problem. I don't know how you run an agency so demoralized by wiping out the rights of workers but then proceeding to do something that has never been done and, I am going to say as a lawyer, think can never be done, at least in a public system and that is to say, "We are just like General Motors." I shouldn't say General Motors because that is a unionized system they are following, which isn't quite that way either.

But we are just like any old corporation. We are going to decide on an individual basis who gets paid what in a federal system, but the reason that hasn't proceeded, I believe, is because it is all but impossible. There may be better ways to do it than the way we are doing it, but what has come forward in pay-for-performance invites court suits and invites overturning.

I don't have questions.

I just wanted to thank you, Mr. Chairman, for making the St. Elizabeth's campus part of this hearing and making it part of the hearing on management.

Mr. Chairman, the president of the United States, when he had a Republican Congress and a Republican Senate last year, put in money for the homeland security headquarters and they did so for a reason I think we can all understand. And, yet, that Congress did not pass this bill. It is amazing since I think this president considers homeland security his signature issue.

The reason for the consolidation is that you simply can't manage this agency without it. I do not believe we have an agency yet. They are located in 60 different locations. In other words, they are as we found them. What good did it do to set up a Department of Homeland Security that is still spread in the very same places that it was before when we said the whole reason for setting up, in light

of 9/11, was to consolidate the agencies so that they could have cross-agency coordination and action and that it was dangerous not to have them so that they could have the unity of action that would come with putting them in the same agency.

The president has requested that they be placed into the only place left in the District of Columbia large enough to accommodate what amounts to several agencies, a consolidated Homeland Security agency.

We have been over there, introduced it to the community when we thought it was coming the last session. Another reason, of course, that this was chosen is that the old St. Elizabeth's campus is government-owned. We have very little land that is government owned, but still—so that means we don't have to buy the land as well as the rest of it.

As I say, I think that the chair has legitimately put your dispersed situation in a management structure. I believe that you could have done a lot more at DHS in 4 years to establish the semblance of any agency. I will grant you, however, that as long as you are left as you were, it is asking a great deal to say what the statute envisioned. Make an agency, make it whole, make it cohesive.

I can only ask, Mr. Schneider, part of what I think happened last time that as much as the agency was committed, to this, they didn't try hard enough. I was in the minority.

Ms. NORTON. And it seemed to me that the burden on the president, his agents and his congressman. Instead, the money was used up. To show you the kind of respect they had for the agency and the need to have a coherent agency, the Senate, just found and used it for four courthouses. The president has put money for those courthouses in his budget.

Mr. Schneider, I have come to the hearing only to say to you that I am chair of the subcommittee with jurisdiction over GSA, which is charged with building this agency. I believe Secretary Chertoff, I believe, your deputy, when they say this means everything to them, given your position in the agency, I hope that you will use your good office as well to make sure that this happens this time.

I think this is the last clear chance, and the president has put the money again in this budget. I think he has done all he can. It is going to be up to the agency to press very hard for it. It is your agency, it is your dispersal, and it is yours to do something about.

Mr. SCHNEIDER. If I may, Congresswoman, I really appreciate those comments and your support. I have personally walked the St. E's campus looking at these buildings and have gone both through the DHS \$120 million portion of the budget and the GSA, I think it is, \$345 million of the budget.

I personally track the progress that GSA is making in dealing with the National Capital Planning Commission as well as satisfying all of those that have interest relative to the National Historic Preservation Act and the specific executive orders.

My personal take on this is, we have got a lot of issues to work to make this happen, and we may have a lot of budget year, as you indicated, with those seven, but we can still make the majority of that schedule if we can work through these historic preservation issues, environmental impact statement issues.

And so I appreciate your support of this. This move is absolutely critical to the department.

I have walked just about every building on Nebraska Avenue complex. In many cases, those facilities are not adequate to house this department.

Ms. NORTON. If I may say, I wish you would take off the table the environmental impact issue. That is not yours to work on. There will be a full-blown environmental impact statement. And in terms of the historic issues, you may not know this, Mr. Schneider, but the federal government has an extraordinary record, the best in the country, of building in places that have historic buildings and preserving them.

So I want to take that right off your mind so that you can focus on the one thing that seems to me that is your responsibility and that is making sure that the Congress understands this time that you, the agency, must have this construction and need to have it this time. Those other issues are not your issues, sir.

Mr. CARNEY. I thank Ms. Norton for her comments, her insight and her willingness to push this stuff through. It is very important.

And, Mr. Schneider, again for your comments.

We are going to start round two of the questions now. I think both Ms. Clarke and I have another round and we will get to them right now.

Mr. Schneider, last month, Deputy Secretary Jackson told us that, "MaxHR is dead." He also told us that he asked Secret Service detail but they thought of MaxHR after they did their training, and they told him that they hated it. MaxHR is dead is a pretty unambiguous statement.

So I was a little surprised to hear your office describing the new human capital operational plan as "encompassing all MaxHR initiatives and more."

Mr. SCHNEIDER. Let me?

Mr. CARNEY. Let me finish the question, and then we will get to it.

I am pretty sure that those Secret Service agents hated more than just the name, MaxHR. I am concerned that your just stripping the title and repackaging the old Max HR in a shiny new wrapper.

What parts of MaxHR are actually dead? What has changed?

Mr. SCHNEIDER. The one we are not pursuing is that one element of the labor relations, which is the item that was the basis for the court hearing—those elements focuses—we have a template that focuses on those other five elements and the additional ones that I talked about, which were leadership and development, quality employee services, servicing centers, if you will, as well as our hiring effort, okay?

So those are the elements of our human resources plan. These are all documented in what will ultimately be issued as a human capital operating plan. And so that is what is our centerpiece for human resources.

Our game plan is to focus on an incremental basis on selected portions of this, heavy emphasis on performance management, a pilot on pay-for-performance with the intelligence and analysis group, leadership development. We have already instituted a fel-

lows program, we have instituted an SCS counterdevelopment program. We have several other leadership and development programs that are under way. We have extensive hiring efforts under way. Those efforts that could be done across the department as a total enterprise, those that are operating unit-specific.

So that is our plan, if you will.

And we don't call it MaxHR, we don't—and the reason is, MaxHR equals a court case, equals a failed system, equals something that people didn't understand. And so we are going out now and explaining to people what exactly is our human capital operating plan. And we have a large effort in front of us because the experience that you got with the Secret Service is typical across the enterprise. And that is because we didn't do a good job of explaining our plan.

And so when the secretary says, "MaxHR is dead," it is dead as it was envisioned and explained or poorly explained to people.

Mr. CARNEY. I think I understand that.

[Laughter.]

Thank you very much.

Ms. Clarke?

Ms. CLARKE. Thank you very much, Mr. Chair. I guess let me—MaxHR is dead? Okay.

I wanted to just in light of the whole element piece that you went over with us, you said the piece that you are not pursuing is labor relations. And I wanted to ask, do you feel that the department's attempt to end collective bargaining through MaxHR had an impact on the OPM survey?

Mr. SCHNEIDER. I think, as somebody on the outside who was trying, when I was first nominated by the president for this job, as somebody that was trying to understand what this MaxHR was, it was very confusing to an outsider, and I read all the available public information, and I was confused about exactly what the basis for the court case was, exactly how and pay and performance were linked together.

And I could clearly understand why, if I was an employee in the department, why I would be very suspicious about what exactly was envisioned and how it would affect my performance, how it would affect my compensation, how it would affect my employee rights.

And so I believe that that really did have an impact on the survey, because, frankly, the department did not do a good job of explaining what was MaxHR.

Ms. CLARKE. So you think the employees sort of saw it as a threat or the end of collective bargaining as they knew it, because the elements that you just described is something that most employees associate with their affiliation and their membership with the labor organization, in effect, collective bargaining.

Mr. SCHNEIDER. I think it had impact on two accounts. One, those employees that were covered by collective bargaining clearly perceived that as a threat and a loss of rights, without arguing whether that is a valid position to have or not. Those that were not under the collective bargaining, I think the general uncertainty of what MaxHR was and how it would directly impact them I think

gave cause for concern as to what the impact of what MaxHR would be on them individually.

So I think you had a double hit, frankly, those that were covered by collective bargaining and those that were not. And I think it would have an impact. And I can understand, again, as somebody who tried to understand based on the available literature, the documentation, what exactly was MaxHR. I can reasonably understand why somebody would be suspicious and concerned that their pay was going to be tinkered with and they would have no rights.

And so that might considered jumping to conclusion, but I see the paper trail could have easily led somebody to that conclusion.

Ms. CLARKE. And just, finally, as you institute a more performance-based system, pay-for-performance, and managers will have an increased amount of control over their employees, what type of system do you envision will be in place to resolve inevitable disputes between employees and management, and would this system incorporate cooperation with unions?

Mr. SCHNEIDER. Well, first of all, I think for those that are subject to collective bargaining, we have to follow the practice in terms of how we institute any system, okay? So that would get addressed in the collective bargaining process. For those that do not come under collective bargaining, we would have what I would consider the menu of appeals and grievances.

And so in other departments, like the Department of Defense, where pilot pay-for-performance and performance management systems were implemented, there is a menu of grievances and appeals for the employees. So we would have those menus of appeals and grievance processes so that they would be entitled to protection of their rights. And that is a very important part of that.

So it would be handled differently for those that were covered and those that were not under collective bargaining.

Mr. CARNEY. Does the gentlewoman have any further questions?

Ms. CLARKE. No.

Mr. CARNEY. I have none either.

I want to thank you, Mr. Undersecretary, for the testimony and all the members who asked their questions.

The members may have additional questions, and if you could expeditiously respond to them in writing, we would appreciate it.

Hearing no further no business, the subcommittee stands adjourned.

[Whereupon, at 4:26 p.m., the subcommittee was adjourned.]

APPENDIX

ADDITIONAL QUESTIONS AND RESPONSES

QUESTIONS FROM THE HONORABLE BENNIE G. THOMPSON, FOR HONORABLE PAUL A. SCHNEIDER RESPONSES

In its report on the acquisition of the National Security Cutter, the Inspector General stated that he “encountered resistance from the Coast Guard” and that “responses to document requests were either delayed or incomplete,” ultimately leading the IG to suspend fieldwork completely for five weeks.

Question 1: Please explain your understanding of the IG’s statutory right of access to Departmental records and other material.

Response: The Inspector General’s right of access is very broad. According to the Inspector General Act, the Inspector General of the Department of Homeland Security (DHS) is authorized “to have access to all records, reports, audits, reviews, documents, papers, recommendations, or other material available to the applicable establishment which relate to programs and operations with respect to which that Inspector General has responsibilities under this Act.” Consistent with this statutory grant of authority, DHS Management Directive 0810.1 requires Component agencies to provide prompt access for the Office of the Inspector General to any files, records, reports, or other information that may be requested, and directs DHS employees to cooperate fully by disclosing complete and accurate information pertaining to matters under investigation or review.

Question 2: Do you believe it is appropriate for employees to provide materials directly to the IG, or must materials first be provided to a central unit or audit liaison?

Response: As noted previously, DHS requires departmental employees to cooperate fully with the Inspector General by disclosing complete and accurate information pertaining to matters under investigation or review, in accordance with the DHS Management Directive 0810.1.

In addition, the Departmental GAO/OIG Liaison Office routinely works with the Office of Inspector General to facilitate the flow of information in the context of the Management Directive. Indeed, the DHS Inspector General testified before this Committee on February 7, 2007, regarding DHS cooperation and indicated that he was not concerned about denial of any information. Moreover, the IG regularly meets with senior DHS officials to discuss and resolve such matters.

Nevertheless, we are constantly striving to improve the Department’s internal processes in the context of prudent management practices. In this way, we can move forward to fulfill lawful requests thoroughly and comprehensively.

Question 3: Do you believe the IG has a right to all Department records or can draft, privileged, privacy protected, or classified materials be withheld from the IG?

Response: As previously stated, the Inspector General Act grants the IG broad authority to obtain relevant records, reports, audits, reviews, documents, papers, or recommendations within the Department. Moreover, the Department maintains a strong Management Directive which requires that its Components provide the IG with prompt access to any files, records, reports, or other information requested. The documents provided to the OIG often include classified or otherwise sensitive information, and in these instances, DHS employees are to advise the OIG about such markings in order to ensure proper handling of the documents. As a result, the Department has provided the Office of Inspector General with many thousands of pages of documents—frequently containing classified and otherwise sensitive information—and has assisted the OIG in issuing hundreds of reports. Further, there

may be documents that implicate certain legal principles that require careful consideration.

Question 4: Please explain your understanding of the conditions under which employees may meet with the IG. In particular, must employees report all contact with the IG to their supervisors, or are they free to meet confidentially with the IG at any time? Are employees free to provide information directly to the IG, orally and in writing, without notifying management?

Response: DHS employees are not required to report their contact with the Office of Inspector General. Typically, the OIG will meet with employees without supervisors being present. Indeed, DHS Management Directive 0810.1 recognizes that the OIG is authorized to “[p]rotect the identity of any complainant or anyone who provides information to the OIG.” This procedure is consistent with Section 7 of the Inspector General Act and the provisions of the Whistleblower Protection Act.

In addition, DHS Management Directive 0810.1 specifies that Component agencies will “assist in arranging private interviews by [OIG] with staff members and other appropriate persons.” This approach operates in accordance with prudent management practices, and is, in no way, intended to inhibit the free flow of information to the Office of Inspector General. Instead, it reflects the need for supervisors to be aware of employees’ whereabouts and activities within their office or Component.

Question 5: Do you think it is appropriate for the Department or one of its Components to require a representative of management or an audit liaison to sit in on all interviews with the IG?

Response: DHS does not require the presence of a management representative or audit liaison at all interviews of employees or contractors. We are not equipped or staffed to handle such a workload. As the Secretary recently testified before the House Appropriations Subcommittee on Homeland Security, DHS believes cooperation with the OIG is imperative. Nevertheless, when an employee requests a Department representative to accompany him/her to a meeting with the Office of Inspector General, we will consider such a request and honor it when appropriate. In evaluating such situations, we carefully consider the employees’ rights under the Whistleblower Protection Act and other related statutes.

Question 6.: Please explain your understanding of the Government Accountability Office’s (GAO) statutory right of access to Departmental records and other material.

Response: The Government Accountability Office (GAO) has a broad right of access to a wide range of materials and information within the Department. In particular, section 716(a) of Title 31 of the U.S. Code provides the Comptroller General with access to various information about the Department’s “duties, powers, activities, organization, and financial transactions,” so long as it falls within the proper scope of GAO’s authority and competency. Consistent with this statutory framework, DHS Management Directive 0820 “requires all employees of DHS to cooperate with all employees of GAO to the fullest extent consistent with the obligations of the Department and its Organizational Elements.”

Question 7: Do you believe it is appropriate for employees to provide materials directly to the GAO, or must materials first be provided to a central unit or audit liaison?

Response: As discussed previously, DHS Management Directive 0820 requires DHS employees to cooperate with the Government Accountability Office (GAO) consistent with the Department’s obligations. In addition, DHS employees are provided guidance as to when it is appropriate to consult with senior officials in order to ensure prompt, accurate and complete responses to GAO requests. Moreover, the Departmental GAO/OIG Liaison Office routinely works with the GAO to facilitate the flow of information and keep track of the materials provided in accordance with prudent accountability and good management practices. In this way, the Liaison Office helps to ensure proper marking of documents and compliance consistent with applicable statutory provisions (including 31 U.S.C. Section 716).

As the Secretary testified on February 8, 2007, DHS is putting mechanisms in place to create incentives for DHS employees to make information flow a top priority and linking employee performance reviews to their responsiveness. We are always striving to improve the Department’s processes in the context of consistency, coordination, and prudent management practices. In this way, we can move forward to fulfill lawful requests thoroughly and comprehensively.

Question 8: Do you believe that there are any limitations to the types or classes of documents that the GAO can request? If so, please describe the limitations.

Response: DHS works cooperatively with the Government Accountability Office (GAO) in responding to its requests. Indeed, DHS has provided GAO many, many thousands of documents in response to numerous GAO requests and hundreds of GAO audits and investigations.

DHS employees are provided guidance for reviewing document productions before disclosing the information to the GAO. For instance, DHS—due to nature of the work it performs—handles very sensitive information, the inappropriate disclosure of which can lead to severe consequences. While fully cooperating with the GAO, the Department must strictly adhere to applicable laws and regulations related to the disclosure of such information. The Department's ability to obtain the information critical to our mission—particularly from the private sector and other stakeholders—is based upon our extreme vigilance to ensure that the release of materials will not be made in an inappropriate manner. Further, we must ensure that such disclosure will not negatively impact the open atmosphere in which the information is shared in the first place. Failure to demonstrate such diligence may “chill” or inhibit the willingness of various stakeholders to provide useful information to the Department. Therefore, it is important to have an organizational mechanism and structure in place to consider documents prior to disclosure. DHS will nevertheless continue to work with and cooperate with the GAO to improve the proper flow of information and materials consistent with 31 U.S.C. Section 716.

QUESTIONS FROM THE HONORABLE CHRISTOPHER CARNEY

Question 9: Integrating 22 legacy agencies into one functioning Department is a tremendous challenge. How do you plan to use the Directorate to facilitate this goal, and what tangible evidence—what benchmarks—of progress can you describe for the coming year?

Response: An effort of this magnitude requires effective and efficient use of financial and human resources, enabling technology, strong processes and superb management. These are the challenges that are the focus of my efforts.

The major elements of our strategy are:

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

Our approach has a common thread through all of these areas: Ensure that there is a comprehensive and integrated strategy with specific and measurable goals that support the activities and priorities of the Department. On a practical level, we will ensure that this strategy succeeds by having a team with the right knowledge, skills and abilities to support the programs, the overall transformation and the integration efforts.

Question 10.: The Department has requested over \$120 million to consolidate its headquarters in Washington, D.C. However, we have yet to see a complete budget estimate for this 10 year project. The \$120 million for FY '08 is the short run cost. Looking at the long term costs of this project, what guarantees can you give us that this project will stay within budget and not become another “Big Dig” or Capitol Visitor Center?

Response: Both the General Services Administration (GSA) and the Department of Homeland Security (DHS) are committed to executing this project in a fiscally responsible manner and will institute controls/systems throughout the design and construction phases to effectively manage the scope, schedule and budget.

The DHS NCR Housing Master Plan submitted to the Congress on October 24, 2006 as directed in the FY 2007 Homeland Security Appropriations Act (P.L. 109–295) establishes the DHS requirement in terms of the minimum density of development necessary for the Department to effectively function as a Unified Headquarters. This requirement is for up to 4.5 million gross square feet of office space plus parking. GSA is preparing a Master Plan and Environmental Impact Statement (EIS) for St. Elizabeths West Campus which has 3 alternatives that meet the DHS requirement. The Master Plan will set the framework for development, including density, locations for development, design guidelines, adaptive reuse of historic structures and demolition. This effort is being coordinated with the Regional Planning and Review Agencies, including the National Capital Planning Commission,

the U.S. Commission on Fine Arts, the District of Columbia Office of Planning and other stakeholders such as the Advisory Council on Historic Preservation. Since the site is a National Historic Landmark, consultations in accordance with Section 106 of the National Historic Preservation Act (NHPA) are also being conducted.

The final Master Plan with design guidelines and the programmatic agreement from the Section 106 consultations will help form the basis of the scope control as all development will have to conform to the limits and requirements of these documents.

To prevent the project from undisciplined cost growth and schedule extensions confronting the "Big Dig" and Capital Visitors Center, the General Services Administration (GSA) intends to reduce risks and uncertainties and will focus on the design and construction process to deliver a high quality product within the schedule and budget. Our plan is to concentrate key leadership, management, policy, and operations coordination functions to enhance DHS's mission execution. Design Guidelines will be established that will standardize office sizes, furniture, furnishings, equipment, and will maximize shared use amenities. Generic office plans will allow maximum flexibility for the occupancy so changes to the program will limit impact to the design and construction contracts. GSA plans to employ a "Construction Manager as Constructor" (CMc) delivery model for the St. Elizabeths development that will facilitate fast tracking of design and construction for expedited delivery. The CMc model will improve design and construction coordination because the CMc is brought onto the project team early in the design to provide pre-construction phase services such as constructability reviews, coordination of long lead items, construction cost estimating and construction market analysis to reduce the likelihood of cost overruns when the design is complete. This delivery model fosters a better team environment and cooperation between all parties reducing the potential for contract damages and claims.

The GSA/DHS team will also implement an oversight process for the St. Elizabeths development that applies technical and administrative direction and surveillance over the lifecycle of the design and construction of the project. We will control changes, record and report information needed to manage the delivery process, track the status of proposed changes and implementation status of approved changes. We will also audit change orders to verify conformance to specifications, drawings, and other contractual requirements.

The Congress will play a critical role in the long term cost control of the project by providing the necessary funding to maintain the project schedule for both GSA and DHS. We are concerned that the FY 2007 Continuing Resolution did not fund GSA's request to begin construction of the USCG Headquarters, which will have both cost and schedule impacts. Your support of the combined budget requests from DHS and GSA for the consolidated DHS Headquarters will help reduce uncertainties and risk by allowing the St. Elizabeths development to proceed and will limit the impacts of partial funding to the design and construction process.

Question 11.: The Homeland Security Advisory Council's Culture Task Force recommended eliminating the buzzword "Human Capital" to describe employees at the Department. We have heard that Department employees find this term demeaning and that it makes them feel expendable. It may seem like a small thing, but sometimes small things say a lot. You told us during your testimony that you do not like it.

What do you intend to do implement this recommendation?

Response: Section 704 of the Homeland Security Act created the position of the Chief Human Capital Officer. Further, as a consequence to the Chief Human Capital Officers Act of 2002, most other agencies re-named their human resources offices Human Capital Offices. This was done for consistency with both the language in the Act, and the language in related guidance issued by the Office of Personnel Management (OPM). In fact, the establishment of Human Capital Officers at Federal Agencies is included in the Act that created the Department of Homeland Security (DHS).

Although legislation created the *office* for human capital, we are aware of the fact that we may refer to our greatest asset using some other "buzzword" or phrase. As is the case with most employers, DHS most often refers to its greatest asset as employees.

As I stated in my testimony, I am not particularly fond of the term human capital when referring to employees and I am exploring other possible terms that might be used. My research of this topic, though, has caused me to discover that there may have been very well conceived intentions behind the use of the term "human capital";

The term “human capital”, it seems, was coined in order to provide for stronger argument when articulating a need to “invest” in the workforce, i.e., training, development, education expenses, etc., just as we invest in physical capital, i.e., buildings, office machines, office furniture, etc.

The term has also been defined by some as “a loose catch-all term for the practical knowledge, acquired skills and learned abilities of an individual that make him or her potentially productive and thus equip him or her to earn income in exchange for labor”, and utilizes the word “capital” metaphorically to describe the “quality of labor”.

I expect that the use of the term “human capital” will remain throughout the federal government for some time, and may very well continue to be used by DHS when referring to investments by the Department in various plans and reports to the Congress. However, as I said previously, I will continue to examine other possibilities and will consider all the recommendations offered by the Homeland Security Advisory Council’s Culture Task Force.

Question 12.: As you know the Department’s procurement offices are understaffed. Your plan to develop home-grown experts through an internship is a good long-term idea, but really won’t do much in the short term. Other short-staffed areas of the Department have had success in hiring federal annuitants.

Would you support this for the procurement area, and if so do you have an estimate of how many would be needed?

Response: Yes. The Office of the Chief Procurement Officer is working with the Office of the Chief Human Capital Officer on several key efforts to address the issue of staffing shortages. In fact, one of the first initiatives taken was to seek the authority to maximize the use of hiring flexibilities such as Direct Hire Authority and Re-Employed Annuitants for procurement personnel. In working closely with CHCO, the CPO is utilizing centralized recruiting efforts, incorporating the use of the direct hire authority to rapidly bring identified talent on board. By actively recruiting at Veteran specific job fairs, placing job announcements in military publications, capitalizing on acquisition professionals whose commands were affected by the Base Realignment and Closure initiative, and teaming with The Department of Veterans Affairs, we will alleviate our immediate staffing needs while acquiring the expertise of experienced professionals.

There is a pressing need to begin filling CPO positions as soon as possible. However, at this time we do not have an estimate of the number that would be needed to adequately resolve our staffing problem.

QUESTIONS FROM THE HONORABLE MICHAEL D. ROGERS

Question 13.: The Department of Homeland Security was established just over four years ago. Yet, it already has undergone major reorganizations. The first major reorganization occurred as a result of Secretary Chertoff’s Second Stage Review in 2005. The second major reorganization is currently underway as mandated by Congress to reform and strengthen the Federal Emergency Management Agency (FEMA).

In your view, what impact do such reorganizations have on the operations of DHS and the morale of its employees?

Response: In my view, the business need for reorganization is essential. It is important to carefully review the mission and how the organizational structure supports the mission. During our reorganizations, we have done everything within our power to try to ensure that the transition for employees is seamless—from a human resource perspective that employees pay and benefits are not interrupted, that the supervisory chain is clear and that performance plans are adjusted; from a security perspective that all of the security clearances, badges and key cards are obtained before transferring from one component to another; from an IT perspective that proper adjustments are made to telephone numbers, computers, etc.; and from a facilities perspective that furniture, key cards and offices are relocated in such a way as to keep the disruption for employees to a minimum. However, I don’t want to diminish the fact that change can be unsettling.

What are some of the lessons learned from the need for such reorganizations of a new Cabinet department?

Response: Since the Department is newly formed, reorganizations can be deliberate. Even so, we should attempt to minimize the urge to reorganize. The bottom line is that reorganizations interfere with a certain security that employees draw from their work environment and have an adverse effect on those impacted by the change, no matter how small. During reorganizations employees spend valuable

time concerned about the impact of the reorganization on their job, job security, physical moves, etc., instead of the job which we are paying them to perform.

With that in mind, any reorganization within the Department must be well thought out and planned with a long-term strategic view, instead of a knee-jerk reaction to address an immediate failure or deficiency within the Department, which will invariably end up being a short term solution necessitating yet another reorganization. The employees of the U.S. Fire Administration are a good example of this. They were pulled out of FEMA nine months ago, moved to the Under Secretary for Preparedness, and are now being moved back to FEMA. We must end this practice of repeatedly moving employees back and forth between organizations. I think this can be done through better strategic planning.

Do you believe the Department is adequately organized, or do you anticipate or recommend another reorganization in the near future?

Response: I don't see the need for further reorganization in the near future.

Question 14: Section 841 of the Homeland Security Act of 2002 authorized the Secretary of Homeland Security to establish a human resources management system for DHS. Congress intended that the system include the flexibilities necessary for the Department to be able to take necessary actions and respond appropriately to protect our Nation from terrorist attacks.

The Department's original proposal has been delayed by protracted litigation. It is critical that the Secretary have the tools he needs to manage the Department to fulfill its overarching mission of protecting our homeland.

What needs to be done to ensure the Secretary has the necessary flexibilities to manage the Department's work force?

Response: We believe that we have the critical flexibilities we need to manage our workforce through existing government-wide flexibilities, as well as those provided through the Homeland Security Act of 2002 and the 2005 Department of Homeland Security Human Resources Management System (Part 9701) regulations implementing the MAXHR program.

However, as part of our strategy moving forward under the 2007—2008 DHS Human Capital Operational Plan, the Office of the Chief Human Capital Officer will also be working with the components to identify areas where additional regulatory and/or statutory changes would help. For example, one area that we will be looking at very closely is hiring flexibilities. We will work with our components to review current flexibilities in order to determine if there are other changes we may need in order to more readily hire qualified individuals into our mission critical occupations to meet mission requirements.

Once these determinations are made, we will reach out to Congress to request those additional flexibilities and report on our efforts. We will also be reviewing our internal policies and regulations, in partnership with the DHS EEO/Civil Rights Offices, to find additional efficiencies, where possible.

The Committee has been advised that the Department will no longer use the term "MaxHR" to describe its new personnel system. **Could you please comment on how DHS plans to proceed with implementing a flexible personnel system?**

Response: The flexibilities provided to the Department (which were branded using the name MAXHR) provided an excellent start, but they did not go far enough in addressing the broad range of needs for a 21st century human capital program across the Department. For this reason, we will no longer be using the brand MAXHR as we move to address broader initiatives that are essential for us to be successful in the future.

As you know, DHS received flexibilities in the following six areas:

- Classification
- Pay and Pay Administration
- Performance Management
- Labor-Management Relations
- Adverse Actions, and
- Appeals

Over the past few years, we have made significant progress in laying the foundation for a robust human capital program using the flexibilities provided. The cornerstone of our efforts has been the development and implementation of our DHS Performance Management Program. Implementing this program under MAXHR has helped many of our component organizations achieve new levels of accountability and transparency by improving manager-employee interaction and recognizing top performing employees.

At the same time, it became evident that the human capital needs of the Department extended beyond the six areas provided for in the regulations. To address all

the critical areas, we have developed a Human Capital Operational Plan to serve as a roadmap to integrate key human capital practices. This plan will allow DHS to adjust to changing directions and priorities while identifying five operational goals. These goals are designed to improve DHS' capacity to build and sustain a high-performing workforce with the knowledge, tools and resources to achieve the Department's vital mission. They are:

- Hiring and retaining a talented and diverse workforce
- Creating a DHS-wide culture of performance
- Creating high-quality learning and development programs for DHS employees
- Implementing a DHS-wide integrated leadership service
- Being a model of human capital service excellence

Under the five goals, we will continue the valuable work begun under the MAXHR program, but will also broaden our focus to other key areas, including development of career paths to expand career opportunities and investment in learning and development programs to give employees the knowledge and tools they need to be successful. We will also modernize hiring and retention programs to make sure we can attract and retain the best talent. With respect to the programs initiated under MAXHR, we will:

- Expand the implementation of the DHS Performance Management Program to allow us to work more effectively across components and align the work we do with the strategy, vision, and values of the Department.
- Delay the implementation of a pay banding program until the DHS Performance Management Program has been fully implemented and evaluated.
- Conduct a pay-for-performance pilot program in a small component or organization to validate, measure, and refine the pay band models and processes.
- Work with the Office of Personnel Management and collaborate with employee representatives to decide on next steps consistent with recent court rulings.

By proceeding in this deliberate manner, we will ensure that performance management is well-established in the Department, and that we have adequate time to properly train the workforce. These actions will also support our efforts in addressing the issues raised by the Federal Human Capital Survey.

As we look to a future of increasing challenges, our need for innovative, state-of-the-art human capital programs is clear. The framework for these new programs is described in the DHS Human Capital Operational Plan, which will guide our efforts to sustain our high-performing workforce of today—and build our workforce of tomorrow.

Question 15.: The Department of Homeland Security (DHS) and the General Services Administration (GSA) have developed a plan to relocate and consolidate a number of DHS facilities in the National Capital Region to one main, secure facility on the site of St. Elizabeth's Hospital in Anacostia, District of Columbia.

The President's Budget for Fiscal Year 2008 requests \$120 million for DHS and \$345 million for GSA for this relocation.

What is the proposed total cost and timeline for this relocation?

Response: The overall cost of the St. Elizabeths West Campus development is a function of the final Master Plan layout and density selected in conjunction and in consultation with the review agencies. While a programming level estimate has been developed, it continues to be refined and revised as more of the details of the various ongoing studies are completed. Currently, the preliminary estimate of total project cost, inclusive of GSA infrastructure/building costs, DHS tenant specific costs for the construction and renovation, IT, furniture, fixtures and equipment, and move costs may approach as much as \$3 billion. Most of the DHS specific costs will be incurred irrespective of the St. Elizabeths West Campus development due to the need to replace expiring leases over the coming years.

According to "The Automated Prospectus System" (TAPS) analysis conducted by GSA, consolidating up to 4.5 million gross square feet (GSF) of the DHS office space requirement at St. Elizabeths West Campus will result in an approximate \$1 billion Net Present Value (NPV) savings over a thirty year period as compared to individually replacing commercial leases without any consolidation.

DHS is currently housed in more than 50 locations and over 80 buildings dispersed throughout the National Capitol Region (NCR). Over the course of the next 10 years approximately 4.7 million GSF of DHS leased office space will have to be replaced. Without consolidation of up to 4.5 million GSF of office space plus parking at St. Elizabeths, DHS would be compelled to occupy predominately leased space at an overall greater cost. We would also forego multiple vital efficiencies gained through shared services, while incurring higher real estate and security costs.

The original 3-phase schedule for development of the St. Elizabeths West Campus as proposed by the General Services Administration (GSA) and included the DHS National Capital Region Housing Master Plan submitted to the Congress as directed in P.L. 109-295 (FY 2007 Homeland Security Appropriations Act) is listed below. The schedule proposed construction funding beginning in FY 2007 for the first phase of the development (USCG Headquarters Relocation) and completion/occupancy of the third and final phase in FY 2015.

Phase	Component	Proposed Construction Start	Proposed Occupancy
1	USCG Headquarters	FY2007	FY2011
2	DHS HQ/FEMA HQ National Operations Center (NOC)	FY2009	FY2013
3	Remaining Operating Components	FY2011	FY2015

Due to the lack of funding for the St. Elizabeths project in the recently passed Continuing Resolution, we are concerned that the overall schedule may be delayed with corresponding adverse impacts on DHS operations and integration. We are currently working with GSA to update the schedule and I look forward to working with the Congress on options to recover from any schedule slippage as a result of the FY07 C.R. in future year budget submissions.

How will the initial \$120 million for DHS be used? To the extent you may know, how will the \$345 million for GSA be used?

Response: The DHS FY08 Budget Request of \$120M is for the following:

- USCG Headquarters Building Tenant Improvement construction liability for FY 2008 including the main headquarters facility and shared spaces
- Tenant specific design costs for Phase 2 of the development will include DHS Headquarters (including components with only liaison presence on campus), FEMA HQ, the National Operations Center (NOC)
- Tenant specific pre-design costs for Phase 3 of the development will include the remaining operating components
- Project team staffing to manage the initiative

The GSA's FY08 Budget Request of \$345M is for the following:

- Phase 1 construction of USCG Headquarters
- Management and Inspection costs
- Phase 2 design of DHS Headquarters, FEMA Headquarters, the National Operations Center (NOC) and other shared use facilities
- West Campus Infrastructure
- Site Acquisition for new access into the campus

What DHS components will be relocated to the new site? What components in the National Capital Region would not be relocated?

Response: The table below is excerpted from the DHS NCR Housing Master plan submitted to the Congress on October 24, 2006 as directed in P.L. 109-295 (FY 2007 Homeland Security Appropriations Act). All DHS and Component Headquarters will have some level of presence on the campus. The campus occupancy will be focused on senior leadership, policy, mission execution/operations coordination and program management functions. Mission support functions that cannot be accommodated on the campus will be consolidated where possible off-campus to support functional integration.

St. Elizabeths West Campus Proposed Occupancy Plan

Component	Estimated Level of Presence ⁽¹⁾ S = Significant L = Liaison F = Full	Relocation Phase According to GSA's planned schedule
Executive Office of the Secretary	F	2
Office of the General Counsel	F	2

Component	Estimated Level of Presence ⁽¹⁾ S = Significant L = Liaison F = Full	Relocation Phase According to GSA's planned schedule
Assistant Secretary for Policy	F	2
Under Secretary for Preparedness	S	2
Director of Operations Coordination	F	2
Office of Intelligence and Analysis	S	2
Assistant Secretary for Legislative and Intergovernmental Affairs	F	2
Office of Public Affairs	F	2
Under Secretary for Management	S	2
Director of Counternarcotics Enforcement	F	2
Screening Coordination Office	F	2
Chief Privacy Officer	F	2
Citizenship & Immigration Services Ombudsman	F	2
Officer for Civil Rights and Civil Liberties	F	2
FLETC Washington Office	F	2
U.S. Coast Guard	F	1
Federal Emergency Management Agency	F	2
Customs & Border Protection	S	3
Immigration & Customs Enforcement	S	3
Transportation Security Administration	S	3
U.S. Secret Service	L	2
Science & Technology	L	2
Domestic Nuclear Detection Office	L	2
US-VISIT	L	2
Citizenship & Immigration Services	L	2
Office of the Inspector General	L	2

⁽¹⁾ S = Significant Presence means Component Heads and their senior leadership for operations, planning, policy, management and some limited support functions. Remaining support staff will be consolidated with other Components back-office functions "off-campus" where possible to minimize locations and take advantage of functional integration opportunities.

L = Liaison Presence means a limited coordinating staff only with the bulk of the Component space located off-campus.

F = Full Presence means the entire office or component.

Question: What other sites were considered, and what was the rationale for selecting the St. Elizabeth's campus?

Response: The following table was excerpted from the DHS NCR Housing Master Plan submitted to the Congress on 24 October 2006 as directed by P.L. 109-295 (Homeland Security FY2007 Appropriations Act) and lists the locations that GSA

considered to house DHS and why each was eliminated from further study. Only Federal sites were examined by GSA to avoid incurring unnecessary acquisition costs. Privately owned properties were excluded from the analysis given that GSA already controls a federally owned site capable of accommodating DHS's need. GSA has determined the only site under Federal Government control that has the size, potential capacity, security features, and availability to meet DHS minimum urgent consolidation needs is St. Elizabeths West Campus, Washington, D.C.

Alternative Location Analysis

Site	Reason Eliminated
Germantown Campus, Germantown, Maryland	Insufficient space—only 1.3 million SF of space available.
Suitland Federal Center, Suitland, Maryland	Insufficient space—only 800,000 SF of space available.
Federal Research Center at White Oak, Silver Spring, Maryland	Insufficient space—only 1.7 million SF of space available.
Franconia Storage Depot, Franconia, Virginia	Insufficient space—only 55,000 SF of space is available.
US Geological Survey Campus, Reston, Virginia	Insufficient space—only 450,000 SF of space is available.
Cotton Annex & 12th and C Streets, Washington, D.C.	Insufficient space—only 56,636 SF of space available.
Southeast Federal Center, Washington, D.C.	Insufficient space—only 1.8 million SF of space available.
Reservation 13, Washington, D.C.	The site is under control of the District of Columbia.
Armed Forces Retirement Home, Washington, D.C.	The site is projected to be redeveloped via ground lease to compatible users to replenish the Armed Forces Retirement Home Trust Fund. GSA cannot pay for both construction costs and ground lease payments, since another Federal site (St. Elizabeths West Campus) is available. Also, GSA would not pay for full reimbursement of the site (in a transfer context), given that there is already a Federal site available for development. The property would also not likely be available in a timely manner.
Robert F. Kennedy Stadium Site, Washington, D.C.	The site is under control of the District of Columbia.
Nebraska Avenue Complex, Washington, D.C.	Insufficient space—if site was developed to full capacity, only 1.2 million SF of space is available.
Walter Reed Army Medical Center, Washington, D.C.	The property would not be available until 2012, which is outside the timeframe required by DHS.
Beltsville Agricultural Research Center, Beltsville, Maryland	The U.S. Department of Agriculture currently determines types of development on this site and has indicated the site is not available.

In addition, language in PL 109-241, Coast Guard and Maritime Transportation Act of 2006, dated 11 July 2006, requires GSA to specifically evaluate the following properties for the USCG Headquarters:

1. The current Department of Transportation Headquarters located in the Nassif Building above the L'Enfant Metro station in Southwest Washington, D.C.
 2. The Waterfront Mall Complex in Southwest Washington, D.C.
- Although GSA will formally provide evaluation of these properties to the relevant Congressional Committees, as required by PL 109-241, since the USCG Head-

quarters is part of the up to 4.5 million GSF minimum departmental consolidation requirement, neither of these facilities has the required size or security setbacks to meet the needs of the consolidated campus that DHS seeks.

Since DHS Headquarters is expected to relocate, will DHS continue to use the Nebraska Avenue Complex (NAC)? If so, how?

Response: DHS and Component Headquarters currently require about 7 million Gross Square Feet (GSF) of office space. GSA has determined there are no sites already federally owned that are available and can accommodate the entirety of DHS real estate needs in a single location in the NCR. Moreover, the St. Elizabeths West Campus is the only site that has the potential to accommodate up to 4.5 million GSF of new and adaptively reused office space plus parking as well as meet our security requirements. Consequently, the Department carefully analyzed the critical functions that must be collocated on the secure campus and the remaining requirements that may be consolidated elsewhere. As we finalize the specific levels of presence for the components listed above, we will look closely at all of the properties and capacities that remain. Our goal is to reduce the number of locations housing DHS entities to as few as possible.

The NAC was selected as the initial headquarters when the Department was stood up in 2003. As DHS organizations and mission requirements have matured and expanded over the past three years, it is obvious that the physical limitations of the property make the NAC wholly unsuitable as the permanent headquarters for the Department. Lessons learned from Hurricane Katrina and the Second Stage Review underscore this conclusion. We appreciate that Congress appropriated funds to support the NAC, and these funds are vital to sustain the current operating capability of the Department. Although the physical limitations of the NAC render it unsuitable as the permanent DHS headquarters, over the longer term it is certainly likely that the NAC can well serve as a site for consolidation of certain DHS mission support functions that can utilize the much needed recent facility improvements.

A number of buildings on the site date back to the 1800s. How will they be utilized, and what is the cost-benefit analysis that will determine whether to renovate the historic buildings versus building new office space?

Response: GSA is responsible for the costs of renovating historic buildings to meet current codes and standard office requirements. DHS costs are for tenant specific requirements above the tenant improvement allowance provided by GSA. There are two overarching considerations that influence GSA's approach to renovating historic properties. They are the National Historic Preservation Act and applicable Executive Orders. The other factor is requirements imposed by the National Capital Planning Commission. As the central planning agency for the Federal Government in the National Capital Region, NCPC is charged with planning for the appropriate and orderly development of the national capital and the conservation of important natural and historic features. Within that context, GSA is engaged in working with DHS to protect the most significant historic resources as part of an integrated campus for DHS.

Executive Order 13006: *Locating Federal Facilities on Historic Properties in our Nation's Central Cities* requires Federal agencies, when operationally appropriate and economically productive, to give first consideration to historic properties within historic districts. St. Elizabeths is a National Historic Landmark. As GSA is committed to complying with Executive Order 13006 and Sections 106 and 110 of the National Historic Preservation Act, consideration of the site's historic significance is a major focus of GSA's planning efforts. GSA is guided by the principal goals of its Historic Buildings program in carrying out this project. Those goals are to realize the objectives of the National Historic Preservation Act by developing: a) strategies that enable the reuse of GSA's historic buildings; and other contributing elements, such as the cultural landscape b) creative design solutions to resolve conflicts between preservation, codes, and functional requirements of modern office use. In keeping with these preservation and planning goals, GSA is seeking to satisfy DHS's programmatic requirements in a manner ensuring that "to the maximum extent possible, [GSA has] undertake[n] such planning and actions as may be necessary to minimize harm to [the] National Historic Landmark." The Master Plan includes both development objectives and planning principles that recognize the importance of preserving and protecting the important tangible, as well as intangible, historic characteristics of the campus while ensuring operational effectiveness for the Federal user. The National Capital Planning Commission uses an approved Master Plan as the basis of approving follow on building designs. The master plan for the St. Elizabeths West Campus development and the subsequent building designs are subject to review (**advisory only**) by the U.S. Commission of Fine Arts.

With regard to the cost-benefit analysis that will determine whether to renovate the historic buildings versus building new office space, this is also a GSA responsibility and they intend to approach this task on a campus wide basis that seeks to preserve the historic resource while introducing new construction. The final cost of developing the campus continues to be refined as more information is learned about the site and individual buildings. GSA advises the costs of renovating historic structures will be dependent upon the results of consultation process as required by the National Historic Preservation Act.

The alternative to housing DHS in a campus environment (which includes new and adaptive re-use space at the St. Elizabeths West Campus) would require GSA to house DHS in leased locations that would be more costly to the tax payer. here are no other Federal sites that have the potential to meet the DHS minimum housing requirement. According to "The Automated Prospectus System" (TAPS) analysis conducted by GSA, consolidating up to 4.5 million gross square feet (GSF) of the DHS office space requirement at St. Elizabeths West Campus will result in approximate \$1 billion Net Present Value (NPV) savings over a thirty year period as compared to individually replacing commercial leases without any consolidation.

GSA is currently consulting under Sections 106 and 110 of the National Historic Preservation Act of 1966 with the District of Columbia State Historic Preservation Office, Advisory Council on Historic Preservation, National Capital Planning Commission, U.S. Commission of Fine Arts as well as other local planning and other planning agencies including National Capital Planning Commission and preservation organizations. The consultation will help identify appropriate mitigation measures necessary to minimize harm to the National Historic Landmark. Mitigation consultations are expected to begin when a preferred alternative is made available to the public in July 2007 and are expected to be completed in March 2008.

Question 16: The Government Accountability Office (GAO) has recommended that the Department of Homeland Security and the Department of Defense each should establish a new Deputy Secretary position specifically to focus on management and transformation. GAO also advocated that this position should be filled by longer-term executives to provide for greater continuity within the departments.

What is your opinion on this GAO recommendation to create a new Deputy Secretary position?

Response: I have been given, as the Under Secretary for Management, the Secretary's authority to manage the entire department. I've been told by the Secretary that I should prepare management directives that will strengthen any areas of authority that I feel I do not have.

I don't agree with elevating it to deputy. First of all, I think title inflation doesn't necessarily add any value. At some point the Under Secretary has to get the work done, and making me a deputy secretary doesn't make it any easier. It has a negative effect.

There should be only one deputy in a department. That person, who happens to be very able—Michael Jackson—is the one person who knows everything that the Secretary does, including the most highly classified things. Anything that muddles his authority in the Secretary's absence is counterproductive.

Wouldn't the same goals be accomplished by simply augmenting the authorities of your position within DHS?

Response: Yes.

Wouldn't a new Deputy Secretary just be another layer of bureaucracy which would overlap the role of the existing Deputy Secretary at DHS and create confusion within the organization?

Response: Yes, it could.

Wouldn't a longer-term executive serving in this new position create inherent conflict with changes in leadership of the Department?

Response: Yes, it could.

Question 17: During the last Congress, this Committee held a number of hearings and passed legislation to strengthen the ability of the chief operating officers to oversee their counterparts in the Department's legacy agencies.

In your first few months in office, have you identified any specific problems in the areas of financial management, procurement, and personnel that could be related to the lack of direct line authority for the chief operating officers at the Headquarters level? What recommendations do you have to improve management in these areas?

Response: Yes, I determined that the DHS Chief Information Officer (CIO) did not have sufficient authority to execute the Information Technology (IT) transfer required across the Department. The Secretary agreed with my assessment and short-

ly thereafter, he issued the appropriate Departmental management directive giving the CIO the authority he needed to successfully execute his responsibilities.

When it was determined that the CIO did not have sufficient authority, specific steps were taken to give him the authority he needed.

Question 18.: Comptroller General David Walker testified on January 31st that DHS “continues to face challenges in creating an effective, integrated acquisition organization.”

What is your assessment of the existing acquisition organization at DHS?

Response: The Department of Homeland Security is just beginning or is in the midst of many crucial acquisitions that are vital to the success of DHS. That is why we are working to strengthen acquisition and procurement by institutionalizing solid processes. To this end we are:

- Building the capability to manage complex efforts by ensuring that program offices are properly structured and staffed with the right people, and the right skills, to ensure efficient and effective program management and oversight; and aggressively hiring where we have known shortages.
- Strengthening the requirements and investment review processes by improving the Joint Requirements Council (JRC) and Investment Review Board (IRB) process.
- Reviewing the major programs and investments to ensure that the requirements are clear, cost estimates are valid, the technology risk is properly assessed, schedules are realistic, the contract vehicles are proper, and the efforts are well managed.

What changes in the organization do you plan to implement?

Response: To date, the Department’s focus has been on procurement. Procurement, however, is only one element of acquisition management. Acquisition also includes understanding operational and life-cycle requirements, such as formulating concepts of operations, developing sound business strategies, exercising prudent financial management, assessing trade-offs, and managing program risks. Best practice acquisition management is executed by teams of professionals who understand and are able to manage the entire life-cycle of a major program effort. DHS has a shortage of people that are experienced in program management, including its related functional areas (e.g. acquisition logistics, cost analysis). I will focus on this area as one of my major priorities by identifying needed skills and processes and considering expedited delivery of training in key disciplines for those individuals involved in the management of the Department’s major programs.

We have established a department-wide real property asset management plan with performance metrics to govern investment decisions regarding our buildings, structures and land. We are expanding this approach to all tangible assets through the investment review process with an Asset Management and Services Board with representation by the component chief administrative officers.

Question 19.: Many of the legacy components of DHS have their own procurement offices.

What is the Department doing at the Headquarters level to ensure the accountability of these different processes?

Response: To ensure accountability of acquisition and procurement processes at the DHS Components, the Chief Procurement Officer has established the following top priorities:

- First, to build the DHS acquisition workforce to enhance the Department’s acquisition program.
- Second, to establish an acquisition system whereby each requirement has a well defined mission and a management team that includes professionals with the requisite skills to achieve mission results.
- Third, to ensure more effective buying across the eight contracting offices through the use of strategic sourcing and supplier management.
- Fourth, to strengthen contract administration to ensure that products and services purchased meet contract requirements and mission need.

These four goals were flowed down to each of the eight Heads of the Contracting Activities through the component heads to ensure alignment and focus on these high priority items. Progress in these four areas will significantly strengthen the Department’s ability to perform its mission and to execute acquisition programs successfully. Additionally, the CPO is implementing a 4 step oversight process intended to ensure Components are using effective procurement processes. These steps include acquisition planning, Component self-assessments, Component operational assessments and procurement management reviews of the Components. Considerable progress has been made in implementing this oversight plan, with the initial imple-

mentation of the first three steps largely done, and the implementation of the last step commenced.

What organizational changes, if any, would you recommend to ensure acquisition by the legacy components of DHS is integrated to maximize economies of scale?

Response: I would not recommend any organizational changes at this time. It is not clear that the current organizational structure is the reason for any problems that have been identified. The single largest reason for identified problems has been the shortage of acquisition personnel and skills to accomplish the mission. Organizational change will not necessarily resolve people shortages. I've have taken a number of steps to address the people and skills shortage including a Department-wide acquisition recruitment initiative. I've asked the CPO to lead this effort with support from the Chief Human Capital Officer.

What additional tools would you recommend be given to the DHS Chief Procurement Officer to strengthen oversight of acquisitions by the Department's component agencies?

Response: I intend to review programs on a regular basis and the process that is used to manage programs within the Department. I will make adjustments as appropriate to ensure that DHS programs are effectively managed.

Question 20.: The DHS Inspector General testified on January 31st that many of the procurement offices within the Department are understaffed.

What are your plans to address this issue?

Response: The Office of the Chief Procurement Officer is working on several key efforts to address the issue of staffing shortages. The first initiative taken was to seek the authority to maximize the use of hiring flexibilities such as, Direct Hire Authority and Re-Employed Annuitants for procurement personnel. In working closely with the Office of the Chief Human Capital Officer, the CPO is utilizing centralized recruiting efforts incorporating the use of the direct hire authority to rapidly bring identified talent on board. The centralized recruiting efforts include: department-wide vacancy announcements, print advertisements in major media publications as well as attendance at key acquisition recruiting events such as: the Federal Acquisition Conference/Expo and the National Contract Management Association 2007 World Congress. Future recruiting initiatives will focus on the employment of Veterans, such as Veteran specific job fairs, job announcements in military publications, capitalizing on acquisition professionals whose commands were affected by the Base Realignment and Closure initiative, and teaming with The Department of Veterans affairs utilizing existing programs such as "The Wounded Warrior" whenever possible. A longer term approach, and capstone to the plan is the centrally managed Intern Program. In order to satisfy the long term need for qualified personnel, the Office of the Chief Procurement Officer sought centralized funding in order to attract, hire, and train exceptional new talent in order to "grow" a workforce.

How long will it take to ensure DHS has the requisite number of properly trained procurement officers?

Response: The Office of the Chief Procurement Officer will utilize all resources available to attract and retain qualified talent and provide training and development opportunities to the procurement workforce across the Department. Currently, the CPO's office is contracting a study to assist in determining a methodology for forecasting future workforce needs. The training and development of procurement personnel is an on-going endeavor and the lifecycle is dependant on where in their experience level in their careers an individual enters the Department. For instance, in order to fulfill the Federal certification requirement a new entrant with no experience will be required to obtain a minimum of four years experience and complete over four hundred hours of procurement training during that time period.

Question 21.: In the 109th Congress, this Subcommittee held a number of hearings on DHS contracts that were riddled with waste and mismanagement.

The Inspector General testified before this Subcommittee that DHS lacks the necessary number of procurement officers and a number of the procurement staff on board are not properly trained.

What are your plans to ensure DHS has the necessary number of trained procurement officers?

Response: The Office of the Chief Procurement Officer is utilizing the methodologies as outlined in question number 35 in order to increase the numbers of procurement personnel. To ensure they are properly trained they are embarking on a number of key initiatives. The first was to seek centralized, specific funding for acquisi-

tion training. Those funds will be used to supplement certification training provided by the Federal Acquisition Institute with specialized targeted training identified such as: Safety Act, Performance Based Acquisition, and Buy American Processes and Compliance. The department has also launched an almost monthly series entitled, "Excellence in Contracting" which are seminars targeted on hot and emerging topics in procurement. The Acquisition Workforce division is also working closely with the Oversight Division to identify deficiencies as procurement reviews are conducted and plan to develop and/or buy specific training to close those skill gaps as necessary.

Based on your experience at the Department of Defense, what are some of the major differences in contracting and procurement that you have seen within DHS?

Response: DoD has well established protocols and procedures. The processes that DHS does have in place, because of the Department's infancy, have not had a chance to mature. The acquisition and procurement career field is also better staffed at all levels, providing a more solid resource base to lay out complex efforts.

What are some of the lessons learned from your experience at DoD that you plan to implement at DHS?

Response: I plan to adapt best practices in all areas.

Question 22: On January 31st, the DHS Inspector General testified that 36 Federal grant programs may duplicate grant programs administered by the Department.

Will you work with the Inspector General's Office to identify these programs?

Response: The DHS Office of Inspector General's (IG) testimony, before the Subcommittee on Homeland Security on February 6, 2007 and Committee on Homeland Security on February 7, 2007, stated that they "identified 36 federal assistance programs that have the potential for duplicating DHS grant programs". The grants process and the requirements associated with each assistance program can be complex, and generally are stipulated by the Congress with administrative requirements provided by OMB Circulars. The DHS Chief Procurement Office has responsibility for oversight of assistance programs within DHS and has assigned the Office of Grant Policy and Oversight to contact the OIG's to request the list of federal assistance programs they identified in order to determine if there is a duplication of effort, or whether the grant programs address different sets of requirements and recipients. It is not unusual for assistance programs awarded under grants sponsored by different agencies to address similar missions, but generally the agencies are aware of the potential duplication and coordinate the efforts to avoid such duplication.

What can be done to eliminate this bureaucratic overlap?

Response: The DHS CPO/GPO will continue to work with the DHS program offices, the Office of General Counsel and the Office of Inspector General's to identify Federal assistance programs that appear to be overlapping with DHS assistance programs, and notify the DHS program offices of potential duplication possibilities and request that they contact the program respective agency to coordinate program mission and/or awards.

Question 23.: This Committee has consistently been concerned with reports that first responder grants were used for unrelated or ineligible uses.

What can the Department do to better manage grants once the awards have been made to ensure that funding is being spent appropriately?

Response: Although the Department of Homeland Security (DHS) gives the State Administrative Agency (SAA) maximum flexibility to determine State and local funding priorities, the Office of Grants and Training (G&T) provides several levels of oversight for Federal grant funds.

- The SAA provides sub-grants to local jurisdictions for their use, and monitors the sub-grantees to ensure compliance with G&T program guidance.
- G&T's Preparedness Officers (POs) are in almost daily contact with State grantees to serve as a resource for questions.
- G&T requires each State and identified urban area to develop a homeland security strategy, based on a comprehensive assessment of threats, vulnerabilities, and assets. Last year's strategies were further enhanced by the requirement that States align their existing State/urban area strategies with the national priorities as listed in the National Preparedness guidance. States must expend grant funds in accordance with identified goals and objectives listed in their strategies.
- POs continually monitor grant implementation, including appropriate and timely obligation and expenditure of grant funds. This office-based monitoring

is conducted through quarterly financial status reports, bi-annual progress reports, correspondence, and routine communication with grantees.

- G&T has an established programmatic monitoring protocol requiring that at least one onsite monitoring visit be conducted each year with the SAA. During this visit, POs may conduct interviews with State program implementation staff, review records, review State procedures and guidelines, visit sub-grantees, and verify equipment purchases. Monitoring protocols also require the review of progress made toward the goals and objectives noted in the State strategies, as well as compliance with national initiatives such as National Incident Management System and Homeland Security Presidential Directive-8 implementation.

In addition to the programmatic administrative oversight described above, G&T financial monitoring is now being conducted to ensure the appropriate use of homeland security funds consistent with Government Accountability Office (GAO) recommendations on assessing and addressing risk. Risk can be measured in association with dollar volumes, incidence significance (meaning that there are trends or other indicators that show a need for more in depth analysis), or with a combination of discretionary and random risk elements (measuring a population of awards, for instance). Monitoring is done using both onsite and desk reviews of grantees.

G&T financial monitoring also includes an assessment of the flow of funds through the States to the localities to identify impediments and to test the appropriate use and distribution of funds. These reviews, which are conducted as part of an annual onsite monitoring plan by both programmatic and financial personnel from G&T, include the assessment of financial performance as part of a tandem visit.

G&T also incorporates financial management training and assistance to grantees to enhance internal control measures and the proper oversight of subgrantees (localities). G&T uses internal reports, grantee financial and programmatic progress reports, and a new financial monitoring protocol and profile that assists in performance assessment and control measures.

Although there have been periodic media inquiries regarding alleged misuses of our funds by State or local entities, DHS has been able to refute the vast majority of these claims. In many cases, outside entities do not clearly understand how DHS programs work, and, as such, the Department is committed to education and outreach to help clarify any questions.

It is also worth noting that after numerous audits by various governmental agencies, including GAO, there has not been any evidence of widespread abuse of homeland security grant funds. Given the fact that the Department has granted more than \$15 billion dollars since 9/11, this is a testament to the commitment to preparedness at the Federal, State and local levels.

Questions 24.: The Inspector General testified on January 31st that FEMA has made progress in addressing problems in its contracting, such as increasing the number of pre-negotiated contracts. In addition, the Department has created a Disaster Response and Recovery Internal Control Oversight Board.

Do you believe these steps will help to reduce waste, fraud, and abuse in future disasters?

Response: FEMA has developed a National Contingency Plan which assists the Agency in preparing for upcoming disasters. As part of this plan, an acquisition tracker was developed which identifies procurements that support future hurricane seasons. The tracker helps to support the contingency plan to compete contracts for requirements which may be needed in the future. By aiding FEMA in competing contracts prior to the advent of a hurricane, the acquisition tracker will help preclude the need to procure disaster relief and recovery with unusual and compelling urgency.

What else can FEMA to combat waste, fraud, and abuse in its contracting?

Response: Supporting acquisitions prior to disasters will help combat waste, fraud and abuse by enabling procurement officials to include proper oversight and monitoring controls in the contract to counter abuse as well as ensure FEMA resources are available to properly administer and supervise the contracts. Overall, the use of contingency contracts will help FEMA to more effectively control its procurement and contract management processes.

In addition to the competitive award of contingency contracts, strong contract administration will protect against fraud, waste, and abuse. FEMA has established contracting offices in each of the Gulf states, staffed with qualified contracting personnel. Additionally, FEMA has added contracting officer's technical representatives (COTRs) in the region to ensure appropriate acceptance of good and services. Also,

it has published a FEMA contracting field guide establishing the contract administration procedures for the major contracts.

What is your role in the current reorganization of FEMA?

Response: My role is to facilitate the reorganization.

Question 25.: On January 31st, the DHS Inspector General testified that the Department's internal control weaknesses, specifically those at the Coast Guard, Immigration and Customs Enforcement, and the Transportation Security Administration, weaken financial management within DHS.

What is the Department doing to resolve the internal control weaknesses?

Response: To resolve the internal control weaknesses, the Department issued its first ever Department-wide corrective action plan in a document entitled the Internal Controls Over Financial Reporting (ICOFR) Playbook. The ICOFR Playbook outlines the additional steps the Department will take to resolve material weaknesses and build management assurances.

What additional steps should the Department take in this area?

Response: Substantial progress was achieved in our FY 2006 financial statement audit. Two components, U.S. Customs and Border Protection (CBP) and the Federal Law Enforcement Training Center (FLETC) received favorable audit outcomes. CBP obtained an unqualified opinion on all financial statements and FLETC achieved an unqualified opinion on its first ever balance sheet audit. Significant progress has also been achieved in reducing conditions that comprise the Department's material weakness structure. For example, most significantly the U.S. Immigration and Customs Enforcement (ICE) eliminated five of its seven component-level material weakness conditions.

Question 26.: In 2004, Congress passed the Department of Homeland Security Financial Accountability Act which strengthened the role of the Chief Financial Officer and required audits of the Department's internal controls.

What is the status of the Department's compliance with this Act?

Response: The Department has made steady and continuous progress in implementing the Department of Homeland Security Act. In FY 2005, Secretary Chertoff issued an assurance statement on internal control over financial reporting. In FY 2006, the Department's Inspector General issued an audit opinion on the Department's internal controls over financial reporting. In addition, the Department's Chief Financial Officer was confirmed by Congress. Finally, Secretary Chertoff approved the Department's first ever Department-wide corrective action plan to address material weaknesses reported in the Secretary's assurance statement and the Inspector General's audit opinion.

When do you believe the Department will receive its first clean audit opinion?

Response: A favorable audit opinion is dependent upon successful execution of corrective action plans. Currently corrective actions are scheduled to be completed by 2010.

Question 27.: The DHS Inspector General testified on January 31, 2007, that his information security audits identified a number of information technology (IT) risks and vulnerabilities within the US-VISIT program.

What are these vulnerabilities?

Response: OIG-06-39 Enhanced Security Controls Needed for US-VISITs System Using RFID Technology Audit Closed—As of November 7, 2006, in a memo from Assistant Inspector General Frank Deffer, all recommendations associated with this audit were closed.

OIG Report 06-16 US-VISIT System Security Management Needs Strengthening

Recommendation 1: Ensure that CBP's Information Systems Security Manager follows up with the local system administrators at the ports-of-entry (POE) to ensure that the security vulnerabilities identified for US-VISIT systems are remediated.

Original DHS Response: Both the US-VISIT Program Office and CBP management concurred with this recommendation. Based on the vulnerability scanning results, the US-VISIT Program Office will independently determine whether US-VISIT information or assets are at risk. CBP Technology Operations will organize a team of local administrators to generate a plan for the recommendation of identified POE vulnerabilities and for addressing subsequently identifies vulnerabilities by March 31, 2006.

DHS 5/23/06 Update: On March 30, 2006 CBP generated a plan for the recommendation of identified POE vulnerabilities and for addressing subsequently iden-

tified vulnerabilities. By August 31, 2006, CBP plans to remediate currently vulnerable US-VISIT systems. By May 31, 2006, CBP plans to implement a vulnerability management process for US-VISIT systems.

OIG 10/3/06 Evaluation: The attached "Plan for Correcting Security Vulnerabilities in US-VISIT Systems" meets the intent of our audit recommendation. US-VISIT systems will be tested to ensure existing vulnerabilities have been remediated when we schedule a subsequent follow-up audit of the US-VISIT security program.

Status: **CLOSED**

Recommendation 2: Establish MOUs and Interconnection Security Agreements (ISA) between CBP, ICE and the US-VISIT Program Office for the interconnections to the US-VISIT backbone. US-VISIT, in conjunction with CBP and ICE, has completed all required actions resulting from this finding.

Recommendation 3: Revise the MOU with the Department of State to ensure that it defines the responsibilities for establishing, operating, and securing the interconnection between US-VISIT and the Department of State systems. Additionally, the US-VISIT CIO should formally approve the MOU and ISA with the Department of State. US-VISIT is continuing to work with Department of State to update the Memorandum of Understanding to reference the appropriate Interconnection Security Agreement.

Recommendation 4: Establish MOUs with key US-VISIT participants to ensure that security requirements are documented and agreed to before non-DHS systems are connected to US-VISIT's backbone. US-VISIT partially concurred with this recommendation. All external connections to the US-VISIT backbone are documented in appropriate ISAs. The OIG accepted US-VISIT's response that all current external connections to the US-VISIT backbone systems are documented in appropriate ISAs. US-VISIT will continue to follow existing policies and procedures to ensure that MOUs are established and reference ISAs (where appropriate) to ensure that security requirements are agreed upon with external agencies prior to connecting non-DHS systems to the US-VISIT backbone.

Recommendation 5: Ensure that ISAs for the systems comprising US-VISIT's backbone and external organizations are current and formally approved by the US-VISIT CIO. Remaining action items reside within CBP for mitigation.

Recommendations 6: Establish a formal structure for the oversight and management of the security for the US-VISIT Program. US-VISIT deferred to the DHS CIO for response. The OIG has requested that the DHS CIO formally respond with the actions that have been or will be taken to address this recommendation.

Recommendation 7: Provide US-VISIT's CIO with sufficient authority to oversee all elements, including the system security, of the future architecture of the US-VISIT Program. US-VISIT deferred to the DHS CIO for response. The OIG has requested that the DHS CIO formally respond with the actions that have been or will be taken to address this recommendation.

Will the program's reorganization into the new National Protection and Programs Directorate have an impact on their information technology problems—either negatively or positively?

Response: The reorganization of the US VISIT program into the new National Protection and Programs Directorate will have a positive impact on US VISIT information technology problems. The new National Protection and Programs Directorate CIO and his staff are from the Preparedness Directorate Information and Technology Division. This office is recognized throughout the Department of Homeland Security and the government as one of the top performing Information and Technology (IT) organizations. Their strengths are in Project and Program Management, Enterprise Architecture, and IT Security as demonstrated by awards from the IT industry.

What progress has the Department made in its efforts to establish resiliency and continuity of operations for its information technology systems in the event of a disaster?

Response: DHS is establishing a redundant IT architecture to ensure continuity of operations is maintained in the event of a disaster. We are transitioning IT applications from over 17 data centers to 2 active-active data centers with coop capabilities established as a design feature in these new data centers. Additionally, the department is establishing a common email system and reducing its five WAN to one WAN (with two active-active Network Operations Centers and Security Operations Centers and supported by two separate carriers) to ensure resiliency.

What are the major IT challenges at the component level of the Department?

Response:

a. Some component CIOs do not have sufficient visibility into all the IT being developed or proposed to be developed within their agencies. They are unable to ensure elimination of duplication where not desired and consistency with the target architecture of DHS.

b. Components have a lack of understanding and implementation of Earned Value Management and portfolio management principles.

c. Component Information Security challenges stem from the rapid adoption of new information technology by DHS to more effectively accomplish its mission. New IT drives the need for new security policies and architecture to enable its use at an acceptable level of risk. Further, NIST and OMB continue to evolve security requirements and standards to address emerging threats to information systems. These new and emerging security requirements drive the need for continuous updates of DHS information security policies, implementation oversight and metrics reporting.

As new requirements and standards are issued, there will be specific audit findings by the DHS Inspector General (IG) and the Government Accountability Office (GAO) for improvement with implementing processes and verification procedures to meet these new requirements. New weaknesses that are identified as a result of additional requirements will increase remediation efforts across DHS and impact the amount of management and oversight required by the DHS Information Security Program.

d. Components are implementing the One Infrastructure vision and migrating to the consolidated infrastructure environment. The consolidated infrastructure which is being developed and deployed by the Department's Infrastructure Transformation Program (ITP), provides capability for addressing continuity of operations requirements and establishes a resilient technical infrastructure that is managed at the enterprise level. (1) Migration efforts to the enterprise email and network solutions are underway. Migration to the consolidated data center environment has initiated, and in that regard, a migration strategy is being developed to support Components in their understanding of the planning, scheduling, funding, and the technical resources required achieve a data center migration, as well as engineering support to facilitate any necessary modification of applications to run in the enterprise data center environment.

e. Components are challenged with working through legacy barriers and component-specific data repositories to obtain visibility across the Department. (2) Headquarters has established the Global Address List for email which provides a centralized data repository as well as the management processes needed to ensure accurate, timely information at the Component level. Additionally HQ has chartered the Single Sign-On project which will develop and deploy the technical solutions needed to provide secure, consistent, authentication to Component and Department resources.

How is Headquarters working with the components to assist them in addressing their IT challenges?

Response:

a. Through its investment and procurement review process DHS is instilling the concept of IT as a utility service that is obtained from the component agency CIOs. Individual programs and projects should not own their technology but receive that service from the CIO.

b. By establishing a contract vehicle whereby component Program Management Offices can conduct Earned Value Management assessments and surveillance of their major investments in a developmental phase, and by working with component IT and functional staff to establish operational portfolio management organizations.

c. By developing guidance and training material for component Program Management Office staffs to enhance the awareness of Earned Value Management and portfolio management principles, and IT investment and budgeting reporting procedures.

d. By providing detailed guidance through distribution of the DHS Information Security Handbook, the DHS Certification & Accreditation Methodology, the Information Security SM Guide, and the Plan of Action & Milestone Guide.

e. Making available specialized training and training material: POA&M Training, FISMA Reporting Training, C&A Training, NIST SP 800-53 Training, Annual DHS Security Workshop & Conference, Annual Security Awareness Training Materials, and Component Specific Training as requested.

f. Performing Component Information Security Assistance Visits: Information Security Teams are made available to all components for assisting in FISMA reporting, C&A, POA&M Reporting, and Remediation Activities.

Question 28.: Recognizing that the Department was under tremendous time pressure to roll out an information sharing network at the earliest possible time, is it fair to say that the Homeland Security Information Network (HSIN) has provided a benefit to states and localities?

The Inspector General's Major Management Challenges report states that "potential users do not regularly use HSIN" because of a lack of training by the Department at the time of the program's establishment. Anecdotally, the Committee has heard that the Department is using HSIN to issue a number of homeland security alerts and the network is being used by states and localities.

What type of training or other guidance would you suggest the Department institute for HSIN users?

Response:

Many states have adopted HSIN as the centerpiece for information sharing throughout the state. They are using it for situational awareness, emergency management and law enforcement coordination, and collaboration with the private sector.

In the past the HSIN program office retained ownership of many aspects of the system that inherently belong to the end users. These aspects included content control, personnel access, and individual site administration. This control has contributed to low user rates. The new program office is relinquishing ownership of these aspects through a controlled release. Training, policies, and procedures are being established to ensure proper use and understanding of the technology. This effort is promoting a renewed interest in participation across the communities of interest.

Efforts are underway to provide technical bridges between HSIN and other collaboration tools in use within the states. This initiative will enable states to be part of the HSIN community of users while they to continue to use the solutions they have invested in and built long-standing processes around.

Although training has been cited as one of the prime reasons for limited use of HSIN, it is more accurate to cite the lack of mission-focused operational training. The program has lacked the involvement of the operational components of the Department. HSIN was deployed as the primary tool for sharing terrorism and all hazards information but the program office failed to engage the Department components to ensure that content would be delivered. In an effort to rectify this deficiency Operations Coordination is:

- Standing up the HSIN Advisory Council. This council will work to create policies that will help overcome major obstacles preventing information flow,
- Hiring a full-time resource to help establish governance and procedures for sharing content across HSIN, and
- Standing up a department-wide group—HSIN Mission Coordination Committee—that will focus on ensuring the system is developed to enable the specific information sharing missions of each of the components.

A few components are using HSIN extensively in the execution of their mission. FEMA has integrated the tool in all emergency management coordination and has conducted extensive training across the nation. The USCG has begun to use the tool as its primary coordination tool for exercises and missions that require large-scale, real-time collaboration. CBP has constructed collaboration space for each of its sectors to enable seamless information flow and situational awareness.

Although these examples demonstrate the viability of the system, efforts to connect the mission owners and the information they produce remains a work in progress. Initiatives underway to connect mission owners include:

- Single-Sign-On and Identity Management—this will enable seamless interaction and trusted sharing across communities
- Security layering—this will enable appropriately restricted information flow and relieve reluctance to share data
- Additional collaboration tools—to include geospatial data exchange and event visualization
- Information feeds from other agencies' collaboration tools—to include Intelink-U, RISS, and LEO

Question 29.: The Integrated Deepwater System Program (Deepwater) is a \$24 billion, 25-year acquisition program designed to replace and modernize the Coast Guard's aging and deteriorating fleet of ships and aircraft. The Committee is informed that approximately \$5 billion has been obligated to date.

The DHS Inspector General has released audits reflecting a number of significant challenges with the Deepwater program.

How are you working with the Coast Guard to improve the contract oversight in the Deepwater program?

Response: The Chief Procurement Officer (CPO) has been actively engaged in the oversight of the Deepwater program since the inception of the Department. Separate from the general oversight of the USCG Acquisition Operations, Deepwater has been the specific subject of numerous reviews by the CPO and CPO Staff. CPO and the Acquisition Oversight Staff have been part of every major review of the program beginning with the review of the updated ORD to account for changes in requirements brought on by the attacks of 9/11/01. We have reviewed each change to the Program and each quarterly report to Congress as well. The CPO Acquisition Oversight staff participated with the Deepwater staff in several GAO and DHS OIG reviews conducted over the past 3 years. The DHS CPO was instrumental in advising USCG to seek outside assessment on the critical portions of the Deepwater acquisition. The DHS CPO Acquisition Oversight Team was one of the first offices outside USCG to review and comment on the application of Earned Value Management data on the program and sought refinement of several cost estimates as a result of that review. Reviews of the Deepwater program have been conducted by several levels of DHS Management and the CPO and CPO Acquisition Oversight staff have been intimately involved in each. The DHS CPO Acquisition Oversight Team closely reviewed, for example, the entire process for assessing and awarding the first Award Term for the Deepwater contract.

What steps should DHS take in the short-run—and long-run—to ensure this major program is managed most efficiently and cost-effectively?

Response: First and foremost, the DHS CPO is supporting the USCG in its implementation of the USCG Blue Print for Acquisition Reform. This initiative, begun by the Commandant shortly after assuming command, will fundamentally change the way that the USCG does business and will focus assets in the areas of requirements generation, program management, contracting and logistics where needed and when needed. DHS CPO supports the request to Congress by USCG to have personnel costs shifted from Deepwater specific appropriations to the general Operations Expense appropriation so as to give the USCG the flexibility to place human resources in the most efficient manner possible and no longer be constrained by rigid personnel limitations in program specific appropriations. The DHS CPO and the CPO's Acquisition Oversight Team will continue to engage the USCG at every level in the routine oversight activities involved in the review of Acquisition documents such as Acquisition Program Baselines, Acquisition Plans, selected contract documents. The Acquisition Oversight Team is part of the departmental executive review of each major action and attends every meeting involving Deepwater with DHS external organizations. As circumstances arise, the DHS CPO has the ability and commitment to assign special reviews to the Acquisition Oversight Team and has done so recently with respect to the coordination of the updated set of Acquisition Documentation including an updated Program Baseline and Acquisition Plan. The Team has recently reviewed the Acquisition Plan for the Fast Response Cutter (FRC) B-Class and has submitted numerous comments on the draft plan. his plan provides evidence of the changes that have taken place in the Deepwater program in the past several months as it marks the departure from the Systems Integrator as the sole acquiring agency for major Deepwater Assets.

Question 30: In the 109th Congress, the Management, Integration, and Oversight Subcommittee, which I chaired, held three hearings as part of its in-depth examination of the current camera system on our borders known as the Integrated Surveillance Intelligence System, or ISIS. The Subcommittee found rampant waste and mismanagement in the Department's oversight of the ISIS program.

Last September, DHS announced the award of the new Secure Border Initiative contract, known as SBInet. This multi-year, multi-billion dollar program is intended to cover both the Northern and Southern borders.

On November 15, 2006, we held a hearing on the SBInet contract, and the Inspector General testified and released a Management Advisory raising specific concerns.

One of the issues raised in the Management Advisory was that the Department lacked the necessary number of acquisition and procurement staff to manage a new major acquisition program like SBInet.

Do you believe the Department currently has the necessary number of trained personnel to effectively manage the SBInet contract? Other major contracts?

Response: No. The Department has grown significantly over the last couple of years in terms of personnel and acquisitions. It has been a challenge to grow the acquisition and procurement workforce commensurate with Department growth. Ensuring that DHS has the right number of acquisition professionals with the right skills is one of the top priorities. DHS is conducting an assessment on the utilization of acquisition professionals in the Department to ensure that people with optimal

skills currently work in DHS. To complement this, the Undersecretary for Management has initiated a Department-wide acquisition recruitment effort. The CPO has been asked to lead this effort with support from the Chief Human Capital Officer. As DHS continues to recruit, it will consider using non-DHS resources to help address our staffing shortages—this includes use of non-DHS government personnel for acquisition and procurement support (such as the Defense Contract Management Agency and the Defense Contract Audit Agency) as well as some contractor support.

How do you plan to monitor the Department's progress to limit the potential for waste and abuse in SBInet and other major contracts?

Response: With regard to monitoring the Department's progress on achieving effective acquisition and procurement, the CPO is responsible for implementing the four-step Acquisition Oversight program. These steps include acquisition planning, Component self-assessments, Component operational assessments and procurement management reviews of the Components. Considerable progress has been made in implementing this oversight plan, with the initial implementation of the first three steps largely done, and the implementation of the last step commenced. Programs of significant importance and size, like SBInet, will receive additional reviews as appropriate.

QUESTIONS FROM THE HONORABLE MICHAEL T. MCCAUL

Question 31: Under the National Technology Transfer and Advancement Act, Federal agencies are required to use voluntary consensus standards that are developed by private sector standards bodies. This policy correctly directs federal agencies to rely on the expertise of our nation's private sector standards development system as a means to prevent duplication of efforts and to save taxpayer dollars. Importantly, the Act also requires federal agencies to participate in the activities of voluntary, private sector, consensus standards bodies.

I am very concerned that DHS and its agency components have not regularly participated in the standards development activities of private sector standards bodies developing standards in critical areas that go to the heart of your agency's functions and mission: intrusion detection, access control, video surveillance, and other efforts related to the interoperability of disparate electronic security system components. I believe the active participation of DHS in these private sector standards areas would be a wise use of agency and taxpayer resources.

Could you please explain the current level of DHS participation, or lack thereof, in these standards areas?

Also, what plans have been developed or are being developed to promote DHS participation?

Are there any regulatory or statutory issues that need to be addressed to promote participation?

Response: The Department takes an active role in private sector standards organizations' standards development activities and has specific ongoing efforts in these areas.

The Department has adopted a policy that all standards activities will be conducted in accordance with the relevant provisions of the National Transfer and Advancement Act (PL 104 113) and the Office of Budget and Management (OMB) Circular A-119. In 2006, DHS reported 35 agency representatives involved in 100 activities.

The Science & Technology Directorate's Office of Standards coordinates and encourages participation in standards development across the Department and with private sector standards organizations. This includes partnering with the American National Standards Institute's Homeland Security Standards Panel (ANSI-HSSP), which promotes a positive, cooperative partnership between the public and private sectors in order to meet the nation's needs for homeland security standards. The ANSI-HSSP has membership from over 40 private sector standards development organizations including the National Electronics Manufacturers Association (NEMA), the Security Industry Association (SIA) and the American Society for Industrial Security (ASIS International). The ANSI-HSSP provides a forum that engages DHS, the private sector, and private sector standards development organizations on homeland security standardization issues.

In the area of access control, the S&T Directorate is engaging the standards community to help facilitate the transfer of an access control technology known as the Policy Machine to commercial entities. This effort, which includes publishing papers and performing demonstrations, mirrors the process used to develop the Role-based Access Control Standard adopted by ANSI and the International Committee for Information Technology Standards (INCITS), ANSI INCITS 359-2004, which is in

wide use today. Additional plans include developing a suite of related standards and promoting these standards as a member of an ANSI INCITS working group for the development of a national access control standard.

In the area of interoperability of disparate electronic security system components, the S&T Directorate is providing input to standards development organizations such as the Institute of Electrical and Electronics Engineers (IEEE) and the Open Geospatial Consortium (OGC) on standards (such as the IEEE 1451 standard) for sensor interfaces for sensor and security networks and on the use of sensor networks for building applications. Current work aims to find standard ways by which data from various sensor networks can be used across platforms, and will aim to develop metrics and test methods by which sensor networks can be tested for compliance with DHS standards and requirements. The S&T Directorate is also working across DHS and standards development organizations on the harmonization of sensor and alert-related standards.

Also what plans have been developed or are being developed to promote DHS participation?

Response: In 2006, the S&T Directorate established a DHS Standards Council to improve coordination and participation in the development and implementation of voluntary consensus standards. The DHS Standards Council is working with the S&T Directorate's Office of Standards to create guidance on Departmental participation in the development and use of non-Government Standards. This guidance is expected to be issued by year's end. At the next Council meeting in April, the S&T Directorate plans to request that the council develop a strategy to improve DHS overall participation in standards bodies that affect the interoperability of electronic security systems components.

Are there any regulatory or statutory issues that need to be addressed to promote participation?

Response: Through the DHS Standards Council, the S&T Directorate Office of Standards will work with General Counsel, to explore if there are any regulatory or statutory issues that need to be addressed to promote participation.

