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CUTTING DHS DUPLICATION AND WASTEFUL SPENDING: IMPLEMENTING PRIVATE-SECTOR BEST PRACTICES AND WATCHDOG RECOMMENDATIONS

HEARING

BEFORE THE

SUBCOMMITTEE ON OVERSIGHT AND MANAGEMENT EFFICIENCY

OF THE

COMMITTEE ON HOMELAND SECURITY HOUSE OF REPRESENTATIVES

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CUTTING DHS DUPLICATION AND WASTEFUL SPENDING: IMPLEMENTING PRIVATE-SECTOR BEST PRACTICES AND WATCHDOG RECOMMENDATIONS

Friday, April 26, 2013

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

The subcommittee met, pursuant to call, at 9:05 a.m., in Room 311, Cannon House Office Building, Hon. Jeff Duncan [Chairman of the subcommittee] presiding.

Present: Representatives Duncan, Daines, Barber, Payne, and Thompson.

Mr. DUNCAN. Committee on Homeland Security, Subcommittee on Oversight Management Efficiency will come to order.

The purpose of this hearing is to examine the areas of duplication at the Department of Homeland Security, identify opportunities for cost savings, and highlight ways the Department can improve its efficiency. Now I recognize myself for an opening statement.

We meet today to examine an issue of great importance to the American people; duplication and wasteful spending. While our Nation is facing $16 trillion of debt, American families are continuing to see larger portions of their hard-earned paychecks taken out in Federal taxes.

I believe that the Federal Government must do more to eliminate duplicative and wasteful programs, so I recently introduced legislation establishing the Committee on the Elimination of Nonessential Federal Programs. Its sole responsibility is to root out wasteful spending.

As the third-largest Federal agency with a $60 billion budget, the Department of Homeland Security has an important responsibility to the American people for how it uses their hard-earned money.

Yet, when my constituents see unnecessary duplication of mission or programs that expend valuable resources, a reluctance to learn from best practices within the Federal Government or private sector, or an unwillingness to make changes identified in audits as ways to improve, it can be very frustrating.

Congressional watchdogs have issued thousands of reports with ways to improve the efficiency of DHS and save taxpayer dollars. Earlier this month, the GAO issued a key report related to duplica-

tion and cost-savings opportunities across the Federal Government, which found 162 areas within the Federal Government with fragmented, overlapping, or duplicative spending.

Within DHS, this report identified six separate DHS components involved in research and development activities. It also found 35 instances among 29 out of 50 R&D contracts where overlap in activities occurred. The price tag for these duplicative contracts was $66 million.

Even more concerning, GAO found that DHS does not have the policies or mechanisms necessary to coordinate or track R&D activities across the Department. DHS was created after 9/11 to help prevent the stovepiping of information.

If DHS does not have a system in place for basic R&D, how does that lack of communication affect components, operational abilities, and DHS' ability to meet its mission successfully to defend the homeland?

In 2012, GAO identified five more duplicative programs in DHS and four opportunities to save costs. In 2011, GAO identified four homeland security issues where DHS could eliminate duplication and five areas for potential cost savings. Yet, out of all these ways to improve efficiency, DHS has only fully addressed recommendations in two of these areas.

Likewise, the Inspector General has open and unimplemented recommendations identifying over $600 million in questionable costs and about $50 million in funds that could be put to better use.

As of last month, the IG had issued 210 recommendations that if implemented could result in cost savings of $1.2 billion. The IG has also identified 10 high-priority recommendations, which would reduce waste and inefficiency at DHS.

To date, DHS has closed three of these high-priority recommendations. However, only one of these recommendations has been implemented. DHS must take action to implement these recommendations in a timely manner to improve the efficiency and effectiveness of the Department.

Further, while I understand that DHS components have different missions, I believe there may be some overlap in the type of assets and resources used by these components. U.S. Customs and Border Protection, CBP, currently has two distinct operational boating law enforcement units; those under CBP's Office of Air and Marine, OAM, and Border Patrol agents with maritime qualifications.

Also, CBP and the Coast Guard each have their own air and marine assets. Now Coast Guard is part of the overall Department of Homeland Security. So out of more than 1,000 Coast Guard small boats and 250 CBP boats, only one common asset is shared between them; the 33-foot safe boat. CBP and the Coast Guard should consider consolidating these similar resources to use taxpayer dollars more wisely.

DHS has pointed to its Efficiency Review, Bottom-Up Review, and success in public-private partnerships for showing progress in these areas. However, I believe DHS can do more starting with learning from the best practices of the private industry.

While not every private-sector principle is transferrable to the Federal Government and although incentives may be different,

there are many core principles that both companies and the Federal Government require for success.

As a small businessman in South Carolina, I found the same principles of strategic vision combined with strong and capable leadership and smart budgeting to be critical. You don't spend more than you take in or you go bankrupt. Yet the Federal Government has been slow to learn.

In systems management, process management, and organizational culture, the Federal Government, and DHS in particular, have a lot to learn. I believe that DHS components should better reach out to the private-sector companies with similar processes.

For example, TSA's challenges with long lines and safe and satisfied customers are not unique to the TSA. Six Flags, Disney World also face similar challenges. DHS should be thinking about what ways its components can better leverage best practices from the private sector in order to minimize duplication and wasteful spending and instead improve outcomes.

In conclusion, the issues highlighted by GAO and the Inspector General require action from DHS; not words, but action. The private sector possesses many tools that can help DHS implement these recommendations, and I believe that DHS should carefully consider how it can improve in order to steward American tax dollars more efficiently and effectively.

I look forward to hearing more from our witnesses today. I appreciate them coming and testifying before us. The Chairman will now recognize the Ranking Minority Member of the subcommittee, the gentleman from Arizona, Mr. Barber, for any statement he may have.

Mr. BARBER. Well, thank you, Mr. Chairman and thank you for convening this important hearing. Thank you to the witnesses for being with us today. I look forward to your testimony and the opportunity to raise questions with you.

I am really pleased to see that for the third year now the GAO, as required by law, has taken a very hard look at Federal Government programs and provided us with a road map for improving efficiency, eliminating waste and duplication in saving taxpayer dollars.

This year's report, as you know, identifies 31 areas that require greater efforts at efficiency as well as suggestions for providing more effective Government services. Three of these 31 areas relate to the Department of Homeland Security.

The report also identifies Government duplication, overlap, and fragmentation to help Congress discover more cost savings and revenue enhancement opportunities.

The need to reduce spending and examine Federal programs to determine where reductions can be made is critical to our efforts to keep the country and move it further along the road to economic recovery. We must get our budget financial house in order and this is one important area where we can do that.

Last week, along with 18, 19 other Members of Congress, I introduced bipartisan legislation to require Congress to address waste and duplication in Federal programs across the board.

This legislation would require Congressional committees to hold hearings to scrutinize duplicative programs and take actions on these findings before it makes its appropriations recommendations.

That is what we are here to do today. To talk about these important findings from the GAO report and how we can act on a bipartisan basis to find common-sense cost savings at DHS.

This is not a conversation that we can enter into lightly. We must ensure that the steps we take to cut costs do not compromise the homeland security.

The threats our Nation faces, both man-made and natural, are unfortunate and all-too-present reality. As we know, on April 15, 2013, the terrorist attack on the Boston Marathon reminds us that terrorism remains a very real threat to our Nation and to the security of the homeland, and homeland security professionals must be fully equipped to counter this threat and preserve our security.

Two days after the Boston attack, a fertilizer plant explosion in West, Texas claimed the lives of 15 individuals—the memorial services were held yesterday—and countless others were injured.

The Federal Emergency Management Agency, FEMA, and the National Protection and Programs Directorate of the Office of Infrastructure Protection are just two of the Department's components that have been involved in analyzing and responding to that tragic event.

These combined tragedies show us that while duplicative efforts must be identified and eliminated, we must also continue to ensure that our homeland security officials have the resources they need to keep our Nation safe.

Moreover, border security remains a critical National issue. While we have made some progress in our efforts to secure the border on the southern part of our country, there is so much yet left to be done to ensure that my constituents in particular who work and live along the Southwest Border are safe in their homes and on their land.

Yes, we have made improvements, but we still have 50 percent of drugs being seized in my district alone. We cannot allow this to continue, and we cannot afford to lose ground in our border secure mission where some progress has been made.

That is why we must ensure that the Border Patrol operates at full capacity and that our agents are given the resources they must have to do their jobs effectively.

Last month, as a result of sequestration, the Department was required to slash every new program—every program, project, and activity by 5 percent. These, in my view, were irresponsible cuts that we simply cannot afford. We must cut the budget, we must reduce the deficit, but there are more prudent ways to do it than the sequestration.

The sequester's impact on our Border Patrol agents along the Southwestern Border is very real. It is also real for the customs inspectors who are helping move legitimate trade into our country and expedite legal passage.

The overtime cuts and work furloughs that have had a cumulative impact that is slashing our Border Patrol agents' pay by as much as 40 percent if fully implemented. That means losing the work-hour equivalent of 5,000 agents Nation-wide.

Cutting pay means agents would spend less time monitoring our borders, leaving us vulnerable both to terrorism and to cartel activity and this is absolutely unacceptable.

That is why spending across the Department must be properly scrutinized to avoid harmful cuts to Border Patrol agents and the Customs inspectors and we must of course ensure that the allocation of funds is done effectively.

The Department unfortunately has not yet put metrics into place to measure and evaluate efforts to secure the Southwest Border. How can we know what to cut and what programs deserve increased funding if we don't know what is working? When the safety of Americans, and my constituents in particular, is on the line, I refuse to simply guess at what resources make sense.

I think we can all agree that we have a lot of work to do, and I look forward to the hearing from the witnesses on how the Department can improve its effectiveness and efficiency, can eliminate duplication, and put its resources to the best use possible.

Thank you, Mr. Chairman, I yield back.

Mr. DUNCAN. Thank you, Mr. Barber.

The Chairman will now recognize the Ranking Member of the full committee, the gentleman from Mississippi, Mr. Thompson, for a statement.

Mr. THOMPSON. Thank you, Chairman Duncan, for holding this hearing.

I welcome our witnesses also.

Given the current fiscal climate, every level of government, Federal, State, and local, has joined the effort to eliminate wasteful spending, weed out unnecessary duplication, and cut costs where possible.

Eliminating duplicative programs is a common-sense approach to saving scarce Federal funds. This approach however should be implemented with an eye toward ensuring that reducing programs and activities does not diminish homeland security capabilities.

Given the broad range of the Department of Homeland Security's mission including aviation, rail, border security, emergency preparedness, cybersecurity, critical infrastructure protection, and counterterrorism, there may be in fact a need for built-in redundancy through such a far-reaching industry.

As a result, any effort to reduce duplication and downsizing the programs must not result in leaving the United States vulnerable. Yet, there is clearly a need to tighten the belt.

In many instances, the Department has done just that. Since 2009, through its efficiency review and component initiatives, the Department has identified more than $4 billion in cost avoidances and its fiscal year 2014 efficiency initiatives are expected to result in an additional $1.3 billion in savings.

To aid to the effort to reduce spending, the Government Accountability Office has conducted its annual examination of duplication, overlap, and fragmentation across Federal Government programs and has released its third report in this series including recommendations for improvement.

In this report, GAO identifies 31 areas where agencies may be able to achieve greater efficiency or effectiveness. Within those 31 areas, GAO also identified 81 actions that the Executive branch or

Congress should take to reduce fragmentation, overlap, or duplication as well as other cost savings or revenue enhancement opportunities.

Due to its size, mission, and inherent overlapping authority, the Department of Homeland Security is named in more areas of overlap than any other agency. The report contained two areas where fragmentation, overlap, and duplication exists at the Department; No. 1, research and development, and No. 2, field-based information sharing.

GAO also identified checked baggage screening as an area that presented an opportunity for cost savings and revenue enhancement. Hopefully the Department would heed GAO's recommendations.

I look forward to hearing from GAO on the Department's response. I must note however that while GAO makes recommendations in its report for agency action, it also makes recommendations for Congress.

Unfortunately, following the last two GAO reports on reducing duplication, the Executive branch addressed far more of its recommendations than the steps taken by Congress to fix situations that could only be addressed through legislative action.

I look forward, Mr. Chairman, to working with you and drafting some bipartisan legislation that perhaps could fix some of those obvious overlaps and duplication.

Also, I would be remiss if I did not address at least one effort to reduce the Departmental duplication that is once again before Congress seeking approval. This is the Department's proposal to consolidate its 16 individually authorized preparedness grant programs into a single pool of money.

This ill-conceived proposal causes me grave concern. It was voted down last Congress and I urge my colleagues to do the same this year. Stakeholders, first responders, and State and local representatives have all spoken against this proposal and stated that such a consolidation would result in hamstrung first responders facing unprecedented natural and man-made disasters.

As the world watched, first responders who were on the scene at the Boston Marathon made the difference between lives being saved and a higher death toll.

Moreover, in the subsequent search and capture of the surviving perpetrator, local law enforcement, equipped with infrared technology and other homeland security apparatus that are often purchased with Homeland Security grant funds, brought a swift end to what could have been a protracted nightmare for Boston area residents.

So I look forward to today's testimony, and I thank the witnesses are for appearing today.

I yield back my time, Mr. Chairman.

[The statement of Ranking Member Thompson follows:]

STATEMENT OF RANKING MEMBER BENNIE G. THOMPSON

APRIL 26, 2013

Given the current fiscal climate, every level of Government—Federal, State, and local—has joined the effort to eliminate wasteful spending, weed out unnecessary duplication, and cut costs where possible.

Eliminating duplicative programs is a common-sense approach to saving scarce Federal funds.

This approach, however, should be implemented with an eye toward ensuring that reducing programs and activities does not diminish homeland security capabilities.

Given the broad range of the Department of Homeland Security's mission—including aviation, rail, border security, emergency preparedness, cybersecurity, critical infrastructure protection, and counterterrorism—there may in fact be a need for built-in redundancy throughout such a far-reaching agency.

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Hopefully, the Department will heed GAO's recommendations. I look forward to hearing from GAO on the Department's response.

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Unfortunately, following the last two GAO reports on reducing duplication, the Executive branch addressed far more of its recommendations than the steps taken by Congress to fix situations that could only be addressed through legislative action.

In fact, in a follow-up status report on the 176 recommended actions made in the first two reports, GAO determined that nearly 80 percent of the issues identified that required Executive branch action had been addressed.

On the other hand, Congress had addressed less than 40 percent of the GAO recommendations that required Congressional action.

I would urge the Majority to live up to its stated goal to reduce spending by not merely providing lip service but working in a bipartisan manner to bring common-sense, cost-savings bills on actions recommended by GAO to the House floor.

I would be remiss if I did not address at least one effort to reduce Departmental duplication that is once again before Congress seeking approval.

That is the Department's proposal to consolidate its 16 individually-authorized preparedness grant programs into a single pool of money.

This ill-conceived proposal causes me grave concern.

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Mr. DUNCAN. Thank the Ranking Member for participating today and other Members of the subcommittee are reminded that opening statements may be submitted for the record.

We are pleased to have a very distinguished panel of witnesses before us today on this topic, and I will begin by introducing the witnesses and then I will recognize each one for their testimony.

Our first witness today is Ms. Cathleen Berrick and she is the managing director of homeland security and justice issues at the Government Accountability Office or GAO.

In this position, she oversees GAO's reviews of the Department of Homeland Security and Department of Justice Programs and Operations. Prior to being named managing director by Comptroller General Gene Dodaro, she oversaw GAO's reviews of aviation and surface transportation's security matters as well as Department of Homeland Security management issues. Prior to joining GAO, Ms. Berrick held numerous positions at the Department of Defense and the U.S. Postal Service.

Our second witness is Ms. Ann Richards who is the assistant inspector general for the Office of Audits within the Department of Homeland Security's Office of Inspector General, OIG.

Prior to joining OIG in 2007, Ms. Richards served in the Department of the Interior including as the assistant inspector general for audits. Ms. Richards also held a number of positions with the U.S. Army Audit Agency and Mrs. Richards is a CPA in the Commonwealth of Virginia.

Dr. Paul Stern is the chairman of Claris Capital, LLC, and is a member of the Board of Directors of Business Executives for National Security. Business Executives for National Security is nonpartisan and nonprofit group that supports U.S. Government by applying best business practices solutions to National security problems.

Dr. Stern has over 26 years of experience in active operating experience and 7 years of private-equity experience. Dr. Stern also serves on the board of directors of Whirlpool Corporation, Dow Chemical Company, and four of Thayer III's portfolio companies.

Mr. Craig Killough is the vice president of Organization Markets at the Project Management Institute, PMI. He is responsible for PMI's government and corporate relations and regional development.

Previously he served as director of practitioner products responsible for the development and delivery of PMI professional and career development programs, products, and services.

Prior to joining PMI, Mr. Killough was a consultant in Simulation and Training Technologies. Mr. Killough was the executive vice president for global operations with General Physics Corporation and vice president for Systems Engineering and Licensing with Sigma Energy Services.

Dr. Henry Willis is the director of the RAND Homeland Security and Defense Center and a professor at the Pardee RAND graduate school. Dr. Willis has applied risk analysis tools to resource allocation and risk-management decisions into areas of public health and emergency preparedness, homeland and National security policy, energy and environmental policy, and transportation planning.

Dr. Willis' recent research has involved assessing the cost and benefits of terrorism security measures like the Western Hemisphere Travel Initiative and evaluating the impact of public health

emergency preparedness grant programs like the Cities Readiness Initiative.

I want to thank all of the panelists for being here today and I look forward to your testimony.

The Chairman will now recognize Ms. Berrick to testify.

STATEMENT OF CATHLEEN A. BERRICK, MANAGING DIRECTOR, HOMELAND SECURITY AND JUSTICE ISSUES, GOVERNMENT ACCOUNTABILITY OFFICE

Ms. BERRICK. Good morning, Chairman Duncan, Ranking Member Barber, and Ranking Member Thompson and Members of the subcommittee.

I am pleased to be here today to discuss GAO's work assessing fragmentation, overlap, and duplication across the Department of Homeland Security as well as DHS's efforts to strengthen their management functions.

When DHS was first created back in 2003, GAO recognized that it was a significant undertaking creating and integrating a department as large and complex as DHS that would take years to achieve.

Since that time, we have issued over 1,300 reports assessing different aspects of DHS's programs and operations and made over 1,800 recommendations to address issues we identified in that work of which 60 percent DHS has implemented.

My testimony today is based on two reports GAO issued earlier this year. One mentioned this morning, was our third annual report assessing overlap, duplication, and fragmentation across the Federal Government. The second report I will discuss is GAO's biannual high-risk update in which strengthening DHS management functions was designated a high-risk area.

Since 2011, we have identified 24 areas of fragmentation, overlap, and duplication across the Department as well as opportunities to achieve cost savings and enhance revenue. Taken together, this could result in billions of dollars of savings if implemented by the Department.

For example, increasing the aviation security passenger fee collections could increase revenue by $2 billion to $10 billion over 5 years over current collections.

In addition, adjusting the indicator on which FEMA principally relies related to major disaster declarations could result in significant savings. This indicator was developed in 1986. It hasn't been adjusted for inflation every year. It also hasn't been adjusted to reflect changes and increases in personal income on which the indicator is based.

In the past 12 years there has been about $80 billion that has been paid out in Federal disaster declarations. Had that indicator been adjusted for inflation, about 25 percent of those declarations likely wouldn't have been approved. Had it been adjusted for increases in per capita personal income another 44 percent may not have been approved.

Another example, installing in-line baggage screening systems could result in net savings of up to $470 million over 5 years due to decreased personnel costs as installing these systems requires less TSOs to operate equipment.

Further, improving collaboration among field-based information-sharing entities, and there are about 268 of these entities across the United States, could help reduce overlap, duplication, and fragmentation. We looked at eight urban areas that have 37 of these entities and we found that 34 of the 37 overlapped with the functions of another entity.

In addition to identifying new areas we also assess the Department's progress in implementing the recommendations we made in the last two annual duplication reports, and some five of those recommendations have been addressed, 24 are in progress, and 13 have not been addressed. Some of those recommendations, as was mentioned, were made to the Department, some to the Congress.

One area not addressed relates to FEMA grants. We reported that DHS needs to collect better project-level information so that they have visibility over where their grants are being awarded.

We identified numerous opportunities for potential duplication and a number of a grant programs. We looked at four of the largest grant programs at DHS, which accounted for about $20 billion in grants awarded from 2002 to 2011 and identified overlap and fragmentation among those programs.

Regarding GAO's designation of strengthening DHS management functions as high-risk, we first designated this area as high-risk back in 2003 because of the enormity of the effort of creating the Department of Homeland Security.

Since that time, DHS has made significant progress in integrating its component agencies to make a functioning department, but the one area that we think significant work remains is the management of the Department.

I will give you some examples—by management I am referring to acquisition management, IT management, financial management, human capital management. Related to IT, DHS developed an IT governance structure to provide oversight over its IT investment portfolio, which was very positive and consistent with best practices; however, that structure only covers about 20 percent of DHS's IT investments so they need to do more work to have oversight over those.

In addition, we reported that DHS leadership continues to invest in major acquisition programs that lack key foundational documents that are really essential to managing acquisitions.

Just to give you an example, we have looked at 71 major acquisition programs and we found that 42 of those programs exceeded cost and schedule estimates. Sixteen of those 42 exceeded cost estimates by about $32 billion over a 3-year period.

While DHS has made important progress in these areas more work remains related to this high-risk area, and specifically we identified 31 actions and outcomes of which DHS agreed with, that we believe are important to addressing these management issues. Of the 31, 7 have been fully or mostly addressed, 16 are in progress, and 7 have just been initiated.

We have on-going work assessing all of these issues and would be happy to report on DHS's progress moving forward.

Mr. Chairman, this concludes my statement. I would be happy to respond to questions.

[The prepared statement of Ms. Berrick follows:]

PREPARED STATEMENT OF CATHLEEN A. BERRICK

APRIL 26, 2013

GAO HIGHLIGHTS

Highlights of GAO–13–547T, a testimony before the Subcommittee on Oversight and Management Efficiency, Committee on Homeland Security, House of Representatives.

Why GAO Did This Study

Since beginning operations in 2003, DHS has become the third-largest Federal department, with more than 224,000 employees and an annual budget of about $60 billion. Over the past 10 years, DHS has implemented key homeland security operations and achieved important goals to create and strengthen a foundation to reach its potential. Since 2003, GAO has issued more than 1,300 reports and Congressional testimonies designed to strengthen DHS's program management, performance measurement efforts, and management processes, among other things. GAO has reported that overlap and fragmentation among Government programs, including those of DHS, can cause potential duplication, and reducing it could save billions of tax dollars annually and help agencies provide more efficient and effective services. Moreover, in 2003, GAO designated implementing and transforming DHS as high-risk because it had to transform 22 agencies into one department, and failure to address associated risks could have serious consequences. This statement addresses: (1) Opportunities for DHS to reduce fragmentation, overlap, and duplication in its programs; save tax dollars; and enhance revenue, and (2) opportunities for DHS to strengthen its management functions.

What GAO Recommends

While this testimony contains no new recommendations, GAO previously made about 1,800 recommendations to DHS designed to strengthen its programs and operations. The Department has implemented more than 60 percent of them and has actions under way to address others.

DEPARTMENT OF HOMELAND SECURITY.—OPPORTUNITIES EXIST TO STRENGTHEN EFFICIENCY AND EFFECTIVENESS, ACHIEVE COST SAVINGS, AND IMPROVE MANAGEMENT FUNCTIONS

What GAO Found

Since 2011, GAO has identified 11 areas across the Department of Homeland Security (DHS) where fragmentation, overlap, or potential duplication exists and 13 areas of opportunity for cost savings or enhanced revenue collections. In these reports, GAO has suggested 53 total actions to the Department and Congress to help strengthen the efficiency and effectiveness of DHS operations. In GAO's 2013 annual report on Federal programs, agencies, offices, and initiatives that have duplicative goals or activities, GAO identified 6 new areas where DHS could take actions to address fragmentation, overlap, or potential duplication or achieve significant cost savings. For example, GAO found that DHS does not have a Department-wide policy defining research and development (R&D) or guidance directing components how to report R&D activities. Thus, DHS does not know its total annual investment in R&D, which limits its ability to oversee components' R&D efforts. In particular, GAO identified at least 6 components with R&D activities and an additional $255 million in R&D obligations in fiscal year 2011 by DHS components that was not centrally tracked. GAO suggested that DHS develop and implement policies and guidance for defining and overseeing R&D at the Department. In addition, GAO reported that by reviewing the appropriateness of the Federal cost share the Transportation Security Administration (TSA) applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, TSA could, if a reduced cost share was deemed appropriate, achieve cost efficiencies of up to $300 million by 2030 and be positioned to install a greater number of optimal baggage screening systems. GAO has also updated its assessments of the progress that DHS and Congress have made in addressing the suggested actions from the 2011 and 2012 annual reports. As of March 2013, of the 42 actions from these reports, 5 have been addressed (12 percent), 24 have been partially addressed (57 percent), and the remaining 13 have not been addressed (31 percent). Although DHS and Congress have made some progress in addressing the issues that GAO has previously identified, additional steps are needed to address the remaining areas to achieve associated benefits.

While challenges remain across its missions, DHS has made considerable progress since 2003 in transforming its original component agencies into a single department. As a result, in its 2013 biennial high-risk update, GAO narrowed the scope of the area and changed its focus and name from *Implementing and Transforming the Department of Homeland Security* to *Strengthening the Department of Homeland Security Management Functions.* To more fully address this area, DHS needs to further strengthen its acquisition, information technology, and financial and human capital management functions. Of the 31 actions and outcomes GAO identified as important to addressing this area, DHS has fully or mostly addressed 8, partially addressed 16, and initiated 7. Moving forward, DHS needs to, for example, validate required acquisition documents in a timely manner, and demonstrate measurable progress in meeting cost, schedule, and performance metrics for its major acquisition programs. In addition, DHS has begun to implement a governance structure to improve information technology management consistent with best practices, but the structure covers less than 20 percent of DHS's major information technology investments.

Chairman Duncan, Ranking Member Barber, and Members of the subcommittee: I am pleased to be here today to discuss our work on opportunities for the Department of Homeland Security (DHS) to eliminate fragmentation, overlap, and duplication in its programs; enhance revenue; and improve management functions at the Department.[1] Since beginning operations in 2003, DHS has become the third-largest Federal department, with more than 224,000 employees and an annual budget of about $60 billion. Over the past 10 years, DHS has implemented key homeland security operations and achieved important goals to create and strengthen a foundation to reach its potential. Since 2003, we have made approximately 1,800 recommendations to DHS across more than 1,300 reports and Congressional testimonies designed to strengthen program management, performance-measurement efforts, and management processes, and enhance coordination and information sharing, among other things. DHS has implemented more than 60 percent of these recommendations and has actions under way to address others. However, the Department has more to do to ensure that it conducts its missions efficiently and effectively while simultaneously preparing to address future challenges that face the Department and the Nation.

On April 9, 2013, we issued our third report in response to the statutory requirement that we identify and report annually on Federal programs, agencies, offices, and initiatives that have duplicative goals or activities.[2] Since 2011, we have identified 162 areas across the Federal Government where Congress or Executive branch agencies, including DHS, could take action to reduce fragmentation, overlap, and duplication or achieve cost savings to address the rapidly building fiscal pressures facing our Nation.[3] We reported that fragmentation among Government programs or activities can be a harbinger of potential overlap or duplication. Reducing or eliminating fragmentation, overlap, or duplication could potentially save billions of tax dollars annually and help agencies provide more efficient and effective services.

Moreover, in February 2013, we reported on DHS's efforts to address the high-risk area of Strengthening the Department of Homeland Security Management Functions.[4] We first designated this area as high-risk in 2003 because DHS had to consolidate 22 agencies—several with major management challenges—into one Department. Further, failure to effectively address DHS's management and mission risks could have serious consequences for U.S. National and economic security.

My statement today is based on these reports and addresses: (1) Opportunities for DHS to reduce fragmentation, overlap, and duplication in its programs; save tax dollars; and enhance revenue, and (2) opportunities for DHS to strengthen its management functions. For these past reports, among other things, we analyzed DHS documents, reviewed and updated our past reports issued since DHS began its operations in March 2003, and, interviewed DHS officials. More detailed information on

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[1] Fragmentation refers to those circumstances in which more than one Federal agency (or more than one organization within an agency) is involved in the same broad area of National need and opportunities exist to improve service delivery. Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. Duplication occurs when two or more agencies or programs are engaged in the same activities or provide the same services to the same beneficiaries.

[2] Pub. L. No. 111–139, § 21, 124 Stat. 8, 29–30 (2010), 31 U.S.C. § 712 note.

[3] GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue,* GAO–11–318SP (Washington, DC: Mar. 1, 2011); *2012 Annual Report: Opportunities to Reduce Duplication, Overlap and Fragmentation, Achieve Savings, and Enhance Revenue,* GAO–12–342SP (Washington, DC: Feb. 28, 2012); and *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits,* GAO–13–279SP (Washington, DC: Apr. 9, 2013).

[4] GAO, *High-Risk Series: An Update,* GAO–13–283 (Washington, DC: February 2013).

the scope and methodology of our previous work can be found within each specific report. We conducted this work in accordance with generally accepted Government auditing standards.

DHS CAN STRENGTHEN THE EFFICIENCY AND EFFECTIVENESS OF ITS OPERATIONS AND ACHIEVE COST SAVINGS BY REDUCING FRAGMENTED, OVERLAPPING, OR POTENTIALLY DUPLICATIVE ACTIVITIES

Areas of Fragmentation, Overlap, and Potential Duplication at DHS

Since 2011, we have identified 11 areas across DHS where fragmentation, overlap, or potential duplication exists, and suggested 24 actions to the Department and Congress to help strengthen the efficiency and effectiveness of DHS operations.[5] In some cases, there is sufficient information available to show that if actions are taken to address individual issues, significant financial benefits may be realized. In other cases, precise estimates of the extent of potential unnecessary duplication, and the cost savings that can be achieved by eliminating any such duplication, are difficult to specify in advance of Congressional and Executive branch decision making. However, given the range of areas we identified at DHS and the magnitude of many of the programs, the cost savings associated with addressing these issues could be significant.

In April 2013, we identified 2 new areas where DHS could take actions to address fragmentation, overlap, or potential duplication.[6] First, we found that DHS does not have a Department-wide policy defining research and development (R&D) or guidance directing how components are to report R&D activities. As a result, the Department does not know its total annual investment in R&D, a fact that limits DHS's ability to oversee components' R&D efforts and align them with agency-wide R&D goals and priorities. DHS's Science and Technology Directorate, Domestic Nuclear Detection Office, and the U.S. Coast Guard—the only DHS components that report R&D-related budget authority to the Office of Management and Budget (OMB) as part of the budget process—reported $568 million in fiscal year 2011 R&D budget authority. However, we identified at least 6 components with R&D activities and an additional $255 million in R&D obligations in fiscal year 2011 by other DHS components that were not reported to OMB in the budget process. To address this issue, we suggested that DHS develop and implement policies and guidance for defining and overseeing R&D at the Department. Second, we reported that the fragmentation of field-based information sharing can be disadvantageous if activities are uncoordinated, as well as if opportunities to leverage resources across entities are not fully exploited. We suggested that DHS and other relevant agencies develop a mechanism that will allow them to hold field-based information-sharing entities accountable for coordinating with each other and monitor and evaluate the coordination results achieved, as well as identify characteristics of entities and assess specific geographic areas in which practices that could enhance coordination and reduce unnecessary overlap could be adopted. DHS generally agreed with our suggestions and is reported taking steps to address them. Moving forward, we will monitor DHS's progress to address these actions.

Concurrent with the release of our 2013 annual report, we updated our assessments of the progress that DHS has made in addressing the actions we suggested in our 2011 and 2012 annual reports.[7] Table 1 outlines the 2011–2012 DHS-related areas in which we identified fragmentation, overlap, or potential duplication, and highlights DHS's and Congress's progress in addressing them.

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[5] In many cases, the existence of fragmentation, overlap, or duplication can be difficult to determine precisely because of a lack of data on programs and activities. Where information was not available that would have provided conclusive evidence of fragmentation, overlap, or duplication, we often refer to potential unnecessary duplication.

[6] GAO–13–279SP.

[7] An area may comprise a single or multiple suggested actions. We evaluated the progress of those areas identified in our March 2011 and February 2012 reports by determining an "overall assessment" rating for each area based on the individual rating of each action with the area. For Congressional actions, we applied the following criteria: "Addressed" means relevant legislation has been enacted; "partially addressed" means a relevant bill has passed a committee, the House of Representatives, or the Senate, or relevant legislation only addressed part of the action needed; and "not addressed" means a bill may have been introduced but did not pass out of a committee, or no relevant legislation has been introduced. For Executive branch actions, "addressed" means implementation of the action needed has been completed; "partially addressed" means a response to the action needed is in development, but not yet completed; and "not addressed" means that minimal or no progress has been made toward implementing the action needed.

Table 1: Assessment of DHS's Progress in Addressing the Areas of Fragmentation, Overlap, or Duplication Identified in the 2011-2012 Annual Reports

Annual report	Areas identified[a]	Overall assessment of 2011 – 2012 actions[b]
2011	**Securing the Northern Border** (Area 22): Department of Homeland Security (DHS) oversight could help eliminate potential duplicating efforts of interagency forums in securing the northern border.	○
2011	**Transportation Security Administration (TSA) Security Assessments** (Area 24): TSA's security assessments on commercial trucking companies overlap with those of another agency, but efforts are under way to address the overlap.	◐
2011	**Sharing Security-Related Information with Public Transit Agencies** (Area 25): The Department of Homeland Security could streamline mechanisms for sharing security-related information with public transit agencies to help address overlapping information.	◐
2011	**Federal Emergency Management Agency (FEMA) Grants** (Area 26): FEMA needs to improve its oversight of grants and establish a framework for assessing capabilities to identify gaps and prioritize investments.	◐
2012	**Protection of Food and Agriculture** (Area 1): Centrally coordinated oversight is needed to ensure more than nine federal agencies effectively and efficiently implement the nation's fragmented policy to defend the food and agriculture systems against potential terrorist attacks and major disasters.	◐
2012	**Cybersecurity Human Capital** (Area 12): Government-wide initiatives to enhance the cybersecurity workforce in the federal government need better structure, planning, guidance, and coordination to reduce duplication.	◐
2012	**Homeland Security Grants** (Area 17): DHS needs better project information and coordination among four overlapping grant programs.	◐
2012	**Federal Facility Risk Assessments** (Area 18): Agencies are making duplicate payments for facility risk assessments by completing their own assessments while also paying DHS for assessments that the department is not performing.	◐
2012	**Information Technology Investment Management** (Area 19): The Office of Management and Budget and the Departments of Defense and Energy need to address potentially duplicative information technology investments to avoid investing in unnecessary systems.	◐

Legend:

◐ = Partially addressed, meaning at least one action needed in that area showed some progress toward implementation, but not all actions were addressed.

○ = Not addressed, meaning none of the actions needed in that area were addressed.

Source: GAO.

[a]The area numbers indicate the number assigned to the area when it was originally reported.

[b]Assessment as of March 6, 2013.

In our March 2011 and February 2012 reports, in particular, we suggested that DHS or Congress take 21 actions to address the areas of overlap or potential duplication that we found. Of these 21 actions, 2 (approximately 10 percent) have been addressed, 13 (approximately 62 percent) have been partially addressed, and the remaining 6 (approximately 29 percent) have not been addressed.[8] For example, to address the potential for overlap among three information-sharing mechanisms that DHS funds and uses to communicate security-related information with public transit agencies, in March 2011, we suggested that DHS could identify and implement ways to more efficiently share security-related information by assessing the various mechanisms available to public transit agencies.[9] We assessed this action as partially addressed because TSA has taken steps to streamline information sharing with public transit agencies, but the agency continues to maintain various mechanisms to share such information. In March 2011, we also found that TSA's security assessments for hazardous material trucking companies overlapped with efforts conducted by the Department of Transportation's (DOT) Federal Motor Carrier Safety Administration (FMCSA), and as a result, Government resources were not being used effectively. After we discussed this overlap with TSA in January 2011, agency officials stated that, moving forward, they intend to only conduct reviews on trucking companies that are not covered by FMCSA's program, an action that, if implemented as intended, we projected could save more than $1 million over the next 5 years. We also suggested that TSA and FMCSA could share each other's schedules for conducting future security reviews, and avoid scheduling reviews on hazardous material trucking companies that have recently received, or are scheduled to receive, a review from the other agency. We assessed this action as addressed because in August 2011, TSA reported that it had discontinued conducting security reviews on trucking companies that are covered by the FMCSA program. Discontinuing such

[8] Percentages do not add to 100 percent because of rounding.

[9] DHS could not provide us with a reliable estimate of the potential cost savings resulting from consolidating these three mechanisms.

reviews should eliminate the short-term overlap between TSA's and FMCSA's reviews of hazardous material trucking companies.

Although the Executive branch and Congress have made some progress in addressing the issues that we have previously identified, additional steps are needed to address the remaining areas and achieve associated benefits. For example, to eliminate potential duplicating efforts of interagency forums in securing the Northern Border, in March 2011, we reported that DHS should provide guidance to and oversight of interagency forums to prevent duplication of efforts and help effectively utilize personnel resources to strengthen coordination efforts along the Northern Border.[10] Further, the four DHS grant programs that we reported on in February 2012—the State Homeland Security Program, the Urban Areas Security Initiative, the Port Security Grant Program, and the Transit Security Grant Program—have multiple areas of overlap and can be sources of potential unnecessary duplication. These grant programs, which FEMA used to allocate about $20.3 billion to grant recipients from fiscal years 2002 through 2011, have similar goals and fund similar activities, such as equipment and training, in overlapping jurisdictions. To address these areas of overlap, we reported that Congress may want to consider requiring DHS to report on the results of its efforts to identify and prevent unnecessary duplication within and across these grant programs, and consider these results when making future funding decisions for these programs. Such reporting could help ensure that both Congress and FEMA steer scarce resources to homeland security needs in the most efficient, cost-effective way possible.[11] See appendix I, table 4, for a summary of the fragmentation, overlap, and duplication areas and actions we identified in our 2011–2013 annual reports that are relevant to DHS.

Opportunities for Cost-Saving and Revenue Enhancements at DHS

Our 2011–2013 annual reports also identified 13 areas where DHS or Congress should consider taking 29 actions to reduce the cost of operations or enhance revenue collection for the Department of the Treasury.[12] Most recently, in April 2013, we identified 4 cost-savings and revenue enhancement areas related to DHS. Table 2 provides a summary of the 2011–2012 DHS-related areas in which we identified opportunities for cost savings or revenue enhancement, as well the status of efforts to address these areas.

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[10] As of March 2013, DHS had not taken steps to determine the benefits of participating in the interagency forums or identified the costs incurred by all partners participating in each forum.

[11] The President's fiscal year 2014 budget request proposes consolidating State and local preparedness grant programs (excluding Emergency Management Performance Grants and fire grants) into the National Preparedness Grant Program. If approved, and depending on its final form and execution, the consolidated National Preparedness Grant Program could help reduce redundancies and mitigate the potential for unnecessary duplication.

[12] In some cases, there is sufficient information to estimate potential savings or other benefits if actions are taken to address individual issues. In other cases, estimates of cost savings or other benefits would depend upon what Congressional and Executive branch decisions were made, including how certain our recommendations are implemented. See appendix I, table 5, for a summary of cost savings and revenue enhancement areas and actions we identified in our 2011–2013 annual reports that are relevant to DHS.

TABLE 2.—COST SAVINGS AND REVENUE ENHANCEMENT OPPORTUNITIES IDENTIFIED IN OUR 2013 ANNUAL REPORT

Annual Report	Areas Identified [1]
2013	*Agricultural Quarantine Inspection Fees* (Area 18).—The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as $325 million in savings (based on fiscal year 2011 data, as reported in GAO's March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.
2013	*Checked Baggage Screening* (Area 28).—By reviewing the appropriateness of the Federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies of up to $300 million by 2030 and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates.
2013	*Cloud Computing* (Area 29).—Better planning of cloud-based computing solutions provides opportunity for potential savings of millions of dollars.
2013	*Information Technology Operations and Maintenance* (Area 30).—Strengthening oversight of key Federal agencies' major information technology investments in operations and maintenance provides opportunity for savings on billions in information technology investments.

Source: GAO.

[1] The area numbers indicate the number assigned to the area when it was originally reported.

In addition, in April 2013 we also reported on the steps that DHS and Congress have taken to address the cost savings and revenue enhancement areas identified in our 2011 and 2012 annual reports. Table 3 provides a summary of the 2011–2012 DHS-related areas in which we identified opportunities for cost savings or revenue enhancement, as well the status of efforts to address these areas.

Table 3: Assessments of DHS's Progress in Addressing the Areas of Cost Savings or Revenue Enhancement in the 2011-2012 Annual Reports

Annual report	Areas identified[a]	Overall assessment of 2011 – 2012 actions[b]
2011	**Award Fee Contracts** (Area 49): Adherence to guidance on award fee contracts could improve agencies' use of award fees and produce savings. Several major agencies spent over $300 billion from fiscal year 2004 through fiscal year 2008 on contracts that included monetary incentives known as award fees.	●
2011	**DHS's Management of Acquisitions** (Area 75/76): The Department of Homeland Security's (DHS) management of acquisitions could be strengthened to reduce inefficiencies, cost overruns, and schedule and performance shortfalls. DHS acquisition spending increased by 66 percent since fiscal year 2004—$8.5 billion in fiscal year 2004 to $14.2 billion in fiscal year 2009.	◐
2011	**TSA's Behavior-Based Screening** (Area 77): Validation of the Transportation Security Administration's (TSA) behavior-based screening program is needed to justify funding or expansion.	◐
2011	**Baggage Screening Systems** (Area 78): More efficient baggage screening systems could result in about $470 million in reduced TSA personnel costs over the next 5 years.	◐
2011	**Customs Fee Collections** (Area 79): Clarifying availability of certain customs fee collections could produce a one-time savings of $640 million.	●
2012	**Border Security** (Area 47): Delaying proposed investments for future acquisitions of border surveillance technology until DHS better defines and measures benefits and estimates life-cycle costs could help ensure the most effective use of future program funding. U.S. Customs and Border Protection (CBP) requested $242 million to fund the new plan for fiscal year 2012.	◐
2012	**Passenger Aviation Security Fees** (Area 48): Options for adjusting the passenger aviation security fee could further offset billions of dollars in civil aviation security costs. These options could increase fee collections from about $2 billion to $10 billion over 5 years.	○
2012	**Immigration Inspection Fee** (Area 49): The air passenger immigration inspection user fee should be reviewed and adjusted to fully recover the cost of the air passenger immigration inspection activities conducted by DHS's U.S. Immigration and Customs Enforcement and CBP rather than using general fund appropriations. In 2011. This could have resulted in a reduction of about $178 million in appropriated funds used for inspection services.	◐
2012	**Domestic Disaster Assistance** (Area 51): The Federal Emergency Management Agency could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance.	○

Legend:

● = Addressed, meaning all actions needed in that area were addressed.

◐ = Partially addressed, meaning at least one action needed in that area showed some progress toward implementation, but not all actions were addressed.

Of the 21 related actions we suggested that DHS or Congress take in our March 2011 and February 2012 reports to either reduce the cost of Government operations or enhance revenue collection, as of March 2013, 3 (about 14 percent) have been addressed, 11 (about 52 percent) have been partially addressed, and 7 (about 33 percent) have not been addressed.[13] For example, in February 2012, we reported that to increase the likelihood of successful implementation of the Arizona Border Surveillance Technology Plan, minimize performance risks, and help justify program funding, the Commissioner of CBP should update the agency's cost estimate for the plan using best practices. This year, we assessed this action as partially addressed because CBP initiated action to update its cost estimate, using best practices, for the plan by providing revised cost estimates in February and March 2012 for the plan's two largest projects. However, CBP has not independently verified its life-cycle cost estimates for these projects with independent cost estimates and reconciled any differences with each system's respective life-cycle cost estimate, consistent with best practices. Such action would help CBP better ensure the reliability of each system's cost estimate. Further, in March 2011, we stated that Congress may wish to consider limiting program funding pending receipt of an independent assessment of TSA's Screening of Passengers by Observation Techniques (SPOT) program. This year, we assessed this action as addressed because Congress froze the program funds at the fiscal year 2010 level and funded less than half of TSA's fiscal year 2012 request for full-time behavior detection officers.

Although DHS and Congress have made some progress in addressing the issues that we have previously identified that may produce cost savings or revenue enhancements, additional steps are needed. For example, in February 2012, we reported that FEMA should develop and implement a methodology that provides a

[13] Percentages do not add to 100 percent because of rounding. In assessing progress on the areas we identified in our 2011 annual report for this year's report, we combined two areas related to the Department of Homeland Security's management of acquisitions (Areas 75 and 76) into one area.

more comprehensive assessment of a jurisdiction's capability to respond to and recover from a disaster without Federal assistance. As of March 2013, FEMA had not addressed this action. In addition, in the 2012 report, we suggested that Congress, working with the administrator of TSA, may wish to consider increasing the passenger aviation security fee according to one of many options, including but not limited to the President's Deficit Reduction Plan option ($7.50 per one-way trip by 2017) or the Congressional Budget Office, President's Debt Commission, and House Budget Committee options ($5 per one-way trip). These options could increase fee collections over existing levels from about $2 billion to $10 billion over 5 years. However, as of March 2013, Congress had not passed legislation to increase the passenger security fee.[14] For additional information on our assessment of DHS's and Congress's efforts to address our previously reported actions, see *GAO's Action Tracker*.[15]

DHS NEEDS TO STRENGTHEN ITS MANAGEMENT FUNCTIONS

Following its establishment in 2003, DHS focused its efforts primarily on implementing its various missions to meet pressing homeland security needs and threats, and less on creating and integrating a fully and effectively functioning Department. As the Department matured, it has put into place management policies and processes and made a range of other enhancements to its management functions, which include acquisition, information technology, financial, and human capital management. However, DHS has not always effectively executed or integrated these functions.

The Department has made considerable progress in transforming its original component agencies into a single Cabinet-level Department and positioning itself to achieve its full potential; however, challenges remain for DHS to address across its range of missions. DHS has also made important strides in strengthening the Department's management functions and in integrating those functions across the Department. As a result, in February 2013, we narrowed the scope of the high-risk area and changed the focus and name from *Implementing and Transforming the Department of Homeland Security* to *Strengthening the Department of Homeland Security Management Functions*.[16] Of the 31 actions and outcomes GAO identified as important to addressing this area, DHS has fully or mostly addressed 8, partially addressed 16, and initiated 7. Moving forward, continued progress is needed in order to mitigate the risks that management weaknesses pose to mission accomplishment and the efficient and effective use of the Department's resources. For example:

- *Acquisition management*.—Although DHS has made progress in strengthening its acquisition function, most of DHS's major acquisition programs continue to cost more than expected, take longer to deploy than planned, or deliver less capability than promised. We identified 42 programs that experienced cost growth, schedule slips, or both, with 16 of the programs' costs increasing from a total of $19.7 billion in 2008 to $52.2 billion in 2011—an aggregate increase of 166 percent. We reported in September 2012 that DHS leadership has authorized and continued to invest in major acquisition programs even though the vast majority of those programs lack foundational documents demonstrating the knowledge needed to help manage risks and measure performance.[17] We recommended that DHS modify acquisition policy to better reflect key program and portfolio management practices and ensure acquisition programs fully comply with DHS acquisition policy. DHS concurred with our recommendations and re-

[14] In the President's fiscal year 2014 budget request, TSA proposes to replace the current "per-enplanement" fee structure with a "per one-way trip" fee structure so that passengers pay the fee only one time when traveling to their destination. It also removes the current statutory fee limit and replaces it with a statutory fee minimum of $5.00 in 2014, with annual incremental increases of 50 cents from 2015 to 2019, resulting in a fee of $7.50 per one-way trip in 2019 and thereafter. According to TSA, the proposed fee would increase collections by an estimated $25.9 billion over 10 years. Of this amount, $7.9 billion will be applied to increase offsets to the discretionary costs of aviation security and the remaining $18 billion will be treated a mandatory savings and deposited in the general fund for deficit reduction. This proposal presents an option that, consistent with our suggested action, Congress may consider in determining whether to take legislative action to change the fee.

[15] *GAO's Action Tracker* is a publicly accessible website of the 162 areas and approximately 380 suggested actions presented in our 2011, 2012, and 2013 reports. *GAO's Action Tracker* includes progress updates and assessments of Legislative and Executive branch actions needed. We will add areas and suggested actions identified in future reports to *GAO's Action Tracker* and periodically update the status of all identified areas and activities.

[16] GAO–13–283.

[17] GAO, *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs,* GAO–12–833, (Washington, DC: Sept. 18, 2012).

ported taking actions to address some of them. Moving forward, DHS needs to, for example, validate required acquisition documents in a timely manner, and demonstrate measurable progress in meeting cost, schedule, and performance metrics for its major acquisition programs.

- *Information technology management*.—DHS has defined and begun to implement a vision for a tiered governance structure intended to improve information technology (IT) program and portfolio management, which is generally consistent with best practices. However, the governance structure covers less than 20 percent (about 16 of 80) of DHS's major IT investments and 3 of its 13 portfolios, and the Department has not yet finalized the policies and procedures associated with this structure. In July 2012, we recommended that DHS finalize the policies and procedures and continue to implement the structure. DHS agreed with these recommendations and estimated it would address them by September 2013.[18]
- *Financial management*.—DHS has, among other things, received a qualified audit opinion on its fiscal year 2012 financial statements for the first time since the Department's creation. DHS is working to resolve the audit qualification to obtain an unqualified opinion for fiscal year 2013. However, DHS components are currently in the early planning stages of their financial systems modernization efforts, and until these efforts are complete, their current systems will continue to inadequately support effective financial management, in part because of their lack of substantial compliance with key Federal financial management requirements. Without sound controls and systems, DHS faces challenges in obtaining and sustaining audit opinions on its financial statement and internal controls over financial reporting, as well as ensuring its financial management systems generate reliable, useful, and timely information for day-to-day decision making.
- *Human capital management*.—In December 2012, we identified several factors that have hampered DHS's strategic workforce planning efforts and recommended, among other things, that DHS identify and document additional performance measures to assess workforce planning efforts.[19] DHS agreed with these recommendations and stated that it plans to take actions to address them. In addition, DHS has made efforts to improve employee morale, such as taking actions to determine the root causes of morale problems. Despite these efforts, however, Federal surveys have consistently found that DHS employees are less satisfied with their jobs than the Government-wide average. In September 2012, we recommended, among other things, that DHS improve its root cause analysis efforts of morale issues. DHS agreed with these recommendations and noted actions it plans to take to address them.[20]

In conclusion, given DHS's significant leadership responsibilities in securing the homeland, it is critical that the Department's programs and activities are operating as efficiently and effectively as possible; that they are sustainable; and that they continue to mature, evolve, and adapt to address pressing security needs. Since it began operations in 2003, DHS has implemented key homeland security operations and achieved important goals and milestones in many areas. These accomplishments are especially noteworthy given that the Department has had to work to transform itself into a fully functioning Cabinet department while implementing its missions. However, our work has shown that DHS can take actions to reduce fragmentation, overlap, and unnecessary duplication to improve the efficiency of its operations and achieve cost savings in several areas. Further, DHS has taken steps to strengthen its management functions and integrate them across the Department; however, continued progress is needed to mitigate the risks that management weaknesses pose to mission accomplishment and the efficient and effective use of the Department's resources. DHS has indeed made significant strides in protecting the homeland, but has yet to reach its full potential.

Chairman Duncan, Ranking Member Barber, and Members of the subcommittee, this concludes my prepared statement. I would be pleased to respond to any questions that Members of the subcommittee may have.

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[18] GAO, *Information Technology: DHS Needs to Further Define and Implement Its New Governance Process,* GAO–12–818 (Washington, DC: July 25, 2012).

[19] GAO, *DHS Strategic Workforce Planning: Oversight of Department-wide Efforts Should Be Strengthened,* GAO–13–65 (Washington, DC: Dec. 3, 2012).

[20] GAO, *Department of Homeland Security: Taking Further Action to Better Determine Causes of Morale Problems Would Assist in Targeting Action Plans,* GAO–12–940 (Washington, DC: Sept. 28, 2012).

APPENDIX I.—AREAS AND ACTIONS IDENTIFIED IN 2011–2013 ANNUAL REPORTS RELATED TO THE DEPARTMENT OF HOMELAND SECURITY

This enclosure presents a summary of the areas and actions we identified in our 2011–2013 annual reports that are relevant to the Department of Homeland Security (DHS).[21] It also includes our assessment of the overall progress made in each of the areas and the progress made on each action that we identified in our 2011 and 2012 annual reports in which Congress and DHS could take actions to reduce or eliminate fragmentation, overlap, and potential duplication or achieve other potential financial benefits. As of April 26, 2013, we have not assessed DHS's progress in addressing the relevant 2013 areas. Table 4 presents our assessment of the overall progress made in implementing the actions needed in the areas related to fragmentation, overlap, or duplication. Table 5 presents our assessment of the overall progress made in implementing the actions needed in the areas related to cost savings or revenue enhancement.

Table 4: Assessment of DHS's Progress in Addressing the Areas of Fragmentation, Overlap, and Duplication and Related Actions Identified in 2011-2013 Annual Reports

Annual report	Areas identified	Assessment
2011	**Securing the Northern Border** (Area 22): Department of Homeland Security (DHS) oversight could help eliminate potential duplicating efforts of interagency forums in securing the northern border.	○
	Action 1: DHS should provide guidance and oversight for interagency forums— which include both Integrated Border Enforcement Team (IBET) and Border Enforcement Security Task Force (BEST) interagency forums—to help prevent duplication of effort and help efficiently utilize personnel resources to strengthen DHS's coordination efforts along the northern border.	○
	Action 2: As DHS establishes a mechanism for determining the benefits of participating in the IBET and BEST interagency forums, DHS could lead efforts to develop a framework for identifying the costs incurred by all partners participating in each forum.	○
2011	**TSA's Security Assessments** (Area 24): The Transportation Security Administration's (TSA) security assessments on commercial trucking companies overlap with those of another agency, but efforts are underway to address the overlap.	◐

[21] GAO, *Opportunities to Reduce Potential Duplication in Government Programs, Save Tax Dollars, and Enhance Revenue,* GAO–11–318SP (Washington, DC: Mar. 1, 2011); *2012 Annual Report: Opportunities to Reduce Duplication, Overlap, and Fragmentation, Achieve Savings, and Enhance Revenue,* GAO–12–342SP (Washington, DC: Feb. 28, 2012); and *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits,* GAO–13–279SP (Washington, DC: Apr. 9, 2013).

Annual report	Areas identified	Assessment
	Action 1: TSA and the Federal Motor Carrier Safety Administration (FMCSA) could improve interagency coordination by sharing each other's schedules for conducting future security reviews, and avoid scheduling reviews on hazardous material trucking companies that have recently received, or are scheduled to receive, a review from the other agency. TSA could also discontinue conducting voluntary security reviews on hazardous material trucking companies, thereby enabling TSA to increase its security efforts in other areas. In August 2011, TSA reported that the agency had discontinued conducting security reviews on trucking companies that are covered by the FMCSA program. Discontinuing such reviews could save more than $1 million over the next 5 years.	●
	Action 2: TSA could request that the full results of past FMCSA security reviews of trucking companies be provided through an existing Department of Transportation (DOT) web portal. Doing so would require cooperation from FMCSA.	○
	Action 3: TSA and FMCSA should continue efforts toward the long-term goal of TSA assuming full regulatory responsibility from FMCSA for commercial trucking security, thereby reducing fragmentation.	◐
2011	**Sharing Security-Related Information with Public Transit Agencies** (Area 25): DHS could streamline mechanisms for sharing security-related information with public transit agencies to help address overlapping information.	◐
	Action 1: DHS and TSA could identify and implement ways to more efficiently share security-related information by assessing the various mechanisms available to public transit agencies—including DHS's information network, TSA's portal on the network, and the public transit analysis center—as well as the information they provide, and identify opportunities to streamline these mechanisms. TSA officials stated in September 2010 that TSA applied $2.5 billion for fiscal years 2009 and 2010 to its portal on DHS's information network, primarily on developing and organizing data for all transportation modes.	◐
	Action 2: DHS could develop and track verifiable cost data specific to each of its information-sharing mechanisms, as part of TSA streamlining and financial management efforts. Developing such baseline cost data could assist TSA in identifying potential cost savings resulting from the consolidation of these mechanisms and provide opportunities for the agency to better allocate its information-sharing resources.	◐
2011	**FEMA Grants** (Area 26): The Federal Emergency Management Agency (FEMA) needs to improve its oversight of grants and establish a framework for assessing capabilities to identify gaps and prioritize investments.	◐
	Action 1: FEMA could benefit from examining its grant programs and coordinating its application process to eliminate or reduce redundancy among grant recipients and program purposes.	◐
	Action 2: Congress may wish to consider limiting preparedness grant funding to maintaining existing capabilities (as determined by FEMA) until FEMA completes a national preparedness assessment of capability gaps at each level based on tiered, capability-specific performance objectives to enable prioritization of grant funding. In April 2011, Congress reduced funding for FEMA preparedness grants by $875 million from the amount requested in the President's fiscal year 2011 budget. In December 2011, Congress reduced funding for FEMA preparedness grants by $1.28 billion from the amount requested in the President's fiscal year 2012 budget.	◐
	Action 3: FEMA should complete a national preparedness assessment of capability gaps at each level based on tiered, capability-specific performance objectives to enable prioritization of grant funding, and FEMA could identify the potential costs for establishing and maintaining those capabilities at each level and determine what capabilities federal agencies should provide.	◐
	Action 4: Once FEMA has completed its assessment, Congress may wish to consider limiting the use of federal preparedness grant programs to fund only projects to fill identified, validated, and documented capability gaps that may (or may not) include maintaining existing capabilities developed.	○

Annual report	Areas identified	Assessment
2012	**Protection of Food and Agriculture** (Area 1): Centrally coordinated oversight is needed to ensure more than nine federal agencies effectively and efficiently implement the nation's fragmented policy to defend the food and agriculture systems against potential terrorist attacks and major disasters.	◐
	Action 1: To help ensure that the federal government is effectively implementing the nation's food and agriculture defense policy, the Secretary of Homeland Security should resume DHS's efforts to coordinate agencies' overall Homeland Security Presidential Directive 9 (HSPD-9) implementation efforts.	◐
2012	**Cybersecurity Human Capital** (Area 12): Governmentwide initiatives to enhance cybersecurity workforce in the federal government need better structure, planning, guidance, and coordination to reduce duplication.	◐
	Action 1: To ensure that governmentwide cybersecurity workforce initiatives are better coordinated, the Directors of the Office of Management and Budget (OMB) and the Office of Personnel Management (OPM) and the Secretaries of Commerce and Homeland Security should consolidate and align efforts to define roles, responsibilities, skills, and competencies for the federal cybersecurity workforce.	◐
	Action 2: The Secretary of Homeland Security should implement a process for tracking agency use of training, gather feedback from agencies on the training's value and opportunities for improvement, and develop a process to coordinate training offered to minimize the production and distribution of duplicative products.	◐
2012	**Homeland Security Grants** (Area 17): DHS needs better project information and coordination among four overlapping grant programs.	◐
	Action 1: To help reduce the risk of unnecessary duplication by strengthening the administration and oversight of these programs, FEMA's Administrator should take steps, when developing the Non-Disaster Grants Management system and responding to the May 2011 FEMA report recommendations on data requirements, to ensure that FEMA collects project information with the level of detail needed to better position the agency to identify any potential unnecessary duplication within and across the four grant programs, weighing any additional costs of collecting these data.	◐
	Action 2: To help reduce the risk of unnecessary duplication by strengthening the administration and oversight of these programs, FEMA Administrator should explore opportunities to enhance FEMA's internal coordination and administration of the programs in order to identify and mitigate the potential for any unnecessary duplication.	◐
	Action 3: Congress may want to consider requiring DHS to report on the results of its efforts to identify and prevent unnecessary duplication within and across the State Homeland Security Program, Urban Areas Security Initiative, Port Security Grant Program, and Transit Security Grant Program, and consider these results when making future funding decisions for these programs. From fiscal years 2002 through 2011, FEMA allocated about $20.3 billion to grant recipients through these four programs.	○
2012	**Federal Facility Risk Assessments** (Area 18): Agencies are making duplicate payments for facility risk assessments by completing their own assessments, while also paying DHS for assessments that the department is not performing.	◐

Annual report	Areas identified	Assessment
	Action 1: To address the duplicative federal facility risk assessments conducted by multiple federal agencies, the Secretary of DHS should direct the Director of the Federal Protective Service (FPS) to develop interim solutions for completing risk assessments while addressing the Risk Assessment and Management Program's (RAMP) challenges.	◐
	Action 2: To address the duplicative federal facility risk assessments conducted by multiple federal agencies, the Director of FPS should make information about the estimated costs of key activities and the basis for these estimates available to affected parties to improve transparency.	◐
	Action 3: To address the duplicative federal facility risk assessments conducted by multiple federal agencies, DHS should work with federal agencies to determine their reasons for duplicating the activities included in FPS's risk assessments and identify measures to reduce this duplication.	○
2012	**Information Technology Investment Management** (Area 19): The Office of Management and Budget and the Departments of Defense and Energy need to address potentially duplicative information technology (IT) investments to avoid investing in unnecessary systems. Identifying and consolidating potentially duplicative IT investments at the Departments of Defense and Energy could result in millions of dollars in cost savings.	◐
	Action 5: To better ensure the agencies avoid investing in duplicative investments the Secretaries of Defense, Energy, and Homeland Security should direct their chief information officers to correct the miscategorizations for the investments GAO identified and ensure that investments are correctly categorized in agency submissions.	●
2013	**Department of Homeland Security Research and Development** (Area 7): Better policies and guidance for defining, overseeing, and coordinating research and development investments and activities would help DHS address fragmentation, overlap, and potential unnecessary duplication.	[a]
	Action 1: The Secretary of Homeland Security should develop and implement policies and guidance for defining and overseeing research and development (R&D) at the department to ensure that DHS effectively oversees its R&D investment and efforts and reduces fragmentation, overlap, and the risk of unnecessary duplication. Such policies and guidance could be included as an update to the department's existing acquisition directive and should include the following elements: a well-understood definition of R&D that provides reasonable assurance that reliable accounting and reporting of R&D resources and activities for internal and external use are achieved; a description of the department's process and roles and responsibilities for overseeing and coordinating R&D investments and efforts; and a mechanism to track existing R&D projects and their associated costs across the department. DHS's Science and Technology Directorate, Domestic Nuclear Detection Office, and the U.S. Coast Guard—the only DHS components that report R&D-related budget authority to OMB—reported $568 million in fiscal year 2011 budget authority. However, GAO identified an additional $255 million in R&D obligations in fiscal year 2011 by other DHS components that were not reported to OMB in the budget process.	[a]
2013	**Field-Based Information Sharing** (Area 8): To help reduce inefficiencies resulting from overlap in analytical and investigative support activities, the Departments of Justice and Homeland Security and the Office of National Drug Control Policy (ONDCP) could improve coordination among five types of field-based information sharing entities that may collect, process, analyze, or disseminate information in support of law enforcement and counterterrorism-related efforts—Joint Terrorism Task Forces, Field Intelligence Groups, Regional Information Sharing Systems centers, state and major urban area fusion centers, and High Intensity Drug Trafficking Areas Investigative Support Centers.	[a]

Annual report	Areas identified	Assessment
	Action 1: The Secretary of Homeland Security, the Attorney General, and the Director of ONDCP should work through the Information Sharing and Access Interagency Policy Committee or otherwise collaborate to develop a mechanism that will allow them to hold field-based information-sharing entities accountable for coordinating with each other and monitor and evaluate the coordination results achieved.	[a]
	Action 2: The Secretary of Homeland Security, the Attorney General, and the Director of ONDCP should work through the Information Sharing and Access Interagency Policy Committee or otherwise collaborate to identify characteristics of entities and assess specific geographic areas in which practices that could enhance coordination and reduce unnecessary overlap, such as cross-entity participation on governance boards and collocation of entities, could be further applied, and use the results to provide recommendations or guidance to the entities on implementing these practices.	[a]

Legend:

● = Addressed, meaning all actions needed in that area were addressed.

◐ = Partially addressed, meaning at least one action needed in that area showed some progress toward implementation, but not all actions were addressed.

○ = Not addressed, meaning none of the actions needed in that area were addressed

Source: GAO analysis.

[a]As of April 26, 2013, we have not assessed the 2013 areas identified.

Table 5: Assessments of DHS's Progress in Addressing the Areas of Cost Savings and Revenue Enhancements and Related Actions Identified in 2011 – 2013 Annual Reports

Annual report	Areas identified	Assessment
2011	**Award Fee Contracts** (Area 49): Adherence to guidance on award fee contracts could improve agencies' use of award fees and produce savings. Several major agencies spent over $300 billion from fiscal year 2004 through fiscal year 2008 on contracts that included monetary incentives known as award fees.	●
	Action 1: Sustained progress in the use of award fees will require that contracting agencies adhere to changes to the Federal Acquisition Regulation, which in 2009 prohibited the practices of rollover of unearned award fees and awarding fees to contractors that have performed unsatisfactorily. Further efforts are needed by agencies to identify methods to evaluate the effectiveness of award fees as a tool for improving contractor performance.	●
2011	**DHS's Management of Acquisitions** (Area 75/76): The Department of Homeland Security's (DHS) management of acquisitions could be strengthened to reduce inefficiencies, cost overruns, and schedule and performance shortfalls. DHS acquisition spending has increased by 66 percent since fiscal year 2004—$8.5 billion in fiscal year 2004 to $14.2 billion in fiscal year 2009.	◐

Annual report	Areas identified	Assessment
	Action 1: DHS should ensure that requirements and cost estimates are well defined up front.	◐
	Action 2: DHS should establish and measure performance against department-approved baselines for major acquisition programs.	◐
	Action 3: DHS should ensure that its investment decisions are transparent and documented; budget decisions are informed by the results of acquisition reviews, including acquisition information and cost estimates; sufficient management resources are identified and aligned, such as acquisition staff, to implement oversight reviews in a timely manner; and acquisition program requirements are reviewed and validated.	◐
	Action 4: DHS could take further actions to improve its management of research and development (R&D) efforts and reduce costs in procuring and deploying programs that have not been fully tested, including rigorously testing devices using actual agency operational tactics before making decisions on acquisitions. GAO has revised this action to more clearly focus on DHS acquisition management rather than DHS R&D, which is addressed separately in GAO's April 2013 report. Specifically, GAO suggests that DHS should ensure that testing of new technologies is completed and test results are addressed before making acquisition decisions.	◐
	Action 5: DHS should conduct cost-benefit analyses as part of research, development, and testing efforts, which would help DHS and congressional decision makers better assess and prioritize investment decisions, including assessing possible program alternatives that could be more cost-effective. GAO has revised this action to more clearly focus on DHS acquisition management rather than DHS R&D, which is addressed separately in GAO's April 2013 report. Specifically, GAO suggests that DHS should take actions to help decision makers better assess and prioritize investments, including possible program alternatives that could be more cost-effective.	◐
2011	**TSA's Behavior-Based Screening** (Area 77): Validation of the Transportation Security Administration's (TSA) behavior-based screening program is needed to justify funding or expansion.	◐
	Action 2: DHS could conduct additional research to provide additional information on the extent to which the Screening of Passengers by Observation Techniques (SPOT) program can be effectively implemented in airports and to help determine the need for periodic refresher training. This action was revised to consolidate it with action 1 cited in GAO's March 2011 report. Specifically, GAO suggests that DHS use an independent panel of experts to assess the methodology of its initial validation study of the TSA behavior detection program, and conduct additional research to provide further information and assurance on the extent to which the SPOT program can be effectively implemented in airports, and to help determine the need for periodic refresher training.	◐
	Action 3: Congress may wish to consider limiting program funding pending receipt of an independent assessment of TSA's SPOT program. Specifically, Congress could consider freezing appropriation levels for the SPOT program at the 2010 level until the validation effort is complete.	●
	Action 4: Upon completion of the validation effort, Congress may also wish to consider the study's results— including the SPOT program's effectiveness in using behavior-based screening techniques to detect terrorists in the aviation environment—in making future funding decisions regarding the program. Depending on the results of DHS's validation effort and congressional action, savings over the next 5 years could total tens of millions of dollars.	○
2011	**Baggage Screening Systems** (Area 78): More efficient baggage screening systems could result in about $470 million in reduced TSA personnel costs over the next 5 years.	◐

Annual report	Areas identified	Assessment
	Action 1: TSA might achieve savings in screening personnel costs by continuing to replace or modify older checked baggage screening systems with more efficient solutions, including in-line screening systems.	◐
2011	**Customs Fee Collections** (Area 79): Clarifying availability of certain customs fee collections could produce a one-time savings of $640 million.	●
	Action 1: Congress could clarify the purposes for which the $639.4 million in unobligated balances is available. The unobligated balances have remained in U.S. Customs and Border Protection's (CBP) Customs User Fee Account for more than 10 years.	●
2012	**Border Security** (Area 47): Delaying proposed investments for future acquisitions of border surveillance technology until DHS better defines and measures benefits and estimates life-cycle costs could help ensure the most effective use of future program funding. CBP requested $242 million to fund the new plan for fiscal year 2012.	◐
	Action 1: To increase the likelihood of successful implementation of the Arizona Border Surveillance Technology Plan, minimize performance risks associated with the new approach, help justify program funding, and increase the reliability of CBP cost estimate, the Commissioner of CBP should determine the mission benefits to be derived from implementation of the plan.	◐
	Action 2: To increase the likelihood of successful implementation of the Arizona Border Surveillance Technology Plan, minimize performance risks associated with the new approach, help justify program funding, and increase the reliability of CBP cost estimate, the Commissioner of CBP should develop and apply key attributes for metrics to assess program implementation.	◐ ◐
	Action 3: To increase the likelihood of successful implementation of the Arizona Border Surveillance Technology Plan, minimize performance risks associated with the new approach, help justify program funding, and increase the reliability of CBP's cost estimate, the Commissioner of CBP should update its cost estimate for the plan using best practices.	○
	Action 4: Congress may wish to consider limiting future program funding until CBP has more fully defined the benefits and costs of its Arizona Border Surveillance Technology Plan.	
2012	**Passenger Aviation Security Fees** (Area 48): Options for adjusting the passenger aviation security fee could further offset billions of dollars in civil aviation security costs. These options could increase fee collections from about $2 billion to $10 billion over 5 years.	○
	Action 1: To help further offset billions of dollars in the federal budget for aviation security programs and activities in outlying fiscal years, Congress, working with the Administrator of TSA, should consider increasing the passenger security fee according to one of the options GAO identified in February 2012. These include the President's Deficit Reduction Plan option ($7.50 per one-way trip by 2017); the Congressional Budget Office, President's Debt Commission, and House Budget Committee options ($5.00 per one-way trip); TSA's Fiscal Year 2012 Budget Request option ($5.50 per enplanement by 2014); as well as adjusting the fee for inflation (according to GAO analysis; this option would increase the fee to about $3.00 per enplanement). These options could increase fee collections over existing levels from about $2 billion to $10 billion over 5 years.	○
2012	**Immigration Inspection Fees** (Area 49): The air passenger immigration inspection user fee should be reviewed and adjusted to fully recover the cost of the air passenger immigration inspection activities conducted by DHS's U.S. Immigration and Customs Enforcement (ICE) and CBP rather than using general fund appropriations. In 2011 this could have resulted in a reduction of about $178 million in appropriated funds used for inspection services.	◐

Annual report	Areas identified	Assessment
	Action 1: To determine the extent to which air passenger immigration inspection fees are aligned with the costs of inspection activities, which could enable fee adjustments to reduce reliance on general fund appropriations, Congress may wish to require the Secretary of Homeland Security to require ICE and CBP to regularly report on the total cost of air passenger immigration inspections and the amount of associated fee collections.	○
	Action 2: Congress may wish to require the Secretary of Homeland Security to adjust the fee as needed so that collections are aligned with total inspection costs, if it is determined that total immigration fee collections do not cover total immigration inspection costs. This action was revised to reflect efforts by ICE and CBP to determine the extent to which immigration fee collections cover reimbursable activities. Specifically, GAO is suggesting that Congress may wish to adjust the immigration inspection fee as needed so that collections are aligned with total inspection costs, now that ICE and CBP have determined that total immigration fee collections do not cover total immigration inspection costs.	○
	Action 3: To determine the extent to which air passenger immigration inspection fees are aligned with the costs of inspection activities, which could enable fee adjustments to reduce reliance on general fund appropriations, Congress may wish to require the Secretary of Homeland Security to direct ICE to amend its cost study methodology to determine the extent to which air passenger fee collections cover reimbursable activities.	◐
	Action 4: To determine the extent to which air passenger immigration inspection fees are aligned with the costs of inspection activities, which could enable fee adjustments to reduce reliance on general fund appropriations, Congress may wish to require the Secretary of Homeland Security to direct ICE and CBP to establish a regular schedule to review and coordinate on the costs of their respective air passenger immigration inspection activities, and revise the proportion of the fee received by each agency accordingly.	○
2012	**Domestic Disaster Assistance** (Area 51): The Federal Emergency Management Agency (FEMA) could reduce the costs to the federal government related to major disasters declared by the President by updating the principal indicator on which disaster funding decisions are based and better measuring a state's capacity to respond without federal assistance.	○
	Action 1: The FEMA Administrator should re-examine the basis for the Public Assistance per capita indicator and determine whether it accurately reflects a state's capacity to respond to and recover from a disaster without federal assistance. This action was revised to consolidate the three actions cited in GAO's February 2012 report into one action as a result of GAO's September 2012 report, Federal Disaster Assistance: Improved Criteria Needed to Assess a Jurisdiction's Capability to Respond and Recover on Its Own (GAO-12-838). Specifically, in that report GAO recommended that to increase the efficiency and effectiveness of the process for disaster declarations, the Administrator of FEMA should develop and implement a methodology that provides a more comprehensive assessment of a jurisdiction's capability to respond to and recover from a disaster without federal assistance. Providing a more comprehensive assessment of a jurisdiction's capability to respond to and recover from a disaster without federal assistance to support disaster declaration decisions could save billions of dollars. This should include one or more measures of a jurisdiction's fiscal capacity, such as Total Taxable Resources, and consideration of the jurisdiction's response and recovery capabilities. If FEMA continues to use the Public Assistance per capita indicator to assist in identifying a jurisdiction's capabilities to respond to and recover from a disaster, it should adjust the indicator to accurately reflect the annual changes in the U.S. economy since 1986, when the current indicator was first adopted for use. In addition, implementing the adjustment by raising the indicator in steps over several years would give jurisdictions more time to plan for and adjust to the change.	○

Annual report	Areas identified	Assessment
2013	**Agricultural Quarantine Inspection Fees** (Area 18): The United States Department of Agriculture's Animal and Plant Health Inspection Service could have achieved as much as $325 million in savings (based on fiscal year 2011 data, as reported in GAO's March 2013 report) by more fully aligning fees with program costs; although the savings would be recurring, the amount would depend on the cost-collections gap in a given fiscal year and would result in a reduced reliance on U.S. Customs and Border Protection's annual Salaries and Expenses appropriations used for agricultural inspection services.	[a]
	Action 2: The Secretary of Homeland Security should direct CBP to update and widely disseminate guidance to ensure that all ports of entry correctly charge time spent on agriculture-related functions.	[a]
	Action 3: The Secretaries of Agriculture and Homeland Security should work together to amend overtime regulations for agriculture services so that reimbursable overtime rates are aligned with the costs of those services.	[a]
	Action 4: The Secretaries of Agriculture and Homeland Security should ensure that all inspection fees are collected when due, including fees for agriculture overtime services that are eligible for reimbursement.	[a]
2013	**Checked Baggage Screening** (Area 28): By reviewing the appropriateness of the federal cost share the Transportation Security Administration applies to agreements financing airport facility modification projects related to the installation of checked baggage screening systems, the Transportation Security Administration could, if a reduced cost share was deemed appropriate, achieve cost efficiencies of up to $300 million by 2030 and be positioned to install a greater number of optimal baggage screening systems than it currently anticipates.	[a]
	Action 1: Congress may wish to consider directing TSA to study, in consultation with relevant industry stakeholders, whether the 90 percent federal cost share that TSA generally applies to cost sharing agreements for eligible airport facility modification projects related to the installation of checked baggage screening systems is appropriate or should be adjusted.	[a] [a]
	Action 2: Congress may wish to consider whether an amendment to current legislation, or enactment of new legislation, is necessary and warranted if it is determined that a change in the current federal cost share that TSA generally applies to these cost sharing agreements is appropriate.	
2013	**Cloud Computing** (Area 29): Better planning of cloud-based computing solutions provides an opportunity for potential savings of millions of dollars.	[a]
	Action 1: The Secretaries of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury and the Administrators of the General Services Administration and the Small Business Administration should direct their respective Chief Information Officers to establish estimated costs, performance goals, and plans to retire associated legacy systems for each cloud-based service discussed in the report, as applicable.	[a]
	Action 2: The Secretaries of Agriculture, Health and Human Services, Homeland Security, State, and the Treasury and the Administrators of the General Services Administration and the Small Business Administration should direct their respective Chief Information Officers to develop, at a minimum, estimated costs, milestones, performance goals, and plans for retiring legacy systems, as applicable, for planned additional cloud-based services.	[a]
2013	**Information Technology Operations and Maintenance** (Area 30): Strengthening oversight of key federal agencies' major information technology investments in operations and maintenance provides opportunity for savings on billions in information technology investments.	[a]
	Action 1: The Secretaries of Defense, Homeland Security, Health and Human Services, Veterans Affairs, and the Treasury should direct appropriate officials to annually perform operational analyses on all investments and ensure the assessments include all key factors.	[a]

Legend:

● = Addressed, meaning all actions needed in that area were addressed.

◐ = Partially addressed, meaning at least one action needed in that area showed some progress toward implementation, but not all actions were addressed.

○ = Not addressed, meaning none of the actions needed in that area were addressed.

Source: GAO.

[a]As of April 26, 2013, we have not assessed the 2013 areas identified.

Mr. DUNCAN. Thank you, Ms. Berrick.

The Chairman will now recognize Ms. Richards for her testimony.

STATEMENT OF ANNE L. RICHARDS, ASSISTANT INSPECTOR GENERAL FOR AUDITS, OFFICE OF INSPECTOR GENERAL, U.S. DEPARTMENT OF HOMELAND SECURITY

Ms. RICHARDS. Good morning Chairman Duncan, Ranking Member Barber, Ranking Member Thompson, and Members of the subcommittee. Thank you for inviting me to testify today.

In the 10 years since its establishment, the Department of Homeland Security has made progress in addressing the challenges it faces to accomplish its mission and in laying the groundwork to effectively manage its resources; however, to successfully fulfill its

vital mission to protect and secure our Nation, DHS must continue to overcome challenges that hinder its efforts.

Our recommendations are designed to assist the Department and its components in addressing and overcoming their most persistent challenges. In the past 10 years we had issued about 8,000 recommendations of which about 15 percent remain open. Those open recommendations identified a total monetary effect of about $650 million.

We believe that by implementing our recommendations, DHS will continue to improve the effectiveness inefficiencies of its operations. My testimony today will address some of the highest priorities, short- and long-term open, that is to say on implemented, recommendations that we have made to DHS. These recommendations address the Department's critical mission areas of the border security and disaster preparedness and response as well as accountability issues related to financial and IT management.

In an effort to be mindful of your time, I would like to focus on just a few of the recommendations included in my full statement. These recommendations addressed interoperable communications, financial management, and FEMA's process for tracking public assistance insurance requirements.

We reported in November 2012, that although DHS established an internal goal of developing interoperable radio communications and identified common channels to do so, it had not achieved that goal. Only one out of 479 radio users we reviewed could access and communicate using the specified common channel.

Only 20 percent of radios that we tested contained all the correct program settings for this common channel. We recommended that DHS establish a robust governance structure to ensure that the components achieve interoperability as well as develop and disseminate policies and procedures to standardize Department-wide radio activities.

Also in fiscal year 2012, DHS produced auditable financial statements and obtained a qualified opinion on those statements, but challenges remain in financial management including the need to improve and integrate the Department's financial management systems.

We also recommended that DHS continue its financial systems modernization initiative and improve the Department's financial management systems. This is an example of a recommendation that will take significant time and effort to implement.

The Department has worked to improve its financial systems for several years and is currently pursuing a strategy to improve the financial systems at individual components such as the Coast Guard and FEMA.

Our December 2011 report of FEMA's process for tracking public assistance insurance requirements included recommendations to help resolve long-standing insurance-related issues.

The Stafford Act encourages State or local governments to protect themselves by obtaining insurance to supplement or replace Federal Government assistance.

To receive public assistant grant funding and be eligible for funding in future disasters, the act requires applicants to obtain and maintain insurance on damaged insurable facilities; however

FEMA's public assistance program includes disincentives for applicants to carry this insurance.

For example, the program pays for building repair following a first disaster, which reduces the incentive for building owners to purchase insurance if they had not previously received a disaster assistance.

In addition, FEMA reimburses deductible amounts in insurance policies regardless of the amount of the deductible, which encourages high deductibles.

In our December 2011 report we recommended that FEMA complete the rulemaking process begun in 2000 and issue a final rule that resolves the long-standing issues with public assistance insurance regulations including those related to deductibles and self-insurance.

The Office of Inspector General continue to analyze the Department's programs and practices to identify those that they need improvement, determine how DHS and its components can address deficiencies and weaknesses, and recommend appropriate solutions to strengthen the Department.

Mr. Chairman, this concludes my prepared statement. I welcome the opportunity to address any questions you might have on our efforts to improve the effectiveness of DHS. Thank you.

[The prepared statement of Ms. Richards follows:]

PREPARED STATEMENT OF ANNE L. RICHARDS

APRIL 26, 2013

Chairman Duncan, Ranking Member Barber, and Members of the subcommittee, thank you for inviting me here today to discuss cutting duplication and wasteful spending, and implementing private-sector best practices and watchdog recommendations at the Department of Homeland Security (DHS).

My testimony today will address some of our high-priority short- and long-term open recommendations we have made to DHS, which were included in reports issued between December 2011 and December 2012.

In the 10 years since its establishment, DHS has matured and made progress in addressing challenges to accomplishing its mission, and it has laid the groundwork to manage its resources effectively. However, to fulfill its vital mission of protecting and securing our Nation successfully, the Department must continue to overcome challenges that hinder its efforts. The high-priority open recommendations from the reports discussed below illustrate our efforts to assist DHS and its components in addressing and overcoming the most persistent challenges they face. We believe that by implementing these recommendations, DHS will continue to improve the effectiveness and efficiency of its operations and reduce the potential for waste and duplication of effort.

BACKGROUND

Since DHS–OIG's inception we have made over 8,000 recommendations to the Department and its components identifying over $2.6 billion in questioned costs, unsupported costs, or funds that could be put to better use. Approximately 15% of these recommendations remain open, representing about $650 million.

Our December 2012 report, *Major Management Challenges Facing the Department of Homeland Security—Revised,* summarized and assessed the Department's progress in addressing its most serious management challenges. We grouped these challenges into the mission areas of intelligence, transportation security, border security, infrastructure protection, and disaster preparedness and response; and accountability issues of acquisition management, financial management, IT management, grants management, employee accountability and integrity, and cybersecurity.

BORDER SECURITY

Our report, *CBP's Use of Unmanned Aircraft Systems in the Nation's Border Security* (OIG–12–85), issued in May 2012, covered our audit of U.S. Customs and Bor-

der Protection's (CBP) efforts to establish a program for its unmanned aircraft systems (UAS). In this report, we made a recommendation to improve CBP's UAS program planning, which is still open and considered a high-priority short-term recommendation. In November 2012, we issued a report, *DHS' Oversight of Interoperable Communications* (OIG–13–06), which includes a high-priority, short-term open recommendation that DHS establish policies and procedures to standardize radio communications.

CBP's Program for Unmanned Aircraft Systems

CBP's Office of Air and Marine (OAM) is responsible for protecting the American people and the Nation's critical infrastructure through the coordinated use of integrated air and marine forces. Air and marine forces are used to detect, interdict, and prevent acts of terrorism and the unlawful movement of people, illegal drugs, and other contraband toward or across U.S. borders. UASs provide command, control, communication, intelligence, surveillance, and reconnaissance capability to complement crewed aircraft and watercraft, and ground interdiction agents.

After the pilot of the UAS program, Congress appropriated more than $240 million to establish the program within CBP. During our 2012 audit, CBP stated it had expended $152.3 million to purchase nine unmanned aircraft and related equipment and, at that time, had seven operational aircraft. After our audit, in late 2011, CBP received two additional aircraft and was awaiting delivery of a tenth aircraft purchased with fiscal year 2011 funds. Each aircraft system cost approximately $18 million.

We reported that CBP had not adequately planned resources needed to support its current unmanned aircraft inventory. Although CBP developed plans to use the unmanned aircraft's capabilities to fulfill OAM's mission, its Concept of Operations planning document did not sufficiently address processes: (1) To ensure that required operational equipment, such as ground control stations and ground support equipment, was provided for each launch and recovery site; (2) for stakeholders to submit unmanned aircraft mission requests; (3) to determine how mission requests would be prioritized; and (4) to obtain reimbursements for missions flown on stakeholders' behalf. With this approach, CBP risked having invested substantial resources in a program that underutilized assets and limited its ability to achieve OAM mission goals.

Because UAS is critical to protecting the American people and our infrastructure, CBP needed to improve its planning to address the UAS program's level of operation, funding, and resource requirements, along with stakeholder needs. Thus, we recommended that CBP analyze requirements and develop plans to achieve the UAS mission availability objective and acquire funding to provide necessary operations, maintenance, and equipment.

DHS' Oversight of Interoperable Communications

DHS includes a network of organizations that work together to prevent and respond to terrorist attacks, other threats, and natural disasters. Such collaboration requires that DHS components establish effective communication among external and internal partners during operations. DHS established an internal goal of developing interoperable radio communications and identified common channels. To meet communications requirements, DHS components invested about $430 million in equipment, infrastructure, and maintenance. Although DHS created policies, guidance, and templates to aid in achieving interoperability and provided more than $18 million in assistance to State and local agencies, full interoperability remains a distant goal, according to a 2012 Government Accountability Office report.[1]

In our November 2012 report we noted that, although DHS had established a goal for interoperability and common radio channels, only 1 of 479 radio users we reviewed could access and communicate using the specified channel. Furthermore, only 78 of 382 or 20 percent of radios that we tested contained all the correct program settings, including the name, for the common DHS channel. Additionally, DHS did not establish an effective governing structure with authority and responsibility to oversee achievement of Department-wide interoperability. Without an authoritative governing structure to oversee emergency communications, DHS had limited interoperability policies and procedures, and the components did not inform radio users of DHS-developed guidance.

Because of this limited progress in interoperability, personnel could not rely on interoperable communications during daily operations, planned events, and emergencies. We recommended that DHS create a structure with the necessary authority

[1] *Emergency Communications—Various Challenges Likely to Slow Implementation of a Public Safety Broadband Network* (GAO–12–343, February 2012).

to ensure that the components achieve interoperability and to develop and disseminate policies and procedures to standardize Department-wide radio activities, including program settings, such as naming conventions, to ensure interoperability.

DISASTER PREPAREDNESS AND RESPONSE

Our December 2011 report, *FEMA's Process for Tracking Public Assistance Insurance Requirements* (OIG–12–18), includes a high-priority, long-term recommendation to help resolve long-standing insurance-related issues. In January 2012, we issued a report related to Federal Emergency Management Agency's (FEMA) response to Hurricane Katrina, *Efforts to Expedite Disaster Recovery in Louisiana* (OIG–12–30), in which we made a short-term and a long-term recommendation, both related to closing out Public Assistance (PA) projects and both of which we consider high-priority and both are open.

FEMA's Process for Tracking Public Assistance Insurance Requirements

FEMA's PA grants totaled more than $10 billion for all disasters declared between 2007 and 2010. Of that amount, the component provided $1.3 billion for buildings, contents, and equipment owned by State, Tribal, and local governments, as well as by private non-profit organizations. Since fiscal year 2009, we have issued 19 financial assistance grant reports that included findings pertaining to PA insurance requirements, which involved duplicate benefits, incomplete insurance reviews, and applicants who either did not obtain adequate insurance or did not file an insurance claim.

The *Robert T. Stafford Disaster Relief and Emergency Assistance Act* (Stafford Act) encourages State and local governments to protect themselves by obtaining insurance to supplement or replace Federal Government assistance. To receive PA grant funding and be eligible for funding in future disasters, the Stafford Act also requires applicants to obtain and maintain insurance on damaged insurable facilities. However, FEMA's PA program includes disincentives for applicants to carry insurance. For example, the program pays for building repair following a first disaster, which reduces the incentive for building owners to purchase insurance if they have not previously received disaster assistance. In addition, FEMA reimburses deductible amounts in insurance policies, regardless of the amount of the deductible, which encourages high deductibles.

FEMA has been aware of these and other equity issues and disincentives for more than a decade. In February 2000, FEMA published an advance notice of proposed rulemaking in the *Federal Register* that addressed insurance requirements, procedures, and eligibility criteria with respect to buildings under the PA program. However, FEMA has not issued a final rule and stated that these issues have not been acted on because regulatory review and rulemaking for other programs have taken precedence. Consequently, the disincentives and equity issues continue, and PA program regulations do not provide adequate guidance to those who receive, grant, or oversee PA grants.

In our December 2011 report, we recommended that FEMA complete the rulemaking process begun in 2000 and issue a final rule that resolves the long-standing issues with PA insurance regulations, including those related to deductibles, self-insurance, and State insurance commissioners' determinations of reasonably available insurance. In February 2013, FEMA rescinded the policy of reducing eligible costs by an insurance deductible by deducting all insurance proceeds received or anticipated from the total eligible cost of the project. This change in policy provides further incentive for applicants to not carry insurance or, if they do, to choose the highest deductible possible.

FEMA's Efforts to Expedite Disaster Recovery in Louisiana

Under the authority of the Stafford Act, FEMA provides Federal disaster grant assistance to State, Tribal, and local governments and certain private nonprofit organizations through the PA program. FEMA has an obligation to ensure timely and appropriate use of Federal disaster funds. In January 2012, we reported that only 6.3 percent of the PA projects for Louisiana had been closed out in the 6 years since Hurricane Katrina made landfall. Many of these projects are years past the closeout deadlines.

Although FEMA has worked with Louisiana to expedite the recovery effort, several factors have contributed to the slowness in closing out PA projects. Specifically, the Federal Government provided 100 percent funding of PA projects. The State of Louisiana does not pay for projects and has no incentive to seek cost-effective replacement or repair solutions, close completed projects, or reduce the disaster workforce as work is completed. Other factors, such as the project procurement process, inconsistent decisions for applicant eligibility, and determining whether to replace

or repair, as well as limited State staff resources, also contributed to delays in closing PA projects.

Because open PA projects could involve substantial amounts of obligated Federal funds that could be put to better use, we recommended in the short term, that FEMA develop and implement specific policies, procedures, and time lines to ensure timely closeout of 100 percent Federally-funded projects. For the long term, we recommended that FEMA evaluate the status of all PA projects in Louisiana associated with Hurricane Katrina and develop, in conjunction with the State, a process to close completed projects and to expedite the completion of open projects.

FEMA took several actions to respond to our recommendations. Specifically, the component completed the draft of an updated standard operating procedure for PA program management and grant closeout. In addition, FEMA began implementing a training course, which was scheduled for a pilot release in fiscal year 2013, to address the PA program process and the roles and responsibilities for closeout activities. FEMA also developed a procedure to track the progress of recovery and the movement toward programmatic closeout of Hurricanes Katrina, Rita, Gustav, and Ike projects.

FEMA also worked with the State of Louisiana, which developed a closeout process to ensure that each applicant and project met the eligibility requirements and document standards mandated by Federal and State regulations. In addition, FEMA developed and communicated clear goals for subgrantees to certify that projects were completed, which provide an incentive for meeting these goals. FEMA conducted a complete review of the project closeout process used by the State. The average number of projects closed monthly increased by 300 percent for Hurricanes Katrina and Rita in the first quarter of fiscal year 2013. We will review these efforts to determine whether they have successfully resolved the recommendations.

FINANCIAL MANAGEMENT

DHS is responsible for an annual budget of more than $59 billion, employs more than 225,000 men and women and operates in more than 75 countries. Sound financial practices and related management operations are critical to achieving the Department's mission and to providing reliable, timely financial information to support management decision making throughout DHS. Although DHS produced auditable financial statements in fiscal year 2012 and obtained a qualified opinion on those statements, challenges remain for the Department's financial management. One high-priority, long-term challenge is the improvement of the Department's financial management systems.

Independent Auditors' Report on DHS' Fiscal Year 2012 Financial Statements and Internal Control Over Financial Reporting

An independent public accounting firm, KPMG LLP, performed the integrated audit of the DHS financial statements for fiscal year 2012 and an examination of internal control over financial reporting and compliance.[2] KPMG considered the effects of financial system functionality in its tests and determined that many key DHS financial systems are not compliant with the *Federal Financial Management Improvement Act of 1996* (FFMIA) and Office of Management and Budget Circular Number A–127, *Financial Management Systems,* as revised. DHS financial system functionality limitations add substantially to the Department's challenges of addressing systemic internal control weaknesses, as well as limit its ability to leverage IT systems to process and report financial data effectively and efficiently.

Specifically, KPMG identified the following persistent, pervasive financial system functionality issues:

- An inability to process, store, and report financial and performance data to facilitate decision making, safeguarding and management of assets, and preparation of financial statements that comply with generally accepted accounting principles.
- Technical configuration limitations, such as outdated systems that software vendors can no longer fully support, that impair DHS' ability to comply with policy in areas such as IT security controls, audit logging, user profile changes, and restricting departing employees' and contractors' access.
- System capability limitations that prevent or restrict the use of applications controls to replace less reliable, more costly manual controls. In some cases, ad-

[2] DHS–OIG, *Independent Auditors' Reports on DHS' FY08, 09, 10, 11, and 12 Financial Statements and Internal Control Over Financial Reporting* (OIG–09–09, November 2008; OIG–10–11, November 2009; OIG–11–09, November 2010; OIG–12–07, November 2011; OIG–13–20, November 2012).

ditional manual controls must compensate for IT security or control weaknesses.

Additionally, KPMG determined that the United States Coast Guard (USCG):

- Is routinely unable to query its various general ledgers to obtain a population of financial transactions and consequently, must create many manual custom queries that delay financial processing and reporting processes.
- Has a key financial system that is limited in processing overhead cost data and depreciation expenses to support the property, plant, and equipment financial statement line item.
- Uses production versions of financial statements that are outdated and do not provide the necessary core functional capabilities (e.g., general ledger capabilities).
- Has a budgetary module of the core financial system that is not activated. As a result, key attributes (e.g., budget fiscal year) are missing and potential automated budgetary entries (e.g., upward adjustments) are not used. This has created the need for various manual workarounds and nonstandard adjustments.
- Has a financial systems functionality limitation that is preventing the component from establishing automated processes and application controls to improve accuracy and reliability, and to facilitate efficient processing of certain financial data, such as receipt of goods and services upon delivery and ensuring proper segregation of duties and access rights.

KPMG concluded in its report that these findings limit DHS' ability to process, store, and report financial data in a manner that ensures accuracy, confidentiality, integrity, and availability. KPMG emphasized that some of these weaknesses may result in material errors in financial data that go undetected through the normal course of business. Additionally, because of financial system functionality weaknesses, there is added pressure on mitigating controls to operate effectively. Mitigating controls are often more manual, which increases the risk of human error that could materially affect the financial statements. We recommended that the DHS Office of the Chief Information Officer, in conjunction with the Office of the Chief Financial Officer, continue the Financial Systems Modernization initiative and make necessary improvements to the Department's financial management systems.

IT MANAGEMENT

As technology constantly evolves, the protection of the Department's IT infrastructure becomes increasingly important. The Department's chief information officer has taken steps to mature IT management functions, improve IT governance, and integrate IT infrastructure.

CYBERSECURITY

The firewall of cybersecurity—the technologies, processes, and practices that protect our systems from attack, damage, or unauthorized access—is always on alert for threats to networks, computers, programs, and data. In 2012, we recommended actions to address weaknesses in DHS' international cybersecurity program.

DHS' International Cybersecurity Program

Our Nation's economy and security are highly dependent on the global cyber infrastructure. The borderless nature of threats to, and emanating from, cyberspace requires robust engagement and strong partnerships with countries around the world. International engagement is a key element of the DHS cyber mission to safeguard and secure cyberspace. DHS' National Protection and Programs Directorate (NPPD) promotes cybersecurity awareness and fosters collaboration with other countries and organizations to global cyber space threats.

In our report *DHS Can Strengthen Its International Cybersecurity Programs* (OIG–12–112), which we issued in August 2012, we reported that NPPD had undertaken actions to promote collaboration with the international community and develop partnerships with other nations to protect cyberspace better. However, NPPD had not defined its roles for carrying out the mission of its international affairs program, nor had it developed a strategic implementation plan to provide a clear plan of action for achieving its cybersecurity goals with international partners, international industry, or the private sector. In addition, NPPD had not streamlined its international affairs functions and processes to support its international cybersecurity goals, objectives, and priorities efficiently, nor had had it effectively consolidated resources. Lastly, NPPD needed to strengthen its communications and information-sharing activities with international partners to promote international incident response, exchange of cyber data with other nations, and to share best practices. We recommended that DHS develop and implement policies and procedures

for establishing and maintaining open dialogues with foreign partners regarding cyber threats and vulnerabilities.

STEPS TAKEN TO IMPLEMENT HIGH-PRIORITY RECOMMENDATIONS

DHS and its components are taking steps to implement these high-priority recommendations to improve and strengthen program management with which it agreed. In most instances, however, particularly for long-term recommendations, it takes time to develop plans, revise and update guidance, and implement and disseminate new policies and procedures. This can be particularly time-consuming when, as is usually the case, such plans, policies, and procedures require coordination and concurrence among multiple entities, including some outside of DHS and its components. Competing and changing priorities and funding uncertainties also affect the Department's ability to implement multiple recommendations quickly. In addition, some recommended improvements require funding and staffing resources that are not readily available.

Although DHS has made a number of attempts over the years to improve and integrate its financial systems, for various reasons, it has not yet successfully completed this complicated task. For example, because of a vendor protest, a contract for an enterprise-wide initiative had to be cancelled. In addition, in June 2010, the Office of Management and Budget (OMB) required all agencies to halt the issuance of new task orders or new procurements for all financial system projects pending its review and approval. In an effort to comply with the OMB requirement, DHS began upgrading existing financial systems at some components. Projects aimed at improving financial and IT systems are scheduled to be implemented at the USCG and FEMA in fiscal year 2013.

QUESTIONED COSTS

From April 1, 2012 through September 30, 2012, our audits resulted in questioned costs of more than $235 million. During this same period, DHS recovered approximately $115 million as a result of disallowed costs identified in current and previous audit reports and from our investigative efforts. We issued 12 reports identifying approximately $101 million in funds that could be put to better use.

CONCLUSION

We encourage Congress and this subcommittee to continue its oversight of DHS and its components to ensure effective and efficient program management and sound financial practices. For our part, we will continue to analyze the Department's programs and practices to identify those that need improvement, determine how DHS and its components can address deficiencies and weaknesses, and recommend appropriate solutions to strengthen the Department. We understand that our recommended corrective actions will strengthen DHS only if they are implemented. Therefore, we will also continue our efforts to follow up with the Department to make certain that it carries out its mission as effectively and efficiently as possible.

Mr. DUNCAN. Thank you, Ms. Richards.

The Chairman will now recognize Dr. Stern for his testimony.

STATEMENT OF PAUL G. STERN, PH.D., MEMBER, BOARD OF DIRECTORS, BUSINESS EXECUTIVES FOR NATIONAL SECURITY

Mr. STERN. Chairman Duncan, Ranking Member Barber, Members of the committee, my name is Paul G. Stern, and I am honored to be here as a private citizen and a member of the Business Executives for National Security.

BENS is a nonpartisan organization of business executives like myself concerned about National security. The views I express here today are my own although they reflect in great part BENS' perspectives on better management to our National security organizations.

My personal experience has been mostly in mergers and acquisitions and turnaround of businesses in the private sector. I will make my comments brief and ask that with permission, with the

committee's permission, my written testimony be entered into the record.

The focus of the hearing is how to find cost savings by eliminating duplication in the Department of Homeland Security. Merging and combining functions to improve efficiency and effectiveness is basic to good management, but Government has often—skips the crucial next step; that is rationalizing or reducing the organization once the functions have been marched.

To get the cost savings you have to review very objectively and aggressively the quality of management, make changes of leadership when necessary, stress and emphasize the financial organization as well as IT systems so that they enable management to track the progress of cost reductions, accurately identify the cost of inventory because it tends to tie up significant sums of cash, and to use the human resource function to help the transition of individuals both in and out of the organization.

In addition to ridding the Department of redundancy, there are other management areas that in the private sector have proven to contribute as much if not more to the success of the organization and the bottom line.

I have outlined 11 of them in my written testimony. For example, they range from eliminating excess real property, streamlining the levels of management, of management review and approval that tends to slow down progress, and by that I mean the flattening of the organization charts as well as evaluating compensation incentives and benefits for those people involved.

What I do not believe in is making arbitrary percentage cuts across organizations in order—as a means of cost reduction. It is not thoughtful nor is it good management.

What does work is setting objectives and measuring performance, providing incentives and bonuses that are tied to specific measurable performance objectives and then rewarding management for achieving these performance objectives and these are sure ways to ensure to get good results.

These things are hard to do, and I appreciate the challenge that the Department faces in looking across 22 separate units. Response—in 2002 when Congress voted to create the Department of Homeland Security, it did so to streamline and integrate the elements of Government needed to protect our homeland.

Unfortunately it didn't apply the same discipline to itself and today, 10 years later, we still have considerable duplication and overlap in the jurisdiction and oversight level levied on the Department by the various committees of Congress.

How can DHS manage efficiently and effectively with so many oversight restrictions? Congress could do better by applying the same management techniques that I have suggested for the Department.

Give DHS specific short- and long-term performance objectives for improving effectiveness and cutting costs. Make sure that the right management team is in place. Focus your oversight function solely on measuring those performance objectives, and reward performance, but let management and do its job.

Many of the business processes and organizational structures which back up our Nation's security have the analogs in the pri-

vate sector. As in the private sector, people in the heart of any attempt to change whether a successful change is taking place can be answered—addressed by a simple set of questions and they are: Why are you here? Why are you coming to work? What makes you think that you are making a difference? If you are gone, what effect would that have on the remaining organization?

I am confident that with the help of this committee, the Department can make organizational changes in its overhead and infrastructure functions that can put it in the company of the best-managed organizations, both public and private, in the Nation.

I thank you for inviting me to testify, and I am prepared to answer questions that you might have. Thank you.

[The prepared statement of Mr. Stern follows:]

PREPARED STATEMENT OF PAUL G. STERN

APRIL 26, 2013

Chairman Duncan, Ranking Member Barber, Members of the committee, my name is Paul G. Stern. I am honored to be here as a private citizen and a member of Business Executives for National Security. I plan to address, from the business perspective, several areas of your concern. I will speak from my own knowledge and operational experience. I have spent my career in strategic planning, corporate mergers and acquisitions—and, most recently, in private equity financing for corporate restructuring and improved shareholder performance.

I am a member of the Board of Directors of Business Executives for National Security, a non-partisan organization of business executives concerned about National security. Although reflective of BENS' perspectives on what the private sector can contribute to better managing our National security organizations, the views I express are my own.[1]

A key focus of this hearing is, I believe, the opportunity for cost savings by eliminating duplication, particularly in research and development expenditures. I will comment on that issue. But, I will also suggest other management areas that, in the private sector, have proven to contribute as much, if not more, to improving the bottom line—or, more appropriately for the public sector, to improving organizational efficiency and effectiveness.

1. ELIMINATING DUPLICATION AND WASTEFUL SPENDING

I think it important to understand the mechanics of eliminating duplication or redundancy. The objective is to merge and combine overlapping functions, which is readily accomplished by redrawing organization charts and "x-ing" out redundant units. However, the next step is crucial. That is, rationalizing the organization to reduce its size and cost. This is hard, because it ultimately means moving people out of the organization and changing policies and procedures to match the new scope and mission. The Government does not do this well.

Here are some considerations from my private-sector experience that you might appreciate.

The goal of eliminating duplication and overlap is to improve effectiveness. If this objective can be achieved, cost savings will surely follow. However, effectiveness is measured only over the long term, so one needs an interim tool or tools to gauge progress. I suggest two: Managerial performance and attention to financial expenses.

You need to get managers to perform and you need to know the cost of operations. Here's how:

- Review management aggressively: Qualifications, capability, willingness to execute the plan. Make changes to leadership, if necessary.

[1] Dr. Stern has held numerous senior management positions with IBM. He was chairman and chief executive officer of Braun AG in Germany, corporate vice president at Rockwell International Corporation and president of their Commercial Electronics Operations. Dr. Stern joined Burroughs Corporation (later Unisys) as an executive vice president and rose to become the president and chief operating officer. From 1988 to 1992, he served as the chairman and chief executive officer of Northern Telecom, now known as Nortel Networks. In private equity, he joined Forstmann Little & Co. in 1993, and, later, co-founded Thayer Capital Partners, LLC, prior to starting Arlington Capital.

  - However, find ways to positively reinforce change through incentives and bonuses tied to performance objectives.
- Be cautious in trimming the financial function. You need the data they provide to know and control expenses.
- Manage IT platforms with an eye to collecting accurate financial data.
  - Track expenses across all operating accounts.
  - Audit cost of inventory to determine where resources are tying up organizational funds.
- Look at the HR function. It tends to be overstaffed without adding a great deal of value, except where needed to help transition individuals out of the organization.
- Finally, review layers of management with an eye toward flattening the organization. This allows you to place responsibility much closer to the act of decision making.
  - Because they slow down the decision process, buy things, and create staff, trimming the number of department heads saves more than just a salary.

In sum, identifying redundancy, having accurate expense and performance data, and moving rapidly carries risk. But leaders must be prepared to take risk. Incenting the change makers, taking intermittent satisfaction surveys, and having the cliched "skin in the game" has the ability to change hearts and minds quickly—especially when they see the success that changes are making.

2. STRATEGIC BUSINESS PROCESS REORGANIZATION AND CHANGE

Let me turn to another set of management tactics and techniques that, as I mentioned, are prevalent in private-sector turn-arounds and restructurings. Applied aggressively and purposely, they can be equal or more productive than the elimination of redundancy that we just discussed.

But first I must add a caveat: It is that while instituting change rapidly is better than moving slowly, enacting too much change too rapidly can be damaging to morale and counterproductive to effectiveness. Instead, choose a few transformative actions; follow through to completion, then choose the next set and repeat.

The Department of Homeland Security under your purview is, by any measure, a conglomerate of diverse missions, capabilities, and functions. Even after 10 years under the same management umbrella, the Department is riven with conflicting cultures and customs. However, putting its face-to-the-public operating divisions aside, there is a common management infrastructure that is not at all unlike service-oriented private-sector businesses. Here is where I believe lessons from the private sector can be brought to bear on Government management challenges.

The first two have already been discussed:

(1) Eliminate duplication/redundancy while maintaining safety back-up;

(2) Consolidate and appropriately rationalize functionally-related activities.

Here are a few more to consider:

(3) Eliminate excess real property. The Department of Defense has fought this battle with Congress since the late 1980's, but has developed the Base Closure and Realignment (BRAC) process to bring practical resolution to this politically unpalatable necessity. Has DHS considered doing the same? Furthermore, has it done the analysis to determine in a corporate-wide—not independent operating division sense—what excess exists that could intra-departmentally be put to more productive use?

(4) Reduce duplicative procurement of commercial services, especially professional services. An inventory of commercially-provided services by category can yield large opportunities for eliminating waste. In fact, the act of inventorying can itself put managers on warning for possible duplicative and unneeded expenditures.

(5) Streamline levels of management review. Touched on earlier, this action has system-wide flow-down effects, particularly with regard to man-hours consumed. Fewer levels of approval mean fewer meetings, which occasion fewer pre-meetings, less audio-visual demands, fewer PowerPoints, and less travel. That is in addition to staff reductions and need for office space.

(6) Reduce inventory to demand levels plus a safety buffer. Owning your own inventory outside of a safety stock is an obsolete and costly proposition in a globally-dispersed and digitally-connected commercial marketplace. Does DHS know how much of its common inventory is commercially available either through strategic sourcing or from the GSA schedule?

(7) Rightsource maintenance, repair, and overhaul. Most commercial service providers outsource the MRO function to take advantage of the MRO's econo-

mies of scale and obviate the need to replace and upgrade repair facilities and equipment.

(8) Intensely manage real property maintenance/establish a capital budget. Capital budgeting, which requires a long-term commitment of resources to effect the replacement of aging or worn-out equipment or infrastructure has never caught on with the annual budgeting cycle of the Federal Government. Congress is loath to give up its short-run appropriations hold on the purse strings. However, there is nothing illegal about approaching projects and planning from a capital budgeting perspective and many States and local jurisdictions have embraced the concept. The technique has the advantage of isolating the year-to-year variability of operational resource demands from the known replacement rates of long-term infrastructure and equipment life cycles.

(9) Evaluate compensation, pay, and benefits. Pay-for-performance, pay banding, and other innovative alternatives to the civil service general schedule had their moment of ascendance in the 1990s, but were struck down by economic and other forces. However, in an era of declining Federal resources, the "war for talent" with the competitive private sector—where these plans have become the norm—argues for a relook at the Federal workforce's compensation systems. DHS should press to reinstate its pilot program, but this time with greater transparency and workforce input.

(10) Rightsource logistics, transportation, and sustainment. Next to the digital revolution, no other sector of the private economy has made the leaps in efficiency and effectiveness than the transportation logistics sector. Few major equipment and materiel manufacturers and many service-sector providers use third-party logistics (TPL) and many operate their fleets and equipment on a service rental agreement.

(11) Rationalize and consolidate IT platforms and services. It is important to have the right data, but owning the means to that data has become less and less sensible. To keep abreast of rapid changes in the IT sector, it is better to specify a level of service and to let the marketplace provides solutions. Security is a consideration, but today's security is more likely to be found in the cutting-edge technology of the independent IT providers than in legacy Government systems.

3. REORGANIZATION AND CHANGE IS A PROCESS TO UNDERTAKE, NOT A PRESCRIPTION TO SWALLOW

I have given you a list of management stratagems that, at one time or another, have worked in the private sector. I will admit that they are difficult to consider from a Government standpoint given the nature of our political system and the criteria on which we place success, that is, failure is not an option. However, many of the business processes and organizational structures which backstop our Nation's security have their analogs in the private sector. It would be unwise, if not inopportune, not to emulate them where they apply. That has been BENS' mantra since its founding over 30 years ago.

As in any business, people are at the heart of any attempt at change. The leadership and the rank-and-file both have to be committed to improvement in the way Government business is done. Leadership, by definition has to set the tone and lead by commitment or no change is possible. They must assign clear responsibilities; then measure performance. Set discretionary spending targets; then enforce spending discipline. Define the goals; then make the changes transparent and equitable.

Those affected by such change have responsibilities too. First they must define and embrace what success means for them and for the organization. They will see—sooner than management—what measures of effectiveness are working and which are not. They had better speak up or they jeopardize the likelihood of success.

Today, the popular test of inclusion or participation, I guess, are the phrases "all in" or "lean in". Here's my test of whether successful change is happening in an organization.

It's a set of questions that, when answered in an affirmative and confident manner, can predict the outcome. Why are you here? Why are you coming to work? What makes you think you are making a difference? If you are gone, what would happen to the organization?

4. CONCLUSION

I recognize that my comments have not been as specific about how DHS can reduce its overlap in R&D and other areas as you may have expected and may receive from other witnesses. However, I believe the plate is bigger and the opportunities far broader to set the Department on the path to greater effectiveness and effi-

ciency. Certainly 10 years' worth of data should be sufficient to give a basic sense of where the frictions and the inadequacies lie. I am confident that with the help of this committee the Department can, in the face a certain resource restraints in the coming years, commit to structural and organizational changes in its overhead and infrastructure functions that can put it in the company of the best managed organizations—public or private—in the Nation.

Thank you for having me. I am prepared to answer any questions you might have.

Mr. DUNCAN. Dr. Stern, thank you for your testimony.

The Chairman will now recognize Mr. Killough for his opening statement.

STATEMENT OF CRAIG KILLOUGH, VICE PRESIDENT, ORGANIZATION MARKETS, PROJECT MANAGEMENT INSTITUTE

Mr. KILLOUGH. Thank you, Mr. Chairman.

Good morning Chairman Duncan, Ranking Members Barber and Thompson, and Members of the subcommittee.

The Project Management Institute is the world's largest project management association with members and credential holders numbering in excess of 700,000.

The Project Management Institute maintains internationally recognized standards and professional credentials in project program and portfolio management that are recognized by the American National Standards Institute and the International Standards Organization.

If I were to leave you today with three thoughts in the time that I have, they would be; First, organizations and Government bodies that use consistently applied program management standards and qualified program managers are more successful than organizations that don't.

Second, organizations that perform poorly in executing their programs expose themselves to significantly higher risk unnecessarily.

Third, the entire Government would benefit from broad adoption of program management standards and the creation of a job classification and defined career path for program——

[Off mike.]

Mr. KILLOUGH. PMI's Pulse of the Profession Research identifies a key difference between high-performing organizations and organizations with low program management performance.

That difference is that low-performing organizations risk 14 times more money than the high performers. High-performing organizations demonstrate some key common characteristics.

First characteristic is standardization. They utilize standard program management processes, practices, and procedures across the enterprise. Talent management; they recognize the critical value in acquiring, developing, and retaining talent. They have a defining career path for program managers and processes to develop program management competency.

The strategic alignment. They align their program portfolio and prioritize that portfolio around the organization's mission and ensure the management commitment to the aligned strategy.

So why would these characteristics be important to the Department of Homeland Security? A recent GAO study from September 2012 found that DHS leadership has authorized and continued to invest in major programs even though the vast majority of those

programs lack the fundamental processes and procedures necessary to manage risk and measure performance.

In another example a GAO report completed at the request of Ranking Member Barber on the Customs and Border Patrol stated that Border Patrol has developed key elements of its 2012 to 2016 strategic plan, but has not identified milestones and time frames for developing and implementing performance goals and measures in accordance with standard practices and program management.

The Department of Homeland Security's Program Accountability and Risk Management Office has taken a number of key steps to improve program management. We support these efforts and would encourage continued engagement with the program management community.

PARM's efforts should be bolstered by legislation. This committee approved House Resolution 3116 in 2012, which contained several important provisions to improve the program management workforce across the Department of Homeland Security. We would encourage the subcommittee restart that effort.

In conclusion, I would like to recommend the following. Create job classification for project and program managers. A key factor in program failure is the lack of trained and experienced program managers.

The phenomenon of the accidental program manager is far too common across Government agencies. PMI strongly encourages the Government-wide capability to hire program managers similar to what exists in OPM's 2210 job series that in—information technology.

Make the information technology program management career path Government-wide. The role of a program manager should not just come about by accident. According to our research, U.S. Government organizations frequently identify the causes of program failure as inexperienced or unqualified program managers. The inexperienced program manager is identified as a cause for failure in Government programs twice as often as the private sector.

Finally, utilize program management standards in developing standard practices and processes. High-performing organizations recognize that standardization is the key to element and driving performance.

The Department of Homeland Security has begun to take steps to implement better policies and they hope—we hope they will decide to align with the established standards. We would encourage the Department to adopt the practices identified by GAO report 12–833 and make them a high priority.

Thank you, Chairman Duncan, Ranking Member Barber, Ranking Member Thompson, for allowing me to represent the Project Management Institute.

[The prepared statement of Mr. Killough follows:]

PREPARED STATEMENT OF CRAIG KILLOUGH

APRIL 26, 2013

Chairman Duncan, Ranking Member Barber, and Members of the subcommittee, my name is Craig Killough; and I am the vice president of organizations and markets for the Project Management Institute (PMI). I appreciate the opportunity to

participate in this important hearing and speak to the benefits organizations can derive from implementing best practices in project and program management.

The Project Management Institute (PMI) is the world's largest project management membership association, with more than 700,000 members and credential holders in 187 countries. Our headquarters are in Newtown Square, Pennsylvania where we were founded in 1969 as a not-for-profit organization. PMI seeks to advance the profession of project and program management through globally recognized standards and certifications, collaborative communities, an extensive research program, and professional development opportunities. The project management profession, broadly defined, encompasses project management, program management, and portfolio management. In the U.S. Government, the project management practitioner is typically considered a program manager and so I will use the term program management throughout the statement. I'd also like to recognize PMI's 259 local chapters; we have a chapter in every State in the country, which play an essential role in organizing our members locally.

In this testimony I will outline what PMI has learned about best practices and how organizations that value and implement best practices in project and program management are yielding significant value and gaining a competitive advantage. I will also make recommendations to improve program management and increase the use of best practices within the Department of Homeland Security.

PMI-developed standards are the most widely-recognized standards in the profession, used by hundreds of leading organizations around the world. PMI's Project Management Professional (PMP)® credential is the most important industry-recognized certification for project managers. The PMP® demonstrates that you have the experience, education, and competency to lead and direct projects. PMI's research program has identified how program management delivers a competitive advantage, producing increased efficiencies, organizational mission alignment, stakeholder satisfaction, and improved decision making. The most successful organizations embrace project and program management is a strategic competency that enables organizations to deliver expected benefits and value through effective planning, organization, and risk mitigation.

THE VALUE OF PROJECT MANAGEMENT

Effectively implementing program management best practices results in transparency and accountability. The most successful organizations have learned that creating a culture focused on program management is vital to achieving business success. An example of some of the organizations who are leaders in program management, and active members of the PMI Global Executive Council, include Accenture, BAE Systems, Boeing, Booz Allen Hamilton, Deloitte US, Hewlett-Packard, IBM Global Business Services, ICF International, Mayo Clinic, Microsoft, NASA, PriceWaterhouseCoopers, and Verizon Wireless. These organizations have embraced program management, use it to meet their strategic objectives and drive business success. Government programs have the opportunity to take advantage from what these companies have already learned—using global standards in program management is indispensable for business results.

Congress typically focuses on acquisitions and IT when talking about the topic of program and project management. Certainly these are significant areas for program management, but the need for program management skills goes much further. Program managers play an integral role in all agencies at all levels. Program managers are asked to manage considerable efforts—often times without proper training, skills, experience, or authority. They are responsible for working with contractors, liaising between our Border Patrol agents, Customs officers, Coast Guard and executives—defining the requirements needed to fulfill a mission and their feedback and capability to measure and report information is critical to agency leadership understanding the progress of programs. The GAO has cited improving program management in its High-Risk. There is a clear need for improving the utilization of best practices in program management given the constraint on resources and the need to deliver results—on time and on budget.

When organizations continue getting better at executing their projects and programs, they drive success. PMI's annual research survey, *Pulse of the Profession*™, shows that fewer than two-thirds of projects meet their goals and business intent and about 17 percent fail outright.

According to the study, there is a strong link showing that effective program management reduces risk. Our *Pulse of the Profession* research shows that organizations who have invested in program management are seeing results. High-performing organizations are defined as having 90 percent of their projects meet original goals and business intent. Low-performing organizations see only 34 percent of projects

meet original goals and business intent. In financial terms, on a billion-dollar project, low-performing organizations risk $280 million of a US$1 billion budget. High performers risk only US$20 million. This makes being a low performer 14 times more likely to experience inefficiency and waste over the course of the program.

What is the value of being a high performer? PMI's 2013 *Pulse of the Profession*™ research also looked specifically at Government programs. Our research showed Government programs risk approximately 10% more of their budget than the private sector. Our research indicates that to become high-performing, organizations and Government agencies must focus on three key factors for better results:

- *Standardization*.—Standardization leads to the efficient use of resources. High-performing organizations are almost three times more likely than low-performing organizations to use standardized practices throughout the organization, and have better program outcomes as a result.
- *Talent management*.—High-performing organizations are significantly more likely than low performers to have a defined career path for program managers, have a process to develop program management competency and provide training on the use of program management tools and techniques.
- *Strategic alignment*.—Aligning the portfolio around the organization's mission and ensuring it is appropriately defined and resourced is a significant indicator of success. This aligns capabilities—ensuring that mature and experienced program managers are leading critical missions and given adequate flexibility. The results in significantly better outcomes, improved performance, and less waste.

THE IMPORTANCE OF STANDARDS

As demonstrated by PMI's *Pulse* data standards are crucial to the program management profession because they ensure that a basic program management framework, lexicon, and process are applied consistently. The value of this framework and lexicon applies equally to the private and public sector. In the private sector, it means an organization can work together around the world—understand a similar process and transfer knowledge between and among teams, develop best practices, and measure performance. In the public sector—this means effectively communicating with stakeholders, transferring knowledge, developing best practices, and measuring performance.

PMI's 13 standards for project, program, and portfolio management are the most widely recognized standards in the profession—and increasingly the model for program management in business and Government. They are developed and updated by thousands of PMI volunteers experts with experience in every type of project, and provide a common language for program management around the world. PMI standards, such as the *PMBOK® Guide,* with more than 4 million copies in circulation, have been successfully around the world.

For the Department of Homeland Security, an organization with 22 entities, the use of standards is critical to ensure that decision makers and stakeholders are receiving information that allows for an effective portfolio and program level review. In addition, standards allow for best practices to be shared more easily across agency components. As an example, effective risk management has been an area of increased complexity and is critical to DHS's mission. PMI has developed a practice standard for risk management, which, if utilized, consistently and across the agency, DHS executives will be able to accurately see how each component or entity is planning for risk with a common baseline, where shortfalls may occur, where risk management needs improvement.

Why are these standards relevant to DHS and why should they be adopted? Just one example: A GAO study from September 2012 found, "DHS leadership has authorized and continued to invest in major acquisitions programs even though the vast majority of those programs lack foundational documents demonstrating the knowledge needed to help manage risks and measure performance."[1] Utilizing a standard for risk management will help every entity within the Department meet these requirements and improve consistency. Standards when used consistently across an organization dramatically improve transparency, decision making, and performance.

In another example, a GAO report requested by Ranking Member Barber on the Customs and Border Patrol, the GAO stated, "Border Patrol is developing key elements of its 2012–2016 Strategic Plan needed to define border security and the re-

[1] United States Government Accountability Office, "Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs" GAO–12–833, p. 45 September 2012.

sources necessary to achieve it, but has not identified milestones and time frames for developing and implementing performance goals and measures in accordance with standard practices in program management."[2] The need for established standards is clear.

In 2010, PMI conducted an analysis of successful Government programs: "Program Management 2010: A study of program management in the U.S. Federal Government". Program managers from a wide variety of Government sectors shared their insights on "success factors" and best practices for this study. We discovered how Government program leaders are able to achieve results. The most successful Government programs studied start with a firm grounding in the fundamentals: Experienced and well-trained program management practitioners (people), standardized program management practices (processes), and the tools to support both. They then learn to be better communicators, more agile, more collaborative, and more engaging. The most successful programs demonstrated that standard project and program management process and practice, along with effective management of risk were key elements of success. It is the combination of all these elements that has led to creating an organizational culture of program management, and has driven their successful programs.

PMI'S RECOMMENDATIONS FOR THE DEPARTMENT OF HOMELAND SECURITY

PMI advocates for the profession of project management and improved program management within organizations and has found there are several areas where Government agencies could broadly improve their organizational maturity, become high-performing, and spend funds more efficiently. Implementation of PMI's recommendations to Congress would make great progress toward establishing the framework needed to manage projects effectively. It is vital that Congress direct agencies to embrace project management standards that can be utilized by any agency on any program across the Federal Government. Because PMI's broad-based standards are applicable for managing projects across industries and geographies, they are especially appropriate for use by the Federal Government.

The Department of Homeland Security's Program Accountability and Risk Management (PARM) Office has already taken a number of key steps to improve program management. We support its efforts to date and would encourage them to continue engaging with stakeholders and the program management community. PARM's efforts could be bolstered by legislation, however. This committee approved a bill (H.R. 3116) in 2012, the Department of Homeland Security Authorization Act, which contained several important provisions to improve the program management workforce across the Department of Homeland Security. We would encourage the subcommittee and full committee to restart that effort and incorporate the findings of our latest *Pulse of the Profession.*

In addition, we have several other recommendations for your consideration.

(1) Create a job classification for project and program managers.

A key factor of failure is the lack of an identified, trained, and supported program manager. The phenomenon of the "accidental" program manager is far too common across Government agencies. PMI would strongly encourage a Government-wide capability to hire program managers similar to what exists in OPM's 2210 Job Series for IT. Identifying this individual is also critical. Each program should have a dedicated program manager who is responsible for implementing proven success factors and ensuring results. GAO has also identified this as a critical need, given there are staffing shortfalls, this step would help the Department identify and address its talent needs. This requirement will also increase transparency and provides additional accountability and should be the focus of every Government program with acknowledgement from agency executives.

(2) Scale IT program management career path Government-wide.

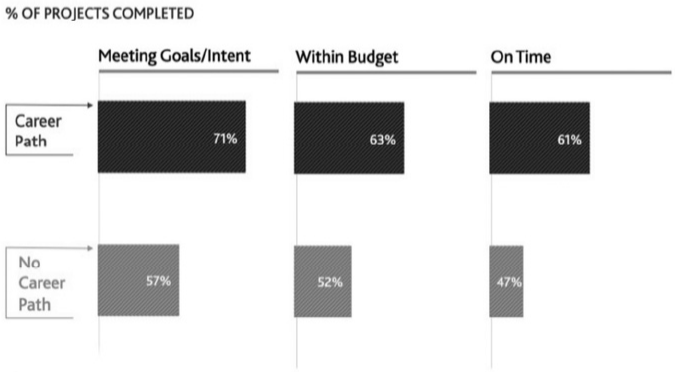
The role of a program manager should not just come about by accident. Recognizing the positive effect that can be obtained by having a strong program manager and building the necessary skill sets is critical. This is something successful organizations have recognized. According to PMI's research, U.S. Government organizations themselves identify the causes of program failure to include: Changing priorities, poor risk management, inadequate communications, and an inexperienced program manager. In fact, Government agencies identified an inexperienced program

[2] United States Government Accountability Office, "Border Patrol: Key Elements of New Strategic Plan Not Yet in Place to Inform Border Security Status and Resource Needs" GAO–13–25, highlights.

manager as a cause for failure almost twice as often as organizations in the private sector.

It is essential to retain and support talented program managers by providing defined career ladders and options. Recruiting and retaining highly-performing personnel is a particular challenge in the Federal Government. Scaling previously successful reform plans across agencies is logical and makes good sense. The model utilized by Rep. Issa and Rep. Connolly in the Federal Information Technology Acquisition Reform Act; H.R. 1232, could provide an example. This initiative will reduce duplication significantly and will improve efficiency and program success rates, thereby improving the expenditure of taxpayer funds and improving morale at agencies.

Organizations with a defined career path have higher project success rates than those organizations without a defined career path.



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(3) Utilize program management standards in developing standard practices and processes.

Organizations that value program management understand that the contributions of professional program managers using standardized practices increase project success rates, create efficiencies, and improve alignment with organizational strategies. Standardization leads to an efficient use of resources, which allows more time and resources to focus on leading, innovating, and delivering products and services—and ultimately leads to a competitive advantage. High-performing organizations are almost three times more likely than low-performing organizations (36 percent vs. 13 percent) to use standardized practices throughout the organization, and have better project outcomes as a result. Organizations that recognize the importance of project management are driven by expected and tangible results: On time, on budget, within scope, and in accordance with project requirements.

PMI standards are the guidelines against which individuals and organizations can assess their existing project management capabilities and provide the benchmark for them to build and mature their existing proficiency. They provide the foundation for developing and implementing the superior practice of program management.

A number of GAO's recommendations refer to the need for program management standards and their application. The Department has begun to take steps to implement better policies and we hope they will continue to align with established standards, which have demonstrated success in the private sector. Further we would encourage the Department to keep the practices identified by GAO in report GAO–12–833, as key practices, for program and portfolio management a high priority. Further we would encourage the Congress to ensure these recommendations are being followed.

(4) Support integrated program teams.

Program managers should be working with their counterparts across the acquisitions workforce and with their counterparts in the private sector. A program stands a greater likelihood of being successful if everyone understands the importance of the mission, the business strategy, and help ensuring the programs are delivering the intended results. Integrated teams will prevent silos and facilitate maturing program managers. This should also include program managers remaining with their programs until a major milestone is reached.

CONCLUSION

PMI will continue to work with the Congress and the administration to improve efficiency in the Federal Government. We would encourage all of the Members of this committee to join the Government Efficiency Caucus, to engage in regular dialog and keep up-to-date on the latest in effective best practices in program management. We believe increasing Government efficiency through improving the use of project and program management standards will save taxpayer funds and improve delivery of services.

The American people expect results from their Government particularly in these fiscally challenging times. Having the right tools and processes alone will not ensure success. But by bringing together tangible best practices with the more intangible "culture of program management" is what has set successful organizations apart from the rest. We believe effective use of program management will make those results possible across the U.S. Government.

Again, thank you Chairman Duncan, Ranking Member Barber for the opportunity to testify at this important hearing. I will be pleased to answer any questions you or Members of the subcommittee may have.

Mr. DUNCAN. Thank you, Mr. Killough.

The Chairman will now recognize Dr. Willis for his testimony.

STATEMENT OF HENRY H. WILLIS, PH.D., DIRECTOR, RAND HOMELAND SECURITY AND DEFENSE CENTER

Mr. WILLIS. Thank you and good morning, Chairman Duncan, Ranking Member Barber, Ranking Member Thompson, and other distinguished Members of the subcommittee.

The recent GAO report on fragmentation, overlap, and duplication is the latest critique of DHS effectiveness. The report cites inefficiencies across a range of DHS activities. The waste in programs like these is a symptom of a larger issue at DHS.

DHS programs too frequently lack strategic guidance and are not adequately evaluated. Strengthening the Department strategic planning and program management is essential if DHS is to implement the Nation's desired capabilities across its full set of missions.

DHS currently has efforts underway that are consistent with the goal of integrating Department-wide strategic planning into decisions about priorities and budgets. These initiatives point the Department in the right direction, but success is not assured unless Congress and DHS work together to address three related issues.

First, implementing greater transparency for strategic planning, program implementation, and evaluation efforts. Second, developing a stable well-resourced cadre of a personnel within DHS to conduct analysis and support decisions. Third, streamlining Congressional oversight of the Department's activities.

First, let me turn to transparency. Arguably, the most important way DHS can improve strategic planning is by increasing the transparency of the supporting analysis done by and for the Department. When analysis is made available for all to view, its quality improves, because data, assumptions, and logics are examined and policy debates can then become about the facts.

When data and analysis is subject to review and open to deliberations another result is innovative new ways to solve problems. Despite its promise, in practice transparency is stunted by two myths.

Myth No. 1: The first myth is that transparency of DHS analysis will compromise the security or privacy. Certainly concerns about security and privacy warrant careful attention; however, other organizations have developed procedures that allow for review of analysis regarding highly-classified issues or have found that significant analysis of National security topics can be conducted outside of the restrictions of classification.

In fact, shielding analysis from review comes at great cost. Greater access to methods, data, and analysis help bring the combined resources of our Nation's universities to bear on homeland security challenges and raise the chances of stronger program design and less duplication of effort.

Myth No. 2: The second myth that stunts the practice of transparency is the Government can't explore new ideas under a microscope. The origin of this myth rests in the belief that Government officials will be wary about exploring new policy ideas unless they are provided a shelter from the perceived penalties of public review and critique of proposed new ideas in their underpinning analysis.

In practice, there is some truth to these concerns, but critique in advance that leads to strengthened planning is nearly always preferable to the costs of a failure later. Decisions shaped by stronger strategic analysis are better-positioned to weather critique and ultimately to succeed.

Thus DHS will be better served by increasing transparency. The expectation should be that the analysis will be shared as a rule rather than as an exception. If this view is adopted, DHS could consistently take three steps to improve transparency of strategic planning.

First, subject analysis and analytic methods to independent peer review. Second, develop procedures for making data sets available for analysis across DHS and within academia.

Third, implement processes to share data and analysis as part of deliberations about strategies, policies, and regulations with partners across Federal and local governments, the private sector, and the public.

Now let me turn to analytic capabilities to support strategic planning. To succeed in conducting strategic planning and implementing the results, DHS must have analytic capabilities within the Department. This capability must exist in support of the Secretary so that it is independent of the vested interests of any component agencies.

Sustaining this internal analytic capability requires more than Congress ensuring stable and adequate funding. It also requires that DHS create and foster career paths across the Department that allow these people opportunity for growth.

Finally, regarding my third point about Congressional oversight. The purpose of strategic planning is to ensure that DHS uses resources provided by Congress in a way that reflects National priorities.

The current Congressional oversight structure creates challenges to efficient management, but consistent and early use of transparent strategic planning formed by analysis will make it easier for Congress and DHS to together implement effective homeland security policies.

In summary, DHS's first decade was clearly one marked with challenges, mistakes, and learning. If DHS is to continue maturing, both the Department and Congress should work together to institute a new approach to greater use of integrated strategic planning that incorporates greater reliance on transparent analysis, strengthening the Department's internal analytic capabilities, and to the extent possible simplify Congressional oversight of DHS.

Thank you very much. I am happy to answer any questions that you might have.

[The prepared statement of Mr. Willis follows:]

PREPARED STATEMENT OF HENRY H. WILLIS [1]

APRIL 26, 2013

STRENGTHENING STRATEGIC PLANNING AND MANAGEMENT AT DHS [2]

Congress has given the Department of Homeland Security (DHS) a complex set of five missions to meet the evolving challenges faced by our country:[3]

- Prevent terrorism and enhance security;
- Secure and manage borders;
- Enforce and administer immigration laws;
- Safeguard and secure cyberspace;
- Ensure resilience to disasters.

The recent Government Accountability Organization (GAO) report on Government fragmentation, overlap, and duplication is the latest critique to question the Department's effectiveness and efficiency in implementing these missions.[4] The report cites inefficiencies and waste across a range of DHS activities, such as airline passenger and baggage screening, border security, and preparedness grant programs.

Though troubling in a period where budgets are lean, the waste in programs like these is a symptom of a larger problem at DHS. DHS programs too frequently lack strategic guidance, do not result from implementation that reflects choices and priorities to achieve desired outcomes, and suffer inadequate evaluation.[5]

Strengthening the Department's strategic planning and program management is essential if DHS is to implement effective, integrated solutions that enable the Nation's desired capabilities across the five DHS missions. DHS programs should be supported with early and thorough strategic planning that outlines desired outcomes. Resources should be directed toward activities that most effectively and efficiently achieve these desired outcomes. Programs should be subjected to evaluation to ensure progress is made toward those outcomes or to guide adjustments to the program.

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

[2] This testimony is available for free download at *http://www.rand.org/pubs/testimonies/CT386.html.*

[3] These missions were most clearly outlined in two DHS documents: *The Quadrennial Homeland Security Review* (released in 2010) and the *Department of Homeland Security Strategic Plan Fiscal Years 2012–2016* (released in 2012).

[4] GAO (2013). *2013 Annual Report: Actions Needed to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits,* U.S. Government Accountability Office, Washington, DC.

[5] As an example, consider observations about DHS acquisition management provided by Jeffrey Drezner and Andrew Morral in *Reducing the Cost and Risk of Major Acquisitions at the Department of Homeland Security* (2013), PE–105, RAND Corporation, Santa Monica, CA.

While the Department has established goals to put processes in place to implement the required strategic planning and management capabilities, success depends on Congress and DHS working together to:

- implement greater transparency for strategic planning, program implementation, and evaluation efforts conducted by and for the Department;
- develop a stable, well-resourced cadre of personnel within DHS to conduct analysis and support decision making;
- streamline Congressional oversight of the Department's activities.

A brief review of the DHS's progress in its first 10 years and challenges ahead provide insight into why these steps are critical and what is involved in completing them.

CONFRONTING FUTURE HOMELAND SECURITY CHALLENGES

On March 1, 2003, 22 independent agencies joined together to form the Department of Homeland Security as the newest Cabinet-level agency.[6] Now, 10 years later and in the wake of last week's tragedies in Boston, it is prudent to assess the status of Department and consider what the most pressing steps should be to continue the Department's progress.

Arguably the Department's most notable organizational accomplishment has been developing the ability to respond as a unified, coordinated organization, as exemplified in the response to Hurricane Sandy. In October and November of 2012, DHS:[7]

- coordinated emergency plans with partners at all levels of government;
- deployed close to 10,000 personnel from across FEMA, the Transportation Security Administration, United States Citizenship and Immigration Services, Coast Guard, Secret Service, Customs and Border Protection, Immigration and Customs Enforcement, and DHS Headquarters;
- kept private-sector partners connected and informed through the National Business Emergency Operations Center daily calls;
- distributed more than $700 million to the more than 400,000 disaster survivors from Connecticut, New York, and New Jersey who applied for individual assistance support.

The Department's integrated response capabilities provide a foundation for keeping the Nation safe and secure, but the strategic environment within which the Department is operating remains filled with complex challenges. For example,

- Hurricane Sandy reminded us that old assumptions about where and how frequently natural disasters occur may no longer be valid, and indeed place critical infrastructure at risk.
- As Congress debates immigration reform, the Department may find itself overhauling border security operations, workplace enforcement, and administration of visa policies.
- The more we learn about cyber threats to financial networks, control system software, and intellectual property, the more it becomes evident that we need new strategy, doctrine, and standards for securing cyberspace.
- Revelations about the motivations behind the terrorist attacks in Boston underscore the importance of countering the variety of threats from home-grown radicalization, transnational crime, and terrorism networks.
- While the global community reacts to nuclear ambitions of Iran and North Korea, at home we must consider how to protect the country from nuclear terrorism in a period of possible expanded proliferation.

When the challenges are great and resources limited, good strategic planning is critically important. Three factors make assessing the risks from these many sources difficult and strategic planning all the more essential to DHS's ability to fulfill its multiple missions.

1. The threats themselves are poorly understood.—Consider for example, how much will the sea level rise? How might nuclear terrorism occur? Or, what are the threats to the United States in the cyber domain and what are their associated risks? The variety and ambiguity of threats to consider requires careful scoping of scenarios and data-driven analysis to define and assess the range of conditions the Department must be prepared to address.[8]

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[6] Secretary Janet Napolitano (2013, February 26). *The Evolution and Future of Homeland Security,* Third Annual Address on the State of Homeland Security, Washington, DC.

[7] For more details, refer to Hurricane Sandy: Timeline, available on-line at *http://www.fema.gov/hurricane-sandy-timeline* as of April 21, 2013.

[8] For further discussion refer to Treverton, Gregory F. (2009). *Addressing "Complexities" in Homeland Security.* Center for Asymmetric Threat Studies, The Swedish National Defence College, Elanders, Vällingby.

2. The consequences of these threats and means to mitigate or prevent them affect the Nation in many ways.—For example, Hurricanes Katrina and Rita killed people and destroyed property. Levees can reduce both of these risks. But, levees also exacerbate poor sediment management and thus can harm unprotected farmland and fisheries in nearby areas.[9] Furthermore, failure to build community resilience can deepen and prolong the economic disruptions that follow disasters.[10] Solutions must balance efforts to address each of these outcomes.

3. Solutions require multiple capabilities and thus integrated planning among multiple DHS component agencies.—The desired capabilities to protect the Nation against a diversity of threats do not reside in any single organization within DHS. Thus, choices must be made about how to allocate resources across DHS to most effectively solve problems of National concern.

Overcoming these challenges to implement solutions to complex threats requires setting priorities about which threats are most concerning, which outcomes are most important, and how resources can be best used to implement the desired balance across both threats and outcomes. For example, preventing illegal migration requires choices among expenditures on fences and barriers; air, sea, and land surveillance; security at ports of entry; workplace enforcement; and administering immigration and visa policies. These choices will certainly lead to shifting of resources among component agencies. In doing so, DHS will simultaneously have to ensure that these resource choices do not unduly harm other enduring missions, such as helping communities recover from floods or other disasters, collecting duties on imports, or protecting the President of the United States.[11]

Too frequently, important decisions at DHS are not made with the benefit of rigorous analysis. For example, a GAO review of 71 DHS major acquisition programs documented that 88 percent proceeded past acquisition review of the DHS Investment Review Board without the documented planning analyses required by DHS Policy.[12]

In summary, meeting complex security challenges in the future requires more than just unified action from DHS. For the Department to continue its growth it must complement the proven ability to respond as a unified organization with the ability to develop integrated plans that set priorities, direct resources to programs and activities to achieve outcomes consistent with these priorities, and conduct evaluations to ensure these outcomes are realized.

KEYS TO IMPLEMENTING INTEGRATED STRATEGIC PLANNING AT DHS

DHS currently has efforts underway that are consistent with the goal of developing capabilities to integrate Department-wide strategic planning into decision making about priorities and budgets. Among these are both the implementation of the Integrated Investment Life Cycle Model (known as the IILCM) to improve management of acquisition across the Department as well as the on-going analysis to support the Department's second Quadrennial Homeland Security Review, due to Congress on December 31, 2013. While these initiatives point the Department in the right direction, success is not assured unless DHS addresses three related issues:

- Increasing transparency surrounding strategic planning and analysis;
- Strengthening internal analytic capabilities to support strategic planning;
- Simplifying Congressional oversight.

INCREASING TRANSPARENCY SURROUNDING STRATEGIC PLANNING AND ANALYSIS

Arguably the most important way DHS could improve strategic planning is by increasing the transparency that surrounds the supporting analysis done by and for the Department. Naturally, efforts to increase transparency must pay close attention to protecting information that is security-sensitive, could reveal information that could favor some firms over others in the Government acquisition process, or could risk revealing personally identifiable information. As will be described subse-

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[9] A description of how these issues were managed in Louisiana is available in the Lousiana's 2012 Coastal Master Plan, produced by the Lousiana Coastal Protection and Restoration Authority, Baton Rouge, LA.

[10] For more discussion see Chandra A., J. Acosta, S. Stern, L. Uscher-Pines, M.V. Williams, D. Yeung, J. Garnett, L.S. Meredith (2011). *Building Community Resilience to Disasters: A Way Forward to Enhance National Security,* TR–915–DHHS, RAND Corporation, Santa Monica, CA.

[11] For a discussion of identifying objectives and performance measures refer to Willis H.H., J.B. Predd, P.K. Davis, W. Brown (2010). *Measuring the Effectiveness of Border Security Between Ports-of-Entry,* TR837–DHS, RAND Corporation, Santa Monica, CA.

[12] See *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs* (2012, September 18). GAO–12–833, Washington, DC.

quently, there is a great deal in the way of analysis that can be done within these constraints.

However, adopting a position of greater transparency involves adopting the expectation that analysis will be shared as a rule rather than as an exception. If this goal is adopted, there are several simple actions DHS could take consistently to improve the transparency of its strategic planning, including:

- subjecting analysis and analytic methods to independent peer review;
- developing procedures for making data sets available for analysis across DHS and within academia;
- implementing processes to use analysis within deliberations about strategies, policies, and regulations with partners across Federal and local government (such meetings already occur regularly) and also to stakeholders among the private sector and public (which can be done more regularly).

Since greater transparency is key to strengthening strategic planning and analysis, I'll return to this topic later in my testimony to explain its benefits, as well as the myths that prevent more widespread adoption.

STRENGTHENING INTERNAL ANALYTIC CAPABILITIES TO SUPPORT STRATEGIC PLANNING

To succeed in conducting strategic planning and implementing the results, DHS must have analytic capabilities within the Department. To provide an integrated view for the Department, analytic capability must exist in support of the Secretary. To support leadership decisionmaking, the capability must have stable resources so that analysis can draw on knowledge of missions, datasets, and the analytic agenda that has developed over the recent past.

Currently, strategic planning and analysis is being conducted across many parts of DHS, with a substantial portion of activity residing within the component agencies. Analytic capability within the components is necessary and appropriate, but is not a substitute for support to the Secretary. Integrated planning at the Department level requires analysis that is independent of the interests of any one component.

Analytic capability in support of the Secretary has historically resided in several places but has never been stable. For example, within the DHS Office of Policy, the Office of Strategy, Planning, Analysis, and Risk has responsibilities for both developing strategic planning processes and conducting analysis decision making by DHS leadership. Yet, another place where analytic capability has existed within DHS is the Division of Program Analysis and Evaluation with the Office of the Chief Financial Officer. Similar complementary capabilities have existed or could be developed within the Management Directorate or Science and Technology Directorate. In all cases, these analytic cells have experienced periods of high turnover or possible reductions in funding when DHS is faced with pressure to direct more effort to operations.

As a result, it is clear that sustained internal analytic capability requires more than Congress ensuring stable and adequate funding. It also requires that DHS create and foster analytic career paths across DHS that allow individuals opportunity for growth. Two strategies could support development of such careers. First, increased transparency of analysis could increase interest among analysts in working on DHS strategic planning. Second, deliberate personnel development strategies could include cross-Department assignments. It would be these assignments that could allow analysts to gain first-hand experiences with missions across the various component agencies that later helps them answer questions posed by DHS leadership and Congress.

SIMPLIFYING CONGRESSIONAL OVERSIGHT

The purpose of strategic planning is to ensure that DHS uses resources provided by Congress in a way that reflects National priorities. The current oversight structure that DHS must operate within denies the Department a clear voice from Congress about what those priorities should be.

The abundant Congressional oversight of the Department has been widely cited yet remains an obstacle to efficient management. As you know, DHS answers to 108 Congressional committees and subcommittees, about four times as many as the Departments of State and Justice combined.[13] In contrast, the Department of Defense reports to about one-third the number of committees for a budget that is approximately ten times larger than DHS's.[14] This oversight leads to thousands of requests

[13] Alicia Caldwell (2011, May 17). *DHS Most Overseen Department,* Associated Press.

[14] Jessica Zuckerman (2012, September 10). *Politics Over Security: Homeland Security Congressional Oversight In Dire Need of Reform,* Heritage Foundation.

for briefings and hundreds of requests for testimony each year, as well as multiple perspectives on what issues before DHS are the most pressing.[15]

The prospect of asking some committees to cede oversight of DHS to other committees raises difficult political questions. However, these discussions are more than justified at this 10-year point in the Department's existence, and could yield potential benefits. Consolidating jurisdiction over the Department into fewer committees would make it easier for the Department to work with Congress to develop priorities and respond quickly and efficiently to oversight requests.

HOW GREATER TRANSPARENCY WILL IMPROVE DHS STRATEGIC PLANNING

GAO and the National Academies are two among many organizations that have identified possible areas where DHS suffers fragmentation or inefficiency. Often, the critiques stem from incomplete or missing analysis. In turn, these critiques lead to additional oversight and requests, and requests for information from Congress. When responses to these requests do not meet the satisfaction of Congress, the result is erosion of confidence in the management of DHS programs. This, in turn, prompts additional reviews and the cycle of criticism, requests, and unmet expectations continues. Increased transparency can help DHS break this cycle.

When analysis is made available, the analysis promotes more complete deliberations about what the facts are and the subsequent use of those facts in decision making. When analysis is subjected to review, its quality improves because data, assumptions, and logic are evaluated under a wider set of considerations. When data and analysis are open to deliberations, the result can be new ideas and innovative approaches to solving problems—a natural result when more people are aware of problems and have access to facts and figures concerning those problems.

Despite the promise of transparency, in practice implementation is stunted by two myths.

MYTH NO. 1: "TRANSPARENCY OF DHS ANALYSIS WILL COMPROMISE SECURITY OR PRIVACY"

Certainly concerns about security and privacy warrant careful attention. However, other organizations within the National security and intelligence community have developed procedures and policies that allow for transparency of highly-classified material. The Military Operations Research Society was established to provide defense analysts an opportunity to share and discuss classified work. The National Academy of Sciences, the JASON advisory group, the Defense Science Board, and RAND Corporation have found that significant analysis of National security topics can be conducted outside of restrictions of classification. And, when security concerns dictate greater limitations, organizations like these have successfully implemented peer-review processes for classified studies.

Furthermore, even when specific estimates are classified, often the methodology, assumptions, and other general features of the problem can be discussed and debated in unclassified settings. In some cases, data can be made available in ways the limit the risk of disclosure of sensitive or personally identifiable information, so that others across and outside of the Department have the opportunity to study the problems that DHS is trying to solve. In this realm, it is critical that research adheres strictly to policies and procedures to protect sensitive information and the rights of human subjects in a research setting. However, approaches used in topics related to the study of education, social security, and health care all provide potential analogies.

These steps could bring the combined resources of our Nation's universities to bear on homeland security planning challenges. Beyond adding some of the best minds in the Nation to the cadre of analysts working on these issues within DHS, increased dissemination of planning analyses is likely to foster a new generation of students with the knowledge and skills needed to enter the DHS workforce and offer important new innovations to its strategic plans and other analytic products.

MYTH NO. 2: "GOVERNMENT CAN'T TEST NEW IDEAS UNDER A MICROSCOPE"

The origin of this myth rests in the belief that the combination of public interest, vested interests, and costs of complying with requests for oversight together lead policy makers to be conservative about exploring new policy ideas and proposals (and thus not innovate) unless they are provided a shelter from the perceived pen-

[15] Bipartisan Policy Center (2011). *Tenth Anniversary Report Card: The Status of the 9/11 Commission Recommendations,* Washington, DC.

alties of this type of review. Agencies claim that increased transparency would remove this shelter, and this inhibits innovation.

In practice, there is some truth to these concerns. However, consider the alternative: Purported innovation without the benefit of fresh ideas and constructive criticism of new proposals. Transparency can engender both fresh ideas and constructive criticism, and new ideas that are born from such a process are arguably better-positioned to weather critiques. Thus, DHS would be better served by increased transparency.

SUMMARY

Clearly, DHS's first decade was one marked with challenges, mistakes, and growth. The challenges to the Nation that the Department is responsible for addressing in the near future are strikingly complex. Moreover, as the recent GAO report on fragmentation and duplication indicates, the Department has plenty of room to continue maturing as an organization. If DHS is to step up to these challenges, both the Department and Congress should work together to institute a new approach to greater use of integrated strategic planning that incorporates strengthening the Department's internal analytic capabilities, greater transparency surrounding analysis and the data supporting it, and (to the extent possible) simplified Congressional oversight of DHS.

Mr. DUNCAN. I want to thank the witnesses for your opening testimony.

I now recognize myself for 5 minutes for questions.

I want to start off by saying we have heard words like flowcharts, redundancy, strategic planning, and coming from the private sector, that is what business does.

They set an organizational model, they strategically plan for the future based on incomes, expenses, and anticipated revenue and future expenses. Strategic planning is important but also the flexibility with the strategic planning when you see something that doesn't work, incomes fall short, expenses, to make adjustments on the fly so to speak as business operates and so I appreciate that the private sector input here and vision and I guess your opinions.

I want to start off with the Government side of it to Ms. Berrick because of the presence of multiple information sharing entities can have both favorable and unfavorable consequences for how effectively Federal agencies respond to homeland security threats.

With what happened last week in Boston, the terrible tragedy there, let me say law enforcement responded beautifully and we were able to find the bombers and I appreciate that, but I think there are lessons to be learned especially as we look back 10 years for homeland security being stood up and we start to understand that the reason DHS was created; why all of these agencies, 22 of which were brought up under one umbrella, and certain centers like National Counterterrorism Center set up as the hub in the wheel.

We start understanding and realizing that maybe the information sharing isn't going like it should or maybe we are starting to see some stovepipe dynamics that were revealed back in 2001 reemerge.

So I guess my question for you is: What effects, either positive or negative, does overlap of information collection and analysis among these five entities listed in the GAO's report have on DHS's ability to execute its missions specifically on information sharing in light of what happened last week, Ms. Berrick?

Ms. BERRICK. Thank you. Thank you, Mr. Chairman.

As you mentioned, there can be significant benefits of having that overlap, as intelligence is never perfect. So having—getting that information from more sources than one can be very beneficial.

Our point has always been that, when doing that, coordination and sharing of best practices is really critical. So for example I mentioned we looked at eight urban areas. We found 37 of these information-sharing entities and there was overlap among 34 of those.

While these entities had generally good working relationships, there was no real emphasis on coordination of activities so that they weren't overlapping one another. And as a result, some of the customers for these entities would complain about getting multiple analytical products that covered the same points.

They thought it, in some cases, was wasting their time because they were getting the same information from many sources. So first of all, it is important to coordinate.

Second, in these situations it is really important to share best practices. Some of these entities worked out very good arrangements where they co-located—some of the entities were co-located—that really cut down on unnecessary duplication.

In other cases, governance boards were established where different entities were members of that, and that helped. So while some overlap, as you mentioned, can be very good, it really makes coordination in the sharing of best practices critical.

I also wanted to mention GAO has designated as early as 2005, and it is still on our high-risk list, the sharing of law enforcement and intelligence information as a high-risk area Government-wide.

Where we have seen the most progress is in the establishment of a governance structure to oversee information-sharing initiatives. We have seen less progress at the Department level and actually coordinating and leveraging each other's initiatives and also in coming up with good technology solutions to facilitate the sharing of information.

Mr. DUNCAN. Let me just follow up on that; and while I did not plan on it, but you hit on something. You think the different IT systems that we are operating on hamper that effort of information sharing and do we see some territorial disputes or maybe ownership issues of owning the data and not really wanting the other agencies to be able to have access?

I am talking about security data. I am not talking about just processes and systems, but I guess if a law enforcement agency has a suspect, they have compiled a file on that suspect, I would say that it would benefit law enforcement across the spectrum to all have that information versus what I think we are seeing is some sort of proprietary ownership of that information and not wanting to share that. I am afraid that that is what we are going to discover as we look back on last week. Is there any validity to that?

Ms. BERRICK. Generally speaking, we have identified the commonality or lack of for IT systems to be a challenge, and we in fact, made a recommendation to the program manager for the information-sharing environment to establish an enterprise architecture through which the Department—there are five key departments

that have key information-sharing responsibilities—can be a part of so that they can develop common IT solutions.

Of those five departments, only two have developed implementing plans to move forward within that architecture. The other three are still working on it. So it is recognized that it is a problem. There are efforts underway to address it but the Government isn't there yet.

Mr. DUNCAN. I think the subcommittee will probably revisit this IT issue in light of what happened last week.

I just want to ask one final question before I turn it over, but Ms. Richards, we had talked about CBP as a shift change happens, CBP officers down maybe in Arizona or along the border, having to trade radios out between the car windows between shift changes.

I think Inspector General Edwards recently confirmed in a letter—that Department-wide radio interoperability is one of his officers' highest-priority, short-term recommendations and having seen what South Carolina did after 9/11 and in the post-Hurricane Hugo days but then after 9/11 more than anything, is that our law enforcement; local, Sheriff's Department, Chief of the Police, and EMS services along with the National Guard, Highway Patrol at the State level—they all couldn't communicate.

So grants were issued and money was spent to upgrade to a 500 megahertz system so everybody at certain times could be on the same frequency to listen what is going on, communicate effectively.

I would like for you just to address that interoperability aspect, but also address the fact that we have got $60 billion budget and agents are having to hand radios out through the car window for the next shift so that they will have the radio system that is operable. That alarms me. So if you could address that for me.

Ms. RICHARDS. Thank you, Mr. Chairman.

There are two issues that you are talking about. One is an interoperability where the radios that they have should be programmed so that they can access this common channel and the radio operator should be aware of the common channel and how to get to it.

What our audit found was that most of the radios were not properly programmed although they could have been and that most of the radio users were simply unaware of the common channel.

We recommended that the Department put out policies and procedures to make sure that everyone was aware and could get to this common channel as a workable solution and most importantly that the Department put in a strong governance structure to ensure that all of the components were in line with this common goal of achieving interoperability.

The Department is working on putting out its policies and procedures. The Department did not agree with our recommendation for a governance structure. They have a governance structure in place that is based on memorandums of agreement among the various components and they believe that that is sufficient.

As to the question of handing radios off at the end of a shift, as part of a follow-on to our interoperable communications audit we started an audit looking at the inventory of the communications assets.

We have finished our fieldwork and we are about to deliver our draft report to the Department and hope to have the report to you

within the next quarter. I think that would answer some of your questions on that issue. Because we haven't finished the work, I can't address it today.

Mr. DUNCAN. Thank you so much.

I would ask that y'all would also with interoperability and I am sure we will review Boston events and interoperability in communication with regard to that as well.

Ms. RICHARDS. Yes, sir.

Mr. DUNCAN. Okay. Thank you so much.

I will yield to the Ranking Member of the committee, Mr. Barber, for his questions.

Mr. BARBER. Well, thank you, Mr. Chairman. I hadn't planned on asking this question but in light of what you just said, I really feel I must and that has to do with the interoperability problem.

Let me give you a very specific example and I don't think much has changed. When the Ranger Rob Krentz was killed 3 years ago, we believe by a cartel member, one of the biggest problems was interoperability.

When I drove down there with Congresswoman Giffords to meet with the ranchers shortly after his death we learned very quickly that we were trying to reach the Secretary and we kept losing signal throughout the area.

In this rugged area of the Southwest Border, this is a huge problem. In talking to agents on the ground it is still a problem 3 years later. It not only is to the advantage of the civilians but certainly to our Border Patrol agents that we fix this problem.

So I look forward to report and unlike your previous report on this matter, I hope the Department will seriously consider implementing your recommendations. This is a huge issue.

Let me turn to a general theme. As I have listened to the witnesses, there are certain ideas that continue to come up, and I want to ask about how we get them done. Having skilled personnel doing the right job with the right skill set in the right evaluation processes.

You know, sometimes we promote people who are really good at what they do on the field but then they are supervisory, they don't know how to do it. You talked about transparency and planning. You talked about data-driven planning and evaluation processes.

All of these things are pretty much across the board a consensus I think amongst the witnesses this morning. I am interested in your ideas about not just what to do but how we do it in a department of this size. I don't think it is impossible.

I think any human problem can be fixed by human beings. I think the private-sector experiences that we have heard about this morning are being done every single day. So I appreciate from any and all the witnesses your recommendations on how and where in the Department we place responsibility for getting this done in an expeditious manner.

Ms. BERRICK. If I can start, I would say there are a few things that will really be critical for DHS to address these issues and I think they are on their way to doing it. The key will be execution.

The first is having a roadmap, you know, identifying what their problems are, what are the root causes of some of these funda-

mental management problems, and how are they going to address those gaps.

I think second, they need to identify the resources that are going to be needed to address those gaps and if they perceive funding shortfalls start prioritizing on which initiatives are more important than others and which are more time-sensitive.

They also need a system of metrics and an oversight structure to make sure that they follow through on those plans, and then the final piece is show demonstrated progress in addressing the issues.

These also very much mirror GAO's criteria for removal from the high-risk list. We are not looking for perfection. We are looking for a sustainable, repeatable plan that can—you know, through which the Department can show demonstrated progress.

Related to DHS, they have developed, I think, a good strategy to address these high-risk areas. I have seen them make the most progress in the past 3 years than I have seen since their creation, and they have made improvements to that strategy.

They have put pretty good metrics in place. For the most part, they have identified resource needs and prioritized. The key now is really executing on those plans. They have some very promising initiatives related to acquisition, IT financial management, but for the large part they are in the early stages.

DHS also has a very good policies and procedures. Their acquisition directive is very strong. It is consistent with best practices. The issue has been that they haven't executed on that directive. So I think the bottom line, they have good strategy strategies and plans in place for addressing these management issues. The key is execution and continued oversight.

Mr. WILLIS. Could I add on to that as well?

Mr. BARBER. Please, doctor, yes.

Mr. WILLIS. Thank you, Ranking Member Barber.

You know, I would add a couple things. I have put in my written testimony some things the Department can do. I would like to highlight a few things Congress can do to help them.

One is demand to see analysis for major decisions and systems. An example is a good one Congress did in the past when the Congress was considering acquiring advanced portal detectors.

Congress and legislation said we need, the Secretary needs, to see a cost-benefit analysis and sign off on it before. That led it to National Academy's panel that I was a part of that reviewed the cost-benefit analysis and said this is a cost analysis not a cost-benefit analysis. Subsequently, decisions were made of how to change that system.

The second thing is that Congress can make sure that the analytic capabilities at the Department level have adequate and stable funding. I highlight adequate, not necessarily large. These—it doesn't take—it is an ounce of prevention for a pound of cure here.

Just to test this premise, we at RAND looked at our own studies for Department of Defense and we were able to find tens of billions of dollars easily of savings and avoided spending off a small fraction spent on those types of studies.

Mr. BARBER. Mr. Killough.

Mr. KILLOUGH. One example to add. In 2008 the Department of Veterans Affairs created the Acquisition Academy and the primary

objective at the Acquisition Academy was to support Departmental acquisition reform and program execution through the creation of curriculum and improved competency capabilities and the people in the acquisition and program management areas.

That Acquisition Academy has functioned in training over 10,000, I am not sure what the number is—it is 10- to 15,000 people in improved acquisition processes and in becoming experts in program execution since that time.

In September 2012, the Veterans Affairs Office of the Inspector General released a report documenting savings in one specific area and that would be in veterans' medical programs in the administration, acquisition, and management of programs; and an annualized savings of $390 million.

The benefit of that is that they made a decision that the people that were conducting and acquiring assistance needed to be more highly confident in the knowledge and capability of defining the specific thing they need to acquire, also in eliminating redundancy and acquisitions across various different areas within the Department, and once they acquire the systems or acquire this capability to improve their capability to execute the programs.

Mr. BARBER. You know, I would love to hear from other witnesses but my time is well over the allotted time, but I want to just say, and maybe in the second round I will come back to this, that the GAO reported earlier in your statement 1,800 recommendations I believe over the last 10 years.

I have looked at many of those GAO studies, some of which I was involved in directly, and they are all pinpointing this problem, that problem, this issue, that issue, and what I see overall is a systemic problem not necessarily individual series of problems.

My question really is trying to get at, how do we solve the systemic problem? You know, we hear about banks and other institutions being too big to fail and I just wonder if DHS may be too big to succeed in the sense of trying to get the job done.

That is an editorial comment, not necessarily a fact, but I do think we have to make this Department work more effectively, and I am looking for a way to solving the overall problems, not just the specifics.

Thank you, Mr. Chairman.

Mr. DUNCAN. Thank you, Ranking Member.

The Chairman will now recognize the Ranking Member of the full committee, Mr. Thompson, for a question.

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

I think one of the comments we hear quite often is a statement when you are talking about trying to fix things or improve them people will say, "Well we have always done it this way."

That kind of, I think, is part of the reason we are here is we have had people who looked at the agency who said, "Here are some better ways to do it." We have had business people who have done acquisitions and other things who have said, you know, "Here are just some things that you, from a due diligence standpoint, you do if you are spending your own money, you want to get the best value."

We have some people who also have on a research side said, "Here are some things that some other people have done and done

them successfully." Well, Ms. Berrick, if I would say to you that there are five or six procurement systems within the DHS, would you see the value of streamlining procurement so that we would not have separate systems operating?

Ms. BERRICK. I think related to procurement and acquisition, the key that we have seen at DHS is the need to have better oversight at the Department level of what the components are doing and for the under secretary of management to have authority over the component acquisition executives because there is a process at the DHS level, there is a process at the component level, and sometimes those two processes don't flow together as they should.

So there is a lack of oversight. DHS is taking some action to improve that and have in fact strengthened the authority of the under secretary, but more work still needs to be done.

Mr. THOMPSON. All right. Now, does the work need to come from the Secretary of DHS or does it require Congressional direction?

Ms. BERRICK. I don't think it requires Congressional direction to organize internally and provide oversight that is needed.

Mr. THOMPSON. Right. Well, one of the things, we put 22 agencies together and we inherited the culture of some of the legacy agencies who were a little more mature versus the new kids on the block, and so we see the legacy agencies kind of being the thousand-pound gorilla sometimes.

Another thing Dr. Willis, that in an effort to consolidate, the perception is that if we have these programs and we consolidate them, that will save money.

The Department has proposed to consolidate its 16 grant programs into one. We had a budget hearing. We have had the Secretary here. We were saying, "Okay, how are we going to get the efficiencies out of consolidation?" The response comes back most often, "Well, we will just have one program and we will do these missions."

Well, but we don't have the analytics and other things that go with it to say that we will be able to maintain the effectiveness of the programs by consolidation. What is your opinion of the consolidation?

Mr. WILLIS. I think this goes back to my main point about the need for early and sound strategic analysis. We know that these programs are important from communities because we are praying it succeeds; it is important, if it fails like it did in Katrina, it can be devastating.

We know that these programs have put in place capacities that people have bought things, people have done—but there are things that we don't know because we don't have planning and analysis. We don't know whether this capacities are actually making us prepared and we don't know what the next strategic step should be taken to improve it.

Similarly, we should probably consider whether this organization of going from 16 to 1 is in fact something that will align—allow us to do better leadership or whether there are other factors—actions that should be taken.

Mr. THOMPSON. Mr. Killough, if I told you that 10-plus years later we still have almost as many contractors working in DHS as we have FTEs, what would you think of that?

Mr. KILLOUGH. Well, clearly there are needs to have subject matter experts and contractors hired to—in specific instances, but the cases where contractors or non-affiliated employees are contracted to augment staff on a long-term basis generally finds that the home or parent organization hasn't been able to generate the capacity or the capability to be competent and have competencies in that specific area of expertise.

Mr. THOMPSON. Well—well one of the things that we have asked the Department to do is we have been told that there are people in the same department doing the same job but that private contractors are being one-and-a-half to two times what the Government employee is being paid to do the same job.

Now I think we can save money; either make a determination that we need to over time scale back and bring people in-house and build a capacity or we doing something wrong.

But over 10 years later we still have private contractors doing, not the technical that you talked about, but basically the jobs that full-time employees normally do, procurement, HR, other kinds of things. So would you say to us that it would be a good idea to look at those private contracts and see if we getting our money's worth or could we do to better way?

Mr. KILLOUGH. Well, first of all, a lot of the times there is an authorized head-count issue. So sometimes it is the chicken or the egg. So if you are going to authorize in the Department head count for Federal employees, that is one thing, but if you are not going to authorize increased head-count in order to change the contractor to an employee, then you are just going to have a problem with execution.

Mr. THOMPSON. Well I appreciate it but, you know, I think if a Department head would come and say, "I could save the taxpayers 10 percent of this budget by going from this process to the other," do you think somebody would make the argument on head-count or is it a cost efficiency?

I guess, Dr. Stern, you the businessman. If somebody walked in to you and said, "Dr. Stern, we could save this company 10 percent by doing it this way. It wouldn't lose any efficiency," just your—I know there would be some checking that you would do, but how would you respond to that?

Mr. STERN. I would definitely proceed to do it, execute it. I get the sense from the broader conversation that what we have is kind of a—on the one side a penalty-free system that leads to inaction. On the flipside, the total lack of desire to take a risk, take a step forward, because there is no reward for doing so.

In aggregate we don't see the cliff, okay. As a Nation, now we do but there are pieces that we do, but we don't really see the urgency that we find in business where you are seeing a business that is really heading for bankruptcy, and you better take action and frequently take risky action, you execute, and then you make it come out right.

Don't see that happening here. Not sure how you induce that in the Government. It is certainly a need, and I think the opportunities are anonymous for consolidation, combining function, reducing the level of structure in an organization, having fewer levels of

management between the person who is executing and that the one sitting at the top.

Anytime you have 13 signatures required to approve a capital acquisition, you know darn well that in between those 13 signatures most of them never read it. They just sign off on the assumption that somebody else read it.

Just eliminate those and streamline it and get on with it. We have done it many times and I have been involved in having saved many companies many businesses by just—and obviously pick the right people to execute.

One thing you touched on which I think is important you want to have good financial and IT systems in place that allow you as a manager to track the progress against the objectives set. So that area is crucial.

Mr. THOMPSON. Thank you very much. I yield back. Thank you for——

Mr. DUNCAN. Gentleman's time is expired.

I think he said on an age-old debate about the private sector and risk-taking and risk-benefit analysis and reward and bureaucracy or large—whether it is Government or large industry—where people get in a comfort zone and don't want to take that risk.

We see that. That and the longer they stay in that job, the less risk-taking they do. So I appreciate your perspective on that and we will probably talk about that in Round No. 2, but the Chairman now recognizes Mr. Payne for a question.

Mr. PAYNE. Thank you, Mr. Chairman.

You know, I as a Ranking Member on Emergency Preparedness and Communications have continually had this whole issue around interoperability come up and this question is for Ms. Richards, but anyone else who might want to add their thoughts, please feel free to respond.

Now I represent New Jersey's 10th district in northern New Jersey and my district felt the devastating effects of Hurricane Sandy. It is clear from my conversations with first responders who I am interacting with all the time during and after Sandy, interoperability is an essential—it is essential to responding to disasters.

But you stated that there are roadblocks to achieving interoperability including DHS's failure to establish clear guidelines or effective governing structure with authority and responsibility to oversee achievement of Department-wide interoperability.

Could you expand on what more Congress can do in helping DHS achieve interoperability? Does it take legislation that clearly sets the guidelines and the—and a time line to comply with actions like standardizing radioactivity?

Ms. RICHARDS. Thank you for the question. It is a crucial question and very important to all of us.

The Department should have the capability with the authorities that they have now to establish that governance structure. The Department believes that collaboration on this issue through memorandums of agreement and understanding from the components will get them there.

My audit work indicates that that collaboration is not at the point where it is going to get them there quickly. We continue to discuss with the Department our recommendation and the need for

that authoritative governance structure to make decisions and disseminate the one decision throughout all of the components.

Mr. PAYNE. What is their response to that?

Ms. RICHARDS. Their response continues to be that their joint working group is up to the task.

Mr. PAYNE. Yet, and still, we have not achieved it and, you know—I am by no stretch of the imagination a rocket scientist but to get everybody on the same channel, you know, doesn't seem like it could be that difficult. I know we have wide-ranging number of entities involved but——

Ms. RICHARDS. I would say in an effort to explain some of the Department's other issues they are upgrading their communication systems; the infrastructure that supports it. There are technical upgrades that they are putting in place that will or should improve the situation.

But in my view, the basic getting out to your radio operators the information about the common channel and how to reach it and to the technicians that are programming the radios the information that that channel needs to be programmed in is extremely important and it should be fairly straightforward.

Mr. PAYNE. You know, we have a little technology that was developed a decade ago called email and, you know, that potentially could be helpful in everyone—I know I get a lot of them every day on a myriad of issues.

So that might be something they look at. Does it—do you think it, you know, would take legislation to set up a subdepartment? I mean, here we go, building out again—a subdepartment to have the governing authority to oversee this achievement toward interoperability because it is—I mean, it is the key.

Ms. RICHARDS. Certainly that would push the Department into doing something. This to me is a critical issue for the Department. Secretary Napolitano has very rightly stated that one of her most important goals is to create One DHS.

As you are all aware it has been 10 years, which is a long time, but not a long time in the history of organizations. Some of the organizations that were put together date back to colonial times, such as the Coast Guard and the Customs Office.

They are very proud organizations; overcoming those cultures to bring them together to work as one common organization is difficult. The Department administration is pursuing the issue. They have not been as successful as I would like to see.

Mr. PAYNE. Thank you.

Mr. DUNCAN. Thank you.

Committee, we do have time for a second round of questioning which I would like to personally get into and we will work through the process if you guys want to, but so I recognize myself for 5 minutes for additional questioning.

Yesterday, we had the NFL draft, and I will guarantee that those NFL teams didn't sign more defensive tackles than they needed. They didn't decide, you know, what we like this guy is a good athlete, we have got two free safeties, but let's go ahead and sign a third one, and I know we have got to pay too much for him, but let's go ahead and get a third one just because he is a likable guy or just because we might think we might need him down the road.

They did strategic planning, look at the assets they have, look at the assets they may need in the future for a long-term vision for where they want the team to go, the growth that they are going to need, the age of the assets they currently have. That is how business operates.

So I think Government needs to operate that way, as well, and I think you if you went on the street and asked average Joe American these questions about, "Well we are $16.8 trillion in debt as a Nation, we have got an agency that really was—has been in existence for about 10 years and we are looking back at it, we understand it has got a $60 billion budget to it, 225,000 employees, but we have identified where this person or this system is doing the exact same thing as this system over here, but what should we do?"

They are going to say, eliminate one of them. Let's just let one of them do the job. Let's let one group do that job. That is what private sector would do. So I think this is very timely and I think this ought to transcend just that DHS. This ought to apply to every Government agency.

We ought to do the same analysis here in Congress where we have duplication and wasteful spending that can be cut. This is low-hanging fruit for the American taxpayer, this is low-hanging fruit for Congress, and it should be low-hanging fruit for the agencies as they apply stewardship methods to their own agencies.

They shouldn't need an oversight hearing from a Congressional committee to recognize duplication, recognize waste, and start making the right decisions for the taxpayer.

So having said all that rant, Mr. Killough, I want to ask you this; you know, some of the challenges for acquisition programs include lacking experience acquisition and contractor personnel.

You touched on that just a little bit so how would Government go about hiring and educating and getting the right skills to the right people in the acquisition process because I foresee that as part of the big problem here. How do we identify those people? How do we get them the right skills, I guess is the question?

Mr. KILLOUGH. Well, part of my recommendations was the first step is defining through adequate job descriptions or what they call in the Government, job classifications of these—the critical skills and knowledge that a person needs to have in order to perform the acquisition functions.

So you create job classifications in those areas that you feel that you need improved capacity or improved competency in order to become more efficient.

Mr. DUNCAN. So what you are telling me, based on your analysis, that there is not an identified tasked acquisition person within the agency to buy a communication system and there is not a tasked person with that responsibility to buy IT systems. I know there is there but——

Mr. KILLOUGH. Well I am not completely versed in all of the OPM job classifications. I am particularly commenting on the areas of the program management aspects of it. I know there isn't that across-the-board in the Government in program and project management. It only exists today in the IT space.

So there are program and project management activities being done in every department in every level in this Government and

we only have one area where it is specifically addressed the skills and knowledge required to do those jobs and that is in the IT space.

Mr. DUNCAN. I think that is important. Thanks for touching on that.

I want to just shift gears to Dr. Stern for a minute because on page 4 of your written testimony—and it is part of the record by the way—any written testimony you provide is part of the record, but you say that, "Even after 10 years under the same management umbrella, the Department is riven with conflicting cultures and customs."

So we had a lot of independent stand-alone agencies or subagencies who are now brought under the DHS umbrella. We have heard this from others, but now you even bring the topic up is that we have conflicting cultures and customs.

So how does an agency as big and broad as DHS is, with stand-alone independent agencies that are now a part of something bigger—private companies have this problem as well as they do acquisitions and those acquired companies are now a part of something broader, how do they buy into that culture?

How do they start writing for that brand and how can DHS apply that writing for the brand mindset to what they are doing? I use the example that you have got the Coast Guard, you have got Secret Service, which was part of Treasury, you have got CBP and ICE, which is part of something broader—stand-alone but broader independently—now they are all part of this DHS umbrella. So how do we start working on that culture because I think that is vital to the on-going mission?

Dr. Stern.

Mr. STERN. In business, you encounter the same problem every time you acquire a couple of companies and merge them or frequently more than a couple of companies and you really—you state your mission and objectives in a broader sense to all involved and you force the issue.

You actually force it, and those who that don't want to subscribe to it get invited to go do other things. It is interesting how rapidly people do adjust to the common thrust of the new entity because they have a lot at stake. Okay?

Government has less flexibility or less desire to do what I am talking about as far as removing people from one organization that turn out to be disruptive to the new mission and new thrust, but it is a must-do. I don't think it is an option. Okay?

In business, the end result would be disastrous if people didn't subscribe to the same objectives and the same philosophy. But I have seen it again and again and—there are people that will never change; don't fit. It is not to say they are not capable as far as professionals but they are better off going somewhere else.

Mr. DUNCAN. It is almost like a tenure aspect and you can't remove them and they do affect the morale because, "Well this isn't how we did it in the old organization," and I have seen that in private sector, "Well, we did it this way before." "Well, that entity has gone away. Now you are a part of something broader and this is how we are going to do it and buy into it and go home." Sort of. That mindset.

I will applaud the Secretary and the Department for coming up with the One DHS mindset. I thought that was the right thing but they have got to continue pushing that down and they have got to do a lot of the things that you have said is that we have got to have the ability to remove those disruptive elements and those that aren't part of the team.

We have got to be able to make those trades, to go back to the NFL analogy. We have got to be able to recruit good team players with the right assets and we have also got to be able to let some guys go, cut them, send them back to minor-league, whatever. So with that, I will yield to the Ranking Member for a question.

Mr. BARBER. Thank you, Mr. Chairman. You know, in another life many years ago I was involved with a publishing company and my job was to ensure that acquisitions and mergers were properly managed.

I was the coordinator of all of the different departments that had to get on board and one of the things that I found that was most effective, apart from the fact that the CEO said "we will do this," was a singular deadline by which each component had to get its job done in order to meet the common goal. Sometimes I am not sure if that is existing in the Department.

Well, I just like to ask the witnesses, particularly Dr. Stern and perhaps Ms. Richards and Mr. Killough—if you could imagine the circumstance; tomorrow you were appointed Secretary of Department of Homeland Security—a more enviable job you could not find in Federal Government.

[Laughter.]

Mr. BARBER. You had the lack of smarts to take this job because you thought you could do something better. What would you do?

Dr. Stern, let me ask you that. You know, going back to the earlier question we have so many—we have pinpointed so many individual problems with this system or that system, and as I said earlier I think it is a systemic problem of how you manage the Department, the second-largest Department in the Federal Government, 250,000 employees, billions of dollars in taxpayers' money.

I want to be a part of a solution here as a Member of Congress and I would like to know what you think, if you were the Secretary, what would be the first steps you take given the constraints that, you know Government has that are different from private sector, what would you do to get the job done on a systemic level?

Mr. STERN. The first step would be to—in conjunction with the leaders of the different departments—operating units—is come up with a mission statement that is very clear and very understandable.

I was involved many years ago in a hostile acquisition that with mixed feelings we executed on. We ended up with 120,000 employees; so half of homeland security. It was significant with very different philosophies.

But we did it. We laid out a very clear mission statement and subset to that with very measurable quantitative objectives, with dates, schedules, and quantification where appropriate, and we put in place a risk reward system for the key leaders for the individuals to execute on it and the risk was departure from the company.

The rewards were incentives and we were generous with incentives.

We cut the organization way back because that was part of the objectives underlying it all and on balance it worked, but there has to be clarity of mission and clarity of the objectives and they should generally be very measurable and then management follow-up, and the willingness to execute and you do take some risks in doing so. Now whether I could do it as a Secretary here, I don't know.

Mr. BARBER. Smartest answer might be, "Thanks, but no thanks" to that job, right? But I think it is serious—I mean obviously this is a Department that we pulled together at a time of great crisis in our country and I think there has been a lot of progress made.

I don't want to in any way suggest that I think we have not come a long way in those 10 years, and as Ms. Richards pointed out, in the life of an organization of this size, 10 years, is not a long time. Although there is a level of impatience that I have and that my constituents have and I think the country has with, why we can't get better faster?

So Ms. Richards, I want to offer the enviable job of being appointed Secretary. As he you look inside the Department in an objective way, what would you do?

Ms. RICHARDS. Well, first of all, I would like to remind everyone that I am an auditor at heart and we are detailed people. So we would probably be a bad choice for the job.

[Laughter.]

Ms. RICHARDS. In addition to all of the things that Dr. Stern said, which—many of which the Department has worked very hard to do, they have also gone through an exercise called the Bottom-Up Review. One of the things that I see from my perspective is that there is a lack of clarity of data.

It sounds very simple. It is enormously time-consuming to get it right. We did an audit recently on detection equipment and we looked to see for commonalities among the different components that use detection equipment such as walk-through metal detectors.

They had it on their inventories but they had all defined it differently so there was no way to pull from a centralized viewpoint the information that would tell them how many metal detectors they had or where they were. So if they needed to shift them or share them they didn't have that information readily available.

One of the things that, not as Secretary because it is too in-the-weeds for that job, but one of the things the Department needs to do is to start setting those data dictionaries and commonalities and defining the resources that they have both physical resources and their employees, the skill sets that they have, so that they can share—do information sharing—share radios that one component might have that another component may need. I think that that is critical to the success of the Department into achieving that One DHS and getting to the efficiencies that they need.

Mr. BARBER. Would any other witness care to be Secretary for a day or a year or whatever and give us what you would do? Ms. Berrick.

Mr. STERN. Should I give you——

Mr. BARBER. Can I go to Ms. Berrick first, please?

Ms. BERRICK. Sure. You had made a comment earlier that I think relates to this question. You said you spend time reading a lot of these reports with lots of recommendations, and really what does all of this mean?

GAO actually went through an exercise where we looked through those 1,800 recommendations, 1,300 reports on the 10-year anniversary of 9/11 and we issued a report basically identifying our take on DHS's progress and what do they need to do moving forward. Looking across all those recommendations, we saw three themes that were common that negatively affected DHS's progress.

So if I were a Secretary for the day would address these three themes. The first is the management of the Department. When you talk about acquisition and IT and financial management and in the abstract way it is hard to see the direct link that has on DHS's abilities to meet its missions.

So for example in acquisition management there have been a number of programs that DHS has had to cancel or significantly scale back and this is to secure the border and this is to secure air travel because they weren't managed properly. In fact, we identified $1.75 billion and that related to eight such of those programs that were scaled back.

Financial management, they need information, you know, senior leadership needs the information to manage their operations. DHS senior leadership doesn't have that visibility today. They are working towards that but they are not there yet. So management of the Department I would focus very strongly on strengthening all of those core management functions.

The second theme we saw is, and it is been discussed today, performance, measurement, strategic planning, cost-benefit analysis, before DHS pursues a solution, to what extent are they looking at the alternatives and weighing the costs and benefits and also risk management plays a role in there.

We found that DHS has done a lot to assess risk. They are doing less to incorporate that information into planning, programming, and budgeting decisions.

The third cost-cutting area that I would pay attention to is information sharing and partnerships and coordination. DHS—you know, it is a homeland security enterprise. DHS has to work with State, local, the private sector, international partners. They have made a lot of progress in this area, but they can do more to strengthen those relationships as well as improve information sharing within and outside the Department.

Now overall I think DHS is about where you would expect them to be, you know, 10 years into their existence, but I, because that is early and this can take years to achieve, but I do think these three cross-cutting themes are really—we are at a point where they are really negatively affecting their ability to be effective, and I think they need to be addressed moving forward.

Mr. BARBER. Is there time for one more, Mr. Chairman?

Mr. STERN. Could I give you——

Mr. DUNCAN. I am going to give some leeway——

Mr. STERN. I am sorry.

Mr. BARBER. Dr. Willis, first please.

Mr. WILLIS. Okay. I just very quickly to add on to some of the—I would of course like Dr. Stern said, clarify the strategy, identify the people to implement that and empower them, but I would also be doing one thing alongside to draw on the corporate analogy.

I would communicate that strategy to my board fairly early on before I get too far into it, and I would point out in this context Congress—there is an analogy between the board and the corporate board between Congress, but there is not one board for DHS. So I would like to draw that analogy.

Mr. STERN. I was going to give you a quick example on how attitudes change and it can be done—it was budget time of a large company and we were getting the budgets from the different parts of the company to put it together.

There was one division that came in and like all others we need more of this or we need more head-count here or we need to expand there and there and we are trying to trim back the budgets but they were adamant about it.

Conclusion in the later phase, we decided to sell that division because it didn't fit our mainstream business. Turns out that the management of the business succeeded in raising the capital and buying that division themselves. We sold it to them.

You should have seen the rapid change of attitude to spending that took place within that division. Suddenly it was theirs. It was their money. It was their success. Not the overall. It was amazing, and you see that again and again and again.

Mr. BARBER. We should be spending the taxpayers' money as we would our own, and that is where I will close.

Thank you, Mr. Chairman.

Mr. DUNCAN. You are quite welcome.

The Chairman will recognize Mr. Payne for the final question of the day.

Mr. PAYNE. Thank you, Mr. Chairman.

Ms. Berrick, kind of open the door for me in terms of stating that DHS has improved in information sharing. Where—in what areas has that been and where are they still lacking and where else do they need to improve on State and Federal international level?

Ms. BERRICK. Really, in the information sharing they have made a lot of progress in these past few years identifying what their information-sharing initiatives are, defining those, and also clarifying how those tie into the broader information-sharing environment.

They have a pretty good set of metrics to measure their progress in implementing those initiatives. But largely due to funding shortfalls, they are having some difficulty moving forward with some of those.

So I think they had good strategies and plans in place. It is going to be executing, moving forward, and also prioritized among the different information-sharing initiatives that they have, and part of that is partnering with the other departments that have key information-sharing responsibilities.

With respect to coordinating with State, local, private-sector, and international partners, this has been a theme that we have identified in a lot of our work where DHS could do more to strengthen those relationships, leverage information at those parties, have and in some cases work to not duplicate what each other is doing.

I think DHS has made tremendous progress since it was created in that area, but I think they had continued work to do to strengthen those relationships.

Mr. PAYNE. Okay. I just had another question on another topic for Mr. Killough.

You know for years what I am hearing at DHS, you know, there is a low morale, and it has been notoriously low. In your research have you determined what the key reasons why low morale exists in the workplace and how does that morale impact program management, and how does this affect productivity and results?

Mr. KILLOUGH. Sources of low morale are many and varied, but a lot of common things are the fact that there are oftentimes people in an organization don't understand the objectives or don't understand where they stand relative to their performance.

One thing is that the organization has got to understand, what does success look like? Management has got to help them define what success looks like so—and to also answer some of what Mr. Barber was talking about is that you have got to put leadership in place.

You get to create clarity to define achievable objectives. You have got to define a way of reporting against those objectives that is transparent. Everybody knows how everybody else is doing and you need to celebrate success but you need to define what success looks like.

So morale is—it can be low when people are—lack the appropriate motivational environment because they are not really sure how well they are doing, whether they are being successful or being—achieving what they are supposed to, and therefore they don't—there is no self-satisfaction established out of that.

So they have got to understand where am I going to be? What does it look like when we are a successful organization or when I am a successful person?

Mr. PAYNE. Well, I appreciate that and moving forward that is something that I am going to be interested in pursuing in terms of the morale of the people in the Department to get—to maximize their potential and do the things we need to do to continue to make sure that the Nation is safe and secure.

So with that, I yield back.

Mr. DUNCAN. Okay. I think you are right there, Mr. Payne.

I want to thank the witnesses for their valuable testimony today. I learned a lot, and I appreciate you coming and being a part of this.

I want to thank the Members for the questions. I think you see the bipartisan nature of investigating duplication and wasteful spending and trying to maximize taxpayer dollars and keeping our Nation safe as Mr. Payne said at the end there.

So the Members of the committee may have some additional questions for the witnesses and we will ask that you will respond to those questions in writing.

With nothing further and without objection, the subcommittee will stand adjourned.

[Whereupon, at 10:53 a.m., the subcommittee was adjourned.]

APPENDIX

QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR CATHLEEN A. BERRICK

Question 1. GAO reported greater overlap in the analytical activities of fusion centers and FIGs than in any of the other entities; for investigative activities, fusion centers, and Regional Information Sharing Systems had the most instances of overlap. What steps is DHS taking in conjunction with DOJ to address this duplication in effort?

Answer. The Department of Homeland Security (DHS) concurred with the two GAO recommendations intended to help reduce unnecessary overlap and leverage resources among field-based information-sharing entities and, in conjunction with the Department of Justice (DOJ), is taking steps that begin to address one of the recommendations.[1] Specifically, DHS, in a letter to GAO on how it will respond to the recommendations, stated that it plans to use its annual assessment of fusion center capabilities to gather data on steps the centers are taking to better coordinate analytical activities with all four of the other field-based information sharing entities in our review—Field Intelligence Groups (FIG), Regional Information Sharing System (RISS) centers, Joint Terrorism Task Forces (JTTF), and High-Intensity Drug Trafficking Area (HIDTA) intelligence centers. DHS reported that it is currently using the assessment to track the extent to which fusion centers have representatives from the other four entities on their executive boards, are co-located with other entities, and issue products jointly developed with other entities. These data should provide DHS with a current baseline of the extent to which fusion centers have such collaborative mechanisms in place. DHS also stated that it is planning to: (1) Add questions to its annual assessment to determine the degree to which these entities collaborate on their analytical activities, (2) use the results to monitor and evaluate coordination among field-based entities, and (3) report these data in the National Network of Fusion Centers Final Report, which is expected to be issued during 2013.

In addition, DHS reported that it, along with the Federal Bureau of Investigation (FBI), co-chairs the Fusion Center Subcommittee of the Interagency Policy Committee for information sharing, within the Executive Office of the President. DHS stated that under the auspices of the subcommittee, DHS, the FBI, and the Office of National Drug Control Policy (ONDCP) can collaborate to identify and assess characteristics of coordination among entities. The co-chair of the Interagency Policy Committee for information sharing stated that agencies are making progress in assessing ways in which fusion centers and HIDTA intelligence centers can further collaborate, and are starting to discuss RISS center collaboration, but have not addressed opportunities to better collaborate with the FBI's FIGs and JTTFs. GAO recommended that the Secretary of Homeland Security, Attorney General, and director of ONDCP have their respective organizations work together to assess areas where they can: (1) Take advantage of co-locating entities, (2) have more participation across entities on their respective executive boards, or (3) implement other ways to collaborate. Agencies using the results of the annual fusion center assessments and the subcommittee structure, among other tools, to determine where else they can implement collaboration mechanisms Nation-wide would be responsive to our recommendation.

DHS, DOJ, and ONDCP have not yet begun to address an additional recommendation—that they develop a mechanism to hold the heads of their respective field entities accountable for such collaboration and demonstrating the results achieved through it. The three agencies indicated that they already hold their field entities accountable for sharing information and track this through metrics. However, our recommendation goes beyond having agencies simply agree to share infor-

[1] See GAO, *Information Sharing: Agencies Could Better Coordinate to Reduce Overlap in Field-Based Activities,* GAO–13–471 (Washington, DC, Apr. 4, 2013).

mation. Rather, the recommendation addresses the need for entities to coordinate on their analytical and investigative activities and resources, and be held accountable for doing so.

Given that the agencies have not yet addressed our recommendations, GAO will continue to track their progress through our recommendation follow-up process. In addition, the co-chair of the Interagency Policy Committee for information sharing is planning to inventory how some of these field-based entities are already collaborating and publicly account for the results in an annual report to the Congress, which we also recommended as a way to help hold agencies accountable.

Question 2. Is DHS on track to develop a uniform oversight function and definition of R&D across its components by the May 2013 deadline as reported to GAO? What form will this new function take (e.g. management directive, policy guidance) and how will it consistently prevent duplicative research activities?

Answer. As you know, in our September 2012 report, we made several recommendations to the Secretary of Homeland Security to help DHS better oversee and coordinate research and development (R&D) investments and activities across the Department.[2] Taking action to implement these recommendations would better position the Department to know what R&D activities it was undertaking and the costs of those activities, as well as to address overlap, fragmentation, and the risk of unnecessary duplication. Specifically, we recommended that DHS develop Department-level policies and guidance for defining, reporting, and coordinating R&D activities across the Department; and that DHS establish a mechanism to track R&D projects. We also noted that such policies and guidance could be included as an update to the Department's existing acquisition directive.

DHS agreed with our recommendations and planned to evaluate the most effective approaches to better manage R&D across the Department. For example, DHS said it was considering a management directive, multicomponent steering committee, or new policy guidance to help better oversee and coordinate R&D. According to DHS officials, a decision on which one of these approaches to take was to be made by May 1, 2013. In following up with DHS in June 2013, the Department had not yet determined which approach it would implement to address our findings and recommendations, but planned to make a decision soon. We believe that the options DHS is considering, if implemented effectively, could address the issues we identified in our report and meet the intent of our recommendations. Specifically, developing policy guidance to define and coordinate R&D activities across the entire Department could help ensure that DHS components that conduct R&D report their efforts and investments consistently and are aware of each other's research activities, which would help to avoid unnecessary duplication.

Question 3. GAO reported that S&T knew that Secret Service and ICE were conducting R&D in the area of mobile radios but CBP moved forward with its own efforts anyway. Why didn't the components coordinate? Was this a failure of the process? Who is to blame?

Answer. This example—cited from our September 2012 report—was used to demonstrate a case of effective coordination between the Science and Technology (S&T) Directorate and DHS components.[3] Specifically, S&T officials stated that when Customs and Border Protection (CBP) requested mobile radios to improve communication among its field staff, S&T knew that the Secret Service and U.S. Immigration and Customs Enforcement (ICE) were already working in that area because of its existing R&D relationships with these components. To address this technology need and better coordinate these R&D efforts, S&T provided a senior official to lead and coordinate the Tactical Communication Team to address the tactical communication needs of these operational components, and to coordinate, as appropriate, R&D for needed mobile radios. S&T officials stated that in the absence of a DHS policy or process to prevent overlap or the risk of unnecessary duplication, such relationships with components helped to mitigate that risk.

While relationships can help to prevent unnecessary duplication, we found that DHS did not know the total amount its components invested in R&D and had no policies or guidance for defining R&D and overseeing R&D resources across the Department, which is needed to help effectively manage these investments. We also found that DHS had not developed a policy defining who is responsible for coordinating R&D and what processes should be used to coordinate it, and had no mechanisms in place to track all R&D activities to help prevent overlap, fragmentation, or unnecessary duplication. As such, we recommended that DHS develop Department-level policies and guidance for defining, reporting, and coordinating R&D ac-

[2] GAO, *Department of Homeland Security: Oversight and Coordination of Research and Development Should Be Strengthened,* GAO–12–837 (Washington, DC: Sept. 12, 2012).

[3] GAO–12–837.

tivities and establish a mechanism to track R&D projects. DHS agreed with our recommendations and is taking action to address them, as discussed in our response above. Taking action to implement these recommendations would better position the Department to know what R&D activities it was undertaking and the costs of those activities, as well as to address overlap, fragmentation, and the risk of unnecessary duplication.

Question 4. According to GAO's High-Risk report, DHS needs to strengthen its management functions. Of the major DHS management areas GAO reviewed, acquisition management had made the least progress. GAO has previously reported billions of dollars in cost overruns in DHS major acquisitions despite its acquisition policy that reflects aspects of best practices. What legislative action could this subcommittee/committee take to ensure the Department improves its acquisition outcomes?

Answer. DHS acquisition policy consists of Acquisition Management Directive 102–01, an associated guidebook, and 12 appendixes, and it reflects many key program management practices that, when properly implemented, would help DHS deliver systems on-time within established budgets, and that meet performance expectations. For example, the directive requires programs to develop documents demonstrating critical knowledge that would help leaders make better-informed investment decisions when managing individual programs. DHS has also taken additional steps to enhance its acquisition management. For instance, as of June 2013, DHS had launched seven Centers of Excellence to enhance component acquisition capabilities and improve insight into program management challenges before they become major problems, and has also taken some steps to improve investment management. Each DHS component further established a Component Acquisition Executive to provide oversight and support to programs within the component's portfolio, and DHS began to operate a business intelligence system to improve the flow of information from component program offices to the Management Directorate to support its governance efforts.

However, we have found that DHS leadership has continued to allow programs it has reviewed to proceed with acquisition activities without meeting program-management requirements, and has not always followed its own guidance for managing and overseeing major acquisition programs. Officials explained that DHS's culture has emphasized the need to rapidly execute missions more than adhere to sound acquisition-management practices. Our work has found that most of the Department's major programs are at risk of cost growth and schedule slips as a result. In particular, we found that these programs do not have reliable cost estimates, realistic schedules, and agreed-upon baseline objectives, which DHS acknowledges are needed to accurately track program performance, limiting DHS leadership's ability to effectively manage those programs and provide information to the Congress.

DHS recognizes the need to implement its acquisition policy more consistently, but significant work remains. To help support continued progress in this area, the subcommittee/committee could require that DHS's annual budget justification include: (1) A list of major acquisition programs that do not have baselines approved in accordance with DHS acquisition policy, (2) statements for each of the programs explaining why their baselines have not been approved, and (3) the amount of funding DHS is requesting for each program lacking an approved baseline. The program baseline is the agreement between program-, component-, and Department-level officials establishing how systems will perform, when they will be delivered, and what they will cost. The program baseline also includes performance parameters expressed in measurable, quantitative terms, which must be met in order to accomplish an investment's goals. This information would enhance DHS leadership's ability to effectively manage its acquisition programs and inform Congressional decision makers' deliberations as they consider funding options for such programs.

QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR ANNE L. RICHARDS

Question 1. The Visa Waiver Program was established in 1986 to promote international tourism without jeopardizing U.S. security. The Immigration and Nationality Act, as amended, requires the Secretary of Homeland Security, in consultation with the Secretary of State, to assess the law enforcement and security risks of Visa Waiver Program countries, and terminate a country from the Visa Waiver Program if necessary. In November 2012, the IG recommended that the Visa Waiver Program Office develop processes for communicating with embassy and foreign representatives the standards for Visa Waiver Program countries to achieve compliance, and for meeting mandated time frames for reporting on a country's compliance with program requirements. Has DHS taken action to improve the Visa Waiver Program? What do you believe still needs improvement?

Answer. The Visa Waiver Program Office (VWPO) concurred with our recommendation and provided revised guidance for Embassy and State Department desk officers for engaging with countries interested in the VWP. This guidance was developed by the U.S. Department of State's Bureau of Consular Affairs (CA) and cleared by the VWPO to help ensure that Embassies and State desk officers do not discuss the VWP without DHS and CA guidance and thus unduly raising VWP expectations of a country. In addition, the VWPO developed diplomatic notes notifying a VWP government of a review's conclusion and the resulting determination.

Due to the sequester, the Office of International Affairs has implemented a hiring freeze, delaying the recruitment for the existing vacancy in the VWPO. The OIG recommended an assessment of the overall staffing model and is concerned that the current staffing level (including the vacancy) is inadequate to handle the review and oversight of the increasing number of VWP countries.

Finally, on March 31, 2013, the VWPO implemented a new reporting system to Congress, forwarding a batch of Congressional Summary Reports on a quarterly basis. With this new system, the VWP hopes to avoid the delays in producing mandated Summary Reports to the Committees.

Question 2. In February, I along with Mr. McCaul and Mr. Meehan sent a letter to DHS on improving its financial management. We emphasized the importance of improving the Department's financial systems, leveraging best practices from other organizations, and achieving a clean audit opinion. Even if the Department achieves a clean audit opinion, much of their efforts still rely on manual data calls to components for financial data. How sustainable is this approach to maintaining a clean opinion? Does the Department have a firm grasp of its finances?

Answer. DHS management recognizes the need to upgrade its financial systems, most of which were inherited when the Department began operations in 2003. These legacy information technology (IT) issues have existed for more than a decade, causing the Department to rely on complex manual workarounds and compensating processes to support its IT environment and financial reporting. The financial IT issues have become even more problematic with the passage of time, as more IT systems are no longer FFMIA compliant, nor are they supported by the original vendor. As a result, DHS is unable to attest to a strong control environment, and must expend disproportionate human and financial resources for even basic financial statement preparation. The Department is currently unable to obtain an opinion on its internal controls over financial reporting, as required by the DHS Financial Accountability Act.

While DHS financial IT systems have serious internal control deficiencies, and are expensive to maintain, the Department has implemented compensating manual processes and workarounds to produce its financial statements. Provided that the Department maintains the effectiveness of the manual workarounds from year to year, and the financial IT systems do not further deteriorate, then the Department should be able to maintain a clean opinion once it has been achieved. Thus, if the Department achieves a clean opinion in fiscal year 2013, its current processes and resources should allow it to maintain this opinion in the future.

Each year, the Department has improved its financial management by addressing auditors' concerns and correcting identified significant deficiencies. This improved financial management includes achieving a qualified opinion in fiscal year 2012 on all financial statements after years of disclaimers; fewer violations of the Antideficiency Act; earlier identification of needed reprogramming of funds; reducing the number of material weaknesses and significant deficiencies, as well as mitigating the conditions that contribute to significant deficiencies; and improving and stabilizing the capabilities of financial management staff. Although it cannot guarantee future performance, the Department's commitment and tone at all levels, including that of the Secretary, have also improved measurably over the past 5 years.

We should note, however, that a Federal financial statements audit is designed to provide reasonable, but not absolute assurance that the financial statements are fairly stated. They are designed based on the process used to audit publicly-traded companies, where the emphasis is on ensuring reasonably accurate reporting of revenue. A financial statement audit is not designed to identify waste or inefficiencies; and the auditors' opinion does not cover any other operational or performance aspects of the agency, systems, or the supporting documents that are not part of the underlying financial statements.

Question 3. You reported that challenges exist for TSA to deter and prevent exfiltration of sensitive information outside its network. What steps has TSA taken to address these challenges?

Answer. Both recommendations No. 3 and No. 4 in our report entitled, *Transportation Security Administration Has Taken Steps To Address the Insider Threat But Challenges Remain,* were closed due to continued non-compliance from the compo-

nent. There appeared to be an unwillingness of the part of the Department to meet, at a minimum, the basic intent of each. We became concerned that either or both could remain open and unresolved for a significant amount of time.

TSA supplied no further plan of action to address either of these vulnerabilities.

We advised TSA of the risks it would accept for non-compliance. Our decision to close the recommendations was based on TSA's apparent acceptance of the risk it was taking by its non-compliance. This could have been pursued further through the resolution process, but we opted not to.

QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR PAUL G. STERN

Question 1. Within DHS, there seem to be endless levels of management review regarding certain programs and less so in others. How does the private sector strike the appropriate balance between review and action? Will Government ever be able to streamline its cumbersome review process for programs?

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

Question 2. Eliminating excess real property is another important business practice. DHS has over 50 office locations within the DC region alone. Realizing the need to reduce its real estate footprint, DHS embarked in 2005 on an effort to build a consolidated headquarters. However, the schedule for this project has slipped by about 6 years and will cost over $4 billion to complete. How would the private sector have tackled such a consolidation effort? What lessons learned could be applied to DHS to ensure their effort to consolidate real estate is done in the most cost-efficient manner?

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

Question 3. As the third-largest Federal department, DHS owns a lot of vehicles, uses a lot of gas and electricity, ships a ton of documents—overall, has a huge logistical footprint. Are there lessons to learn from the private sector in the area of logistics that DHS should consider in attempting to eliminate wasteful spending?

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

QUESTIONS FROM CHAIRMAN JEFF DUNCAN FOR CRAIG KILLOUGH

Question 1. Adjusting compensation, pay, and benefits for Federal employees is not a popular topic of conversation of bureaucrats inside the beltway. However, the private sector constantly evaluates the way it compensates employees and takes steps to eliminate overhead and management staff when it makes sense. What lessons could be learned from business practices to better structure compensation, pay, and benefits for Federal employees? What could also be applied to law enforcement/security professionals as DHS is the largest Federal law enforcement agency?

Answer. Chairman Duncan, thank you for the question. The treatment of pay and compensation is a sensitive topic, but there are lessons to be learned from the private sector. PMI's *Pulse of the Profession*™ report and other research, including our talent report, shows significant differences in organizational performance that is directly dependent on how their project and program managers are recognized.

Throughout our *Pulse of the Profession* report, which was submitted to the subcommittee with my testimony, you will read how high-performing organizations are doing everything they can to minimize risk by improving their project and program outcomes. Organizations that combine excellence in tactical project implementation with alignment to strategy complete projects successfully 90% of the time, while poorer performers are successful only 34% of the time. And that gap (which nets out to somewhere in the neighborhood of $260 million dollars saved on a billion-dollar project) delivers significant value for the organizations that do it well.

One of the key lessons from this is that high-performing organizations provide consistent and continuous development for project managers to enhance organizational success and are significantly more likely than low performers to have a defined career path for project managers. An established career path will allow for an appropriate definition of a compensation structure. Many private-sector organizations align their career path with appropriate compensation structures supported by annual salary research addressing the specific career path. Furthermore, this process ties performance and achievement to responsibilities. Each step along the career path should be clearly outlined with performance metrics and designations for training, certifications, or other recognitions of skill and merit. A career path is an important tool for meeting the human capital challenges of the Federal workforce, particularly evaluating talent, retaining high performers, and incentivizing career growth through skill development and knowledge. The *Pulse of the Profession* report highlighted the importance of a career path in improving the capabilities of project professionals to enable excellence, as 68% of high-performing organizations have a career path as opposed to only 26% of low-performing organizations. Having a policy

to develop competency and ensuring the use of project management standards is also a significant element of high-performing organizations. These reforms to the structure of the workforce will better align the Government to the private sector.

Finally, for any organization, including law enforcement organizations, having clear standards that are compatible with the private sector or common among organizations is critically important for sharing knowledge, transparency, and oversight. Standards, especially risk management standards, should be uniform and aligned with the Department's components so that its executives and Congress can evaluate risks faced by each law enforcement division of the Department and allocate resources according to a common understanding of the risks. The process is very similar to companies using metrics like earnings per share as a measure to provide investors.

Question 2. In tightening budget times, what are some cost-effective ways to train program managers? What practices would you recommend DHS adopt to continue to improve its training program?

Answer. Chairman Duncan, thank you for this important question. Finding resources and developing efficient training is a challenge for all organizations. PMI's *Pulse of the Profession* shows that often Government organizations have program management offices (like the Program Assessment and Risk Management Office at DHS), yet the practice of developing program management talent may not be viewed as a strategic investment. Our research shows that less than 40% of Government organizations have a formal process for developing program manager competency. Training to standards, the use of mentoring, and having a job classification and career path are critical. Our research also shows standardization of practices and tools, especially in program and project management, and the use of certifications leads to a more efficient allocation of resources and a greater ability to lead and innovate. The Department should leverage the resources of other agencies in the U.S. Government; we would recommend organizations like the Defense Acquisition University, NASA's Academy of Program/Project Engineering Leadership (APPEL) and the VA's Acquisition Academy. Easing access for DHS personnel to these resources and aligning the program management criteria with standard practices could be highly cost-effective for the taxpayer—reducing duplication and waste, while improving access to training for the Department.

Question 3. When measuring performance in the private sector, what are some good performance metrics by which to gauge success? What types of performance goals are transferrable from the private sector to DHS?

Answer. Chairman Duncan, for members of the program and project management community, almost any program or project management metric is transferable from the private sector to DHS. These metrics include scope, budget, resource utilization, and risk. There have been a number of steps taken already by the Department, such as the creation of the Program Assessment and Risk Management Office (PARM), to better align these metrics and requirements across the Department. While these are important steps, however, there is one area that should be emphasized and will provide a significant amount of support to measure and gauge success—that is the use of portfolio management. Portfolio management lets executives look holistically across the group of projects to get the pulse of the portfolio's return on investment (ROI) and strategic alignment. PMI and a separate PriceWaterhouseCoopers survey[1] found that use of portfolio management leads to increases in key performance indicators including quality, scope, budget (cost), schedule (on time) and business benefits. Additionally, PMI's *Pulse of the Profession* report showed that organizations with mature portfolio management practices report an average of 76% of their project meet business goals as opposed to an average of 56% of organizations that don't use portfolio management as often or as well.

Implementing a strong portfolio management policy will provide metrics and transparency to better gauge the Department's success. A model for the Department of Homeland Security could be the PortfolioStat currently being utilized by the Office of Management and Budget and several departments, including the Department of Health and Human Services and the Department of Commerce in IT. The Senate Homeland Security and Government Affairs Committee held a hearing on this subject in June 2013.

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[1] *Insights and Trends: Current Portfolio, Program, and Project Management Practices,* PwC, 2012. Results based on a survey of 1,524 respondents from 38 countries and within 34 industries.