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HOMELAND SECURITY

**DHS Requires More
Disciplined Investment
Management to Help Meet
Mission Needs**

Statement of John Hutton, Director
Acquisition and Sourcing Management



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Chairman McCaul, Ranking Member Keating, and Members of the Subcommittee

I am pleased to be here today as you examine investment management at the Department of Homeland Security (DHS). DHS invests extensively in acquisition programs to help secure the border, facilitate trade, screen travelers, enhance cyber security, improve disaster response, and execute a wide variety of other operations in support of its critical missions. In 2011, DHS reported to Congress that it planned to ultimately invest \$167 billion in its major acquisition programs, and in fiscal year 2012 alone, DHS reported it was investing more than \$18 billion in the department's acquisition programs. DHS acquisition management activities have been highlighted in our High Risk List since 2005, and our work over the past several years has identified significant shortcomings in the department's ability to manage an expanding portfolio of complex acquisitions.¹ We have previously established that a program must have a sound business case that includes firm requirements, a knowledge-based acquisition strategy, and realistic cost estimates in order to reduce program challenges.² These conditions provide a program a reasonable chance of overcoming challenges yet delivering on time and within budget. Earlier this week, GAO issued a report entitled *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs*.³ In this report, GAO found that while DHS has a sound acquisition management policy in place and has introduced initiatives to address longstanding challenges, DHS's ability to manage its acquisition programs is hampered by the lack of consistency with which it has implemented its policy. This report is the basis for my remarks today.

In 2008, DHS issued the initial version of its current acquisition policy – Acquisition Management Directive 102-01 (AD 102) – in an effort to

¹GAO, *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: January 2005); *Department of Homeland Security: Billions Invested in Major Programs Lack Appropriate Oversight*, [GAO-09-29](#) (Washington, D.C.: November 18, 2008); *Department of Homeland Security: Assessments of Selected Complex Acquisitions*, [GAO-10-588SP](#) (Washington, D.C.: June 30, 2010).

²GAO, *Defense Acquisitions: Managing Risk to Achieve Better Outcomes*, [GAO-10-374T](#) (Washington, D.C.: Jan. 20, 2010).

³[GAO-12-833](#) (Washington, D.C.: Sept. 18, 2012).

establish an acquisition management system that effectively provides required capability to operators in support of the department's missions.⁴ AD 102 establishes that DHS's Chief Acquisition Officer – currently the Under Secretary for Management (USM) – is responsible for the management and oversight of the department's acquisition policies and procedures.⁵ AD 102 also establishes that the USM and other senior leaders are responsible for reviewing and approving the movement of DHS's major acquisition programs through four phases of the acquisition life cycle at a series of five predetermined Acquisition Decision Events. An important aspect of the Acquisition Decision Events is the review and approval of key acquisition documents critical to establishing the need for a major program, its operational requirements, an acquisition baseline, and testing and support plans. At the Acquisition Decision Events, AD 102 requires that an Investment Review Board (IRB) – consisting of senior managers from various functional disciplines – support the USM and other senior leaders by reviewing major acquisition programs for proper management, oversight, accountability, and alignment to the department's strategic functions. The Office of Program Accountability and Risk Management (PARM), which is responsible for DHS's overall acquisition governance process, supports the IRB, and reports directly to the USM. PARM develops and updates program management policies and practices, oversees the acquisition workforce, provides support to program managers, and collects program performance data.

Because DHS invests significant resources developing capabilities to support the department's mission, our recent report identifies the extent to which (1) DHS's major acquisition programs face challenges that increase the risk of poor outcomes; (2) DHS has policies and processes in place to effectively manage individual acquisition programs; (3) DHS has policies and processes in place to effectively manage its portfolio of acquisition programs as a whole; and (4) DHS has taken actions to address the high-risk acquisition management issues we have identified in previous

⁴The interim version of AD 102 replaced Management Directive 1400, which had governed major acquisition programs since 2006. DHS originally established an investment review process in 2003 to provide departmental oversight of major investments throughout their life cycles, and to help ensure that funds allocated for investments through the budget process are well spent. DHS issued an updated version of AD 102 in January 2010 and subsequently updated the guidebook and appendices.

⁵The Secretary of DHS designated the USM the department's Chief Acquisition Officer in April, 2011.

reports.⁶ To address these issues, we surveyed all 77 major program offices from January to March 2012, and achieved a 92 percent response rate.⁷ We also reviewed all available documentation of department-level acquisition decisions from November 2008 to April 2012; interviewed acquisition officials at DHS headquarters and components; reviewed resource plans and DHS performance reports; compared our key acquisition management practices to DHS acquisition policy; identified the extent to which DHS has implemented its policy; and analyzed the department's recently proposed efforts to address high-risk acquisition management challenges.⁸

In summary, we found that 68 of the 71 programs that responded to our survey reported that they experienced funding instability, faced workforce shortfalls, or that their planned capabilities changed after initiation. Most respondents reported a combination of these challenges. We have previously reported that these challenges increase the likelihood acquisition programs will cost more and take longer to deliver capabilities than expected. Although DHS largely does not have reliable cost estimates and realistic schedules to accurately measure program performance, we used our survey results, cost information DHS provided to Congress, and an internal DHS review to identify 42 programs that experienced cost growth, schedule slips, or both. Further, using DHS's future-years funding plans – which aggregate funding levels to produce total project costs – we gained insight into the magnitude of the cost growth for 16 of the 42 programs. The total project costs for these 16 programs increased from \$19.7 billion in 2008 to \$52.2 billion in 2011, an aggregate increase of 166 percent.

We also found that DHS's acquisition policy reflects many key program management practices that could help mitigate risks and increase the

⁶[GAO-12-833](#).

⁷DHS originally identified 82 major acquisition programs in the 2011 major acquisition oversight list, but five of those programs were subsequently cancelled in 2011. Seventy-one program managers responded to the survey.

⁸We conducted this performance audit from August 2011 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

chances for successful outcomes. It requires programs to develop documents demonstrating critical knowledge that would help leaders make better informed investment decisions when managing individual programs, such as operational requirements documents that provide performance parameters that programs must meet, and acquisition program baselines that establish programs' critical baseline cost, schedule, and performance parameters. However, there are areas where DHS could further enhance its acquisition policy. Furthermore, as we have similarly reported in 2008 and 2010, DHS has not consistently met the requirements it has established.⁹ The department has only verified that four programs documented all of the critical knowledge the policy requires to proceed with acquisition activities. A number of officials explained that DHS's culture has emphasized the need to rapidly execute missions more than sound acquisition management practices. DHS recognizes the need to implement its acquisition policy more consistently, but significant work remains to ensure DHS has the knowledge required to effectively manage its programs.

In addition, we determined that DHS's acquisition policy does not fully reflect several key portfolio management practices, such as allocating resources strategically, and DHS has not yet re-established an oversight board to manage its investment portfolio across the department. Since 2006, DHS has largely made investment decisions on a program-by-program and component-by-component basis. Cost growth and schedule slips, coupled with the fiscal challenges facing the federal government, make it essential that DHS allocate resources to its major programs in a deliberate manner. DHS plans to develop stronger portfolio management policies and processes, but until it does so, DHS programs are more likely to experience additional funding instability, which will increase the risk of further cost growth and schedule slips. These outcomes, combined with a tighter budget, could prevent DHS from developing needed capabilities.

In 2011, DHS began to develop initiatives that could improve acquisition management by addressing longstanding challenges we have identified, such as funding instability and acquisition workforce shortfalls. DHS has made progress implementing some of the initiatives. As of August 2012, DHS chartered eight Centers of Excellence to bring together program managers, senior leadership staff, and subject matter experts, and

⁹[GAO-09-29](#), [GAO-10-588SP](#).

created a Procurement Staffing Model to determine optimal numbers of personnel to properly award and administer contracts. However, implementation plans are still being developed, and DHS is still working to address critical issues, particularly capacity questions. Because of this, it is too early to determine whether the DHS initiatives will be effective, as we have previously established that agencies must sustain progress over time to address management challenges. DHS is also pursuing a tiered-governance structure that would delegate major milestone decision authority to lower-level managers, but it must reduce risks and improve program outcomes before delegating this authority.¹⁰

In our report, we made five recommendations intended to improve investment management at DHS: (1) modify DHS policy to better reflect key program management practices, (2) modify DHS policy to better reflect key portfolio management practices, (3) ensure acquisition programs fully comply with DHS acquisition policy by obtaining department-level approval for key acquisition documents, (4) prioritize major acquisition programs department-wide and account for anticipated resource constraints, and (5) document prerequisites for delegating major milestone decision authority. In commenting on our draft report, DHS concurred with all five of our recommendations, and identified specific actions they plan to take to address three of them. DHS stated that the remaining two recommendations – ensure acquisition programs comply with DHS acquisition policy, and document prerequisites for delegating major milestone decision authority – should be closed based on actions taken. However, it would be premature to do so because nearly all of DHS’s major acquisition programs lack key acquisition documents and DHS did not provide documentation clearly establishing prerequisites for delegating major milestone decision authority.

Chairman McCaul, Ranking Member Keating, and Members of the Subcommittee, this concludes my prepared remarks. I would be happy to answer any questions that you may have.

¹⁰DHS implemented this tiered-governance structure for 14 information technology programs in fiscal year 2011.

GAO Contact and Staff Acknowledgments

For questions about this statement, please contact John Hutton at (202) 512-4841, or at (huttonj@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this testimony include Assistant Director Katherine Trimble, John Crawford, and Nathan Tranquilli.

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