



**Statement for the Record**

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**Before the**

**United States Senate  
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Subcommittee on  
Federal Financial Management, Government Information, Federal Services and  
International Security**

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Good Afternoon Chairman Carper, Ranking Member Coburn, and distinguished Members of the Subcommittee, I appreciate the opportunity to address you on the Department of Homeland Security (DHS) inclusion on the Office of Management and Budget's (OMB) High Risk and Management Watch Lists.

DHS has 76 information technology (IT) investments on the Office of Management and Budget's (OMB) High Risk List. Of these, 15 represent DHS' participation in OMB's E-Government Initiatives or Lines of Business with a migration component or where DHS is a shared service provider. These investments were designated by OMB as high risk and include E-Travel Migration, Financial Management Line of Business Migration and Legacy System, Human Resources Line of Business Migration and Legacy System, E-Training, E-Human Resource Integration Migration, E-Training Legacy Systems; E-Authentication Migration and Shared Service Provider, E-Rulemaking Migration and Legacy System, Federal Asset Sales Migration Sales Center and Legacy System, and Integrated Acquisition Environment Migration. Of DHS' 105 major investments submitted to OMB in the FY 2008 budget, OMB placed 87 on its Management Watch List. DHS improved justification for all but 20 from January through June 2007. We are managing or remediating issues from these 20, including a range of issues relating from cost/schedule, privacy statements - to IT security.

DHS attributes its success in removing these investments from the Management Watch List to the strength of its information technology (IT) capital planning and investment control (CPIC)

process, which is discussed below, and to its commitment to improve IT security. The Chief Information Officer frequently briefed the DHS Management Council on the status of the completion of Certification and Accreditation (C&A) packages. IT security has been a topic at every Chief Information Officer Council meeting for the past year, with an emphasis again on completing high quality C&A packages and ensuring that our C&A process was repeatable and reliable. Component Chief Information Officers, supported by their senior management, were fully apprised of the importance of the C&A packages and ensured that the work was completed as needed in their respective Components.

## **Capital Planning and Investment Control**

DHS CPIC process supports effective decision-making and project management of the DHS investments in capital assets. The purpose of DHS CPIC process is to formulate, manage, and maintain its portfolio of investments as critical assets for achieving success in the DHS mission. The DHS CPIC process is guided by Departmental and Component strategic and business priorities, and provides a framework for appropriately balancing existing and proposed investment options and their support for DHS' core mission.

The DHS CPIC process is comprised of four phases: Pre-Select, Select, Control and Evaluate. The CPIC phases support the initial conception and development of the investment, the selection of the investment from among competing investments, and the monitoring and evaluation of investments for acceptable performance and progress against objectives.

The process begins with a request for Components to develop Resource Allocation Plans (RAP) that describe the Components' IT priorities of all their Investments. After review and analysis, DHS prioritizes the investments and decides which investments will be included in its portfolios. DHS then evaluates, scores, and selects investments for inclusion in the budget request for the budget year under consideration, selecting investments that best support the mission. The process targets technically and financially sound projects aligned with the President's Management Agenda (PMA) and DHS business priorities. Final budget determinations are documented in the form of Resource Allocation Decisions (RAD).

The RAD decisions drive the development of OMB Exhibits 300 and 53. At the end of the select phase, the Department has a scored and ranked list of Exhibits 300 for all major investments and an Exhibit 53 for all level 1 through 4 IT investments.

The Control phase ensures that each project is performing within acceptable cost, schedule, and performance parameters and that it is subject to continual assessment and mitigation of potential risks. Project managers must monitor and control the expenditure of funds to ensure that the project delivers the promised capability in accordance with the approved cost, schedule, and performance baseline. Through timely oversight, quality control, and executive review, the Department manages its investments in a disciplined and consistent manner that promotes the delivery of quality products and results in investments completed within scope, on time, and within budget.

Existing government regulations require Federal Agencies to establish a regular review process for their investments as part of its CPIC process. To comply with these regulations, DHS has established a Periodic Reporting Process. DHS projects use EVM (for development, modernization, or enhancement) or Operational Analysis (for steady state) to manage for risk reduction and increased performance. DHS distributes guidance documents on Periodic Reporting (PR), Earned Value Management (EVM), and Operational Analysis (OA) throughout the Department, and provides associated training courses to DHS personnel. DHS' PR, EVM, and OA processes have significantly improved DHS' ability to track and report on investment cost, schedule, and performance variances. The analysis from these processes has been provided to DHS management (most notably DHS' newly identified IT portfolio managers), OMB, and GAO since FY06 Q1. Finally, DHS is currently deploying a business intelligence tool that will allow DHS management to view trends of quarterly Periodic Reporting information that will influence DHS' management intervention. Data elements required to be reported include but are not limited to:

- Acquisition Program Baseline information including dates, approval authority, Independent Validation and Verification (IV&V) information
- EVM data including cost, schedule, and performance status and variance explanations
- ANSI compliance assessment standard 748 verification regarding EVMS
- DHS PM level of certification
- Explanation of "Avoidance of Duplication" where the program is using DHS enterprise level investments or e-Gov initiatives to deliver program capability
- Corrective action plans for variance from cost, schedule or performance based on DHS EVM and Operational Analysis Guidance

## **Investment Review Process**

The DHS Investment Review Process (IRP) has two distinct objectives:

- Oversight of investments throughout their life cycle through programmatic reviews;
- Portfolio management to achieve strategic goals and objectives and to preclude duplication of effort. Portfolio reviews will be at a much higher and broader level and will look at strategic gaps, among other things, at the functional-portfolio level.

Reviews are tailored to the needs of the project—its acquisition lifecycle, its duration, its strategic importance, and its risk and complexity—so that during its planning phases, the project is aware of potential duplication of effort and of other projects in its functional portfolio that may impact its success. These initial discussions may be several years before funding is available for the work but are important for the Component to understand the ramifications of making specific investment decisions.

The goals of the IRP are to:

- Ensure proper management, oversight, control, reporting, and review for all investments. Reviews are tailored based upon the risk, complexity, and acquisition nature of the investment projects.

- Ensure that investment spending directly supports and furthers DHS’ mission(s) and provides optimal benefits and capabilities to stakeholders and customers.
- Integrate CPIC, resource allocation, budgeting, acquisition, and management of all investments to ensure public resources are wisely invested and the requirements of the authorities listed below are achieved.
- Identify poorly performing investments—ones that are behind schedule, over budget, or lacking in capability—so Department executives and project managers can identify and implement corrective actions.
- Allow the Department to understand the strategic gaps in the DHS mission and to manage the overall portfolio to fill those gaps in the most effective manner.

The IRP supports the Future Years Homeland Security Program (FYHSP) through the validation of requirements for funding and the joint use and review of goals and objectives. The IRP also encompasses the periodic reviews of the Acquisition Program Baseline (APB) and of the data provided by project Earned Value Management Systems (EVMS) and is meant to inform both DHS executives and project managers of the performance of investments. The IRP will provide continual oversight of the Department’s investment portfolio and its functional segments to ensure that DHS is meeting its objectives in a cost-effective manner.

## **Other IT Governance Support**

### ***Portfolio Management***

The DHS Chief Information Officer has implemented the IT Portfolio Management framework to ensure that cross-departmental IT capabilities support the DHS mission and management objectives. Portfolio Management allows DHS to analyze IT investments and assets across organizational boundaries and align IT planning and budgeting with acquisition activities and the enterprise architecture. The DHS Chief Information Officer is developing portfolio coalitions which include representatives from departmental investment managers, portfolio managers and IT personnel to establish enterprise target architectures, transition plans and performance measures that will ensure alignment of IT resources to departmental objectives. This enhanced governance structure will significantly improve visibility into all IT, eliminate duplicative investments and provide senior leadership with a reliable IT decision-making framework.

Portfolio Management stresses analysis of each Investment within the broader context of how it fits into the relevant portfolio. Analysis is conducted to place investments in each portfolio in a “Value-Risk” quad chart that categorizes the investment as:

1. Consolidate/Divest- Low value, high risk
2. Maximize ROI before divesting- Low value, low risk
3. Evolutionary, improve incrementally- High Value, low risk
4. Transformational – High value, High risk

In portfolios where the target architecture has been defined, the IT Portfolio Management Process is used to assist the DHS Chief Information Officer in choosing which investments

should be utilized as part of the enterprise architecture transition plan, and which investments should be curtailed in favor of those that exhibit best performance.

Analyses performed and recommendations made in the IT Portfolio Management Process are used to inform DHS Chief Information Officer's decisions and are input into Investment Review Process discussions. Also, the IT Portfolio Managers will provide subject matter expert support to the DHS Investment Review Board

### ***Enterprise Architecture***

Enterprise Architecture (EA) is a management strategy for achieving organizational performance improvement and managing change. The EA Plan is derived, in part, from an organization's strategic plan and is used to align IT resources with the organization's mission, vision, goals, and objectives. Tying IT acquisition to the strategic direction and business needs of an organization improves efficiency, reduces redundancy, and frees up resources to be applied to other priorities.

The DHS Enterprise Architecture documents the results realized from the combined capital planning and architecture efforts in reducing redundant systems, reusing existing components, and taking advantage of newer technologies to achieve efficiencies. The high-level overview describes DHS' goals and business needs, and "as is" and "to be" architectures along with migration plans, from business, information, application, and infrastructure views.

Another part of the overall architecture effort is the identification and development of segment architectures, discrete slices of the enterprise that provides a product or service. The segment architecture provides detailed results-oriented architecture and a transition strategy for a section of the enterprise.

The Department's Enterprise Architecture Board (EAB), composed of representatives from across the Department, develop guidance for the Enterprise Architecture Program. This guidance is consistent with the OMB Federal Enterprise Architecture Framework and is designed to enhance the integration of the Component portions of the Enterprise Architecture and provide a consistent picture across all of DHS.

### ***IT Security and Privacy***

DHS implemented a tool to document the complete inventory of its systems and their security status. Additionally, DHS implemented security policy and guidance that requires Components to perform key program activities such as developing risk assessments, preparing security plans, testing and evaluating the effectiveness of security controls, completing remedial action plans, and developing and testing continuity of operations plans. DHS monitors the C&A status of all systems, both in development and operations, to ensure compliance with DHS policy.

The Department has also established a Chief Privacy Officer, who assists in the review of Privacy Impact Assessments (PIA) as part of the IT capital planning process and established DHS' Privacy Policy.

### ***IT Acquisition Review***

In December 2006, DHS implemented an IT acquisition review (ITAR) process. The ITAR process supports the DHS Chief Information Officer's review and approval of all IT acquisitions of \$2.5M or more. IT acquisitions are defined as services for IT, software, hardware, communications, and infrastructure. The purpose of ITAR is to improve the alignment of IT purchases to the DHS mission and target architecture.

The ITAR process has improved IT investment management by providing visibility into actual IT purchases and providing the Office of the Chief Information Officer (CIO) an opportunity to identify duplicative investments and take corrective action. Over the first six months of its implementation, the ITAR process reviewed approximately \$1.8B, which represents approximately 53% of the IT budget identified in the FY07 Exhibit 53.

### ***Project Management***

To ensure that DHS has skilled, qualified project managers to direct its major IT investments, we have launched several initiatives. The first is that IT investment sponsors must submit resumes, in a prescribed format, for project managers and contracting officers for any new or existing investment that is reviewed by the Investment Review Process. A full time project manager is assigned to large investments.

DHS has embarked on regular, systematic Earned Value Management (EVM) analysis of IT investments under development. The intent is to monitor the performance of DHS projects regularly to provide early warning of projects that may not be meeting cost, schedule, or performance goals, allowing course correction to bring the development effort back on track. The EVM analysis has been supported by focused training sessions on EVM techniques and one-on-one consultations. Further, Component Chief Information Officers are required to conduct operational analyses to certify that steady-state investments meet cost, schedule, and performance goals and to identify strategic opportunities for improvements. These requirements are founded on a formal policy on EVM and operational analysis.

### **Conclusion**

IT investments constitute approximately \$5.0 billion of the DHS annual budget, and it is imperative that DHS give special management attention to the Department's proposed and continuing IT investments. This is accomplished through the CPIC process, which provides a comprehensive analysis of proposed IT investments, projects under development, and projects that have completed deployment; as well as of the overall performance of the portfolio. Where the cost, schedule, or performance goals of IT investments are not yet fully achieved, the processes in place will detect problems and directed corrective action.