

**TESTIMONY OF  
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BEFORE  
THE SENATE COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL  
AFFAIRS  
SUBCOMMITTEE ON OVERSIGHT OF GOVERNMENT MANAGEMENT, THE  
FEDERAL WORKFORCE, AND THE DISTRICT OF COLUMBIA**

**MAY 20, 2010**

Chairman Akaka, Ranking Member Voinovich, and Members of the Subcommittee, I appreciate the opportunity to speak to you on the Department of Homeland Security's (DHS) efforts to appropriately balance its federal and contractor workforce. As Congress and the Executive Branch take a new look at this issue, the Department of Homeland Security has devoted significant attention to achieving the right mix at our Department. My testimony today will provide details on our goals and our plans to attain them.

### **Background**

In its initial stand-up of operations, the Department of Homeland Security significantly relied on industry to provide critical products and services. While such heavy reliance on contractors made sense in a start-up environment, it is unlikely that operating in that manner today is the most efficient and effective way to carry out our homeland security mission.

Since 2007, the U.S. Government Accountability Office (GAO) has raised concerns regarding the Department's large number of contract services. The President's March 4, 2009, memorandum on "Government Contracting" raised concern that agencies across the federal government may be contracting for work that should be reserved for performance by federal employees. The Office of Management and Budget (OMB) has provided further guidance on addressing overreliance on contractors, including through the draft policy letter issued March 31, 2010, by the Office of Federal Procurement Policy (OFPP). With Secretary Napolitano's leadership, we have been working to achieve the appropriate balance between federal employees and contract services in the Department.

Last year, we began the initial process through a three-pronged approach to ensure that the right workforce balance is achieved. First, we are taking steps to ensure that no inherently governmental functions are being contracted. In this regard, under the Department-wide Efficiency Review launched in 2009, all DHS professional services contracts exceeding one million dollars now undergo a mandatory review before a new contract is awarded or an existing contract is renewed. This is to ensure that proposed contract awards do not include inherently governmental functions or impact core functions that must be performed by federal employees. This additional review adds a new level of rigor to the DHS contracting process.

Second, we are assessing critical/core functions for possible conversion to federal performance, with emphasis on identifying any work that could potentially pose a mission risk.

Finally, as I will discuss further today, we are in the process of developing workforce assessments to achieve the optimal balance of employees based on current needs. Over the next three years, we anticipate making substantial reductions in our contractor positions as our Balanced Workforce Strategy is fully implemented.

We are seeing progress throughout the Department. In April, DHS concluded a pilot project in response to an OMB/OFPP requirement issued in Director Orszag's July 29, 2009, "Managing the Multi-Sector Workforce" memorandum. The pilot analyzed work functions and examined whether there was sufficient internal federal workforce capacity in the Office of the Chief Information Officer (OCIO). Through the analysis and planning, OCIO identified 158 Contractor Work-Year Equivalents to be converted to federal positions in fiscal years 2010 and 2011 to ensure that the Department maintains control of its mission and operations. As of April 30, 2010, OCIO has more than doubled its federal workforce from 91 to 208 federal FTEs, creating both a more balanced workforce, and a model to emulate in other offices and components. These initial actions were first steps in assessing our workforce needs and ensuring that DHS has the appropriate mix of in-house and contractor skills and experience; however, we have much more to accomplish.

### **Current State and Future State**

Our primary concerns related to an overreliance on contractors are two-fold. First, contractors may be performing work that is closely associated with inherently governmental activities, or is critical/core. Second, the sheer number of contractors brings into question the ability of the federal workforce to properly oversee work performed by contractors. We are taking immediate steps to convert positions and provide more oversight of contractors; further, we are integrating our procurement, budget, and workforce planning efforts in our strategic planning in order to find the right balance in our workforce.

The inaugural Quadrennial Homeland Security Review (QHSR), completed earlier this year, outlined the strategic framework to guide the activities of participants in the homeland security enterprise toward a common end. Recently, we launched the Bottom-Up Review (BUR), which requires DHS components to complete a systematic inventory of their functions and activities, examine their linkage and contribution to the Department's priorities, and when appropriate, adjust planned activities to enhance the mission, goals, and structure as identified within the QHSR. The QHSR and BUR provide DHS leadership with necessary insight into the interdependencies that enable DHS to achieve its mission. These two strategic planning endeavors will be bolstered by the Balanced Workforce Strategy to ensure that DHS possesses the federal workforce capacity necessary to effectively perform our homeland security missions. We envision a DHS future state where:

- Federal workers perform appropriate mission work;
- Contractors provide suitable support services;
- Sound documentation and justification of multi-sector workforce decisions is ongoing;
- Balanced workforce processes are incorporated in annual planning processes (workforce, procurement, budget);

- A repeatable process for analyzing work requirements and “make (federal employee) or buy (contract service)” decisions is occurring;
- Improved oversight of contractors by federal employees with procurement and technical expertise is ensured; and
- A data stream of contractor and federal workforce information is available.

## Strategy

Our rationale for implementing the Balanced Workforce Strategy is clear-cut, and we have identified three objectives:

1. **Ensure we have an appropriate balance between federal employees and contract services.** Both OMB and GAO have identified possible loss of mission control as a potential risk of overreliance on contractors. GAO has indicated it believes that DHS may be at “risk that government decisions may be influenced by, rather than independent from, contractor judgments.” In addition to the issue raised by GAO, there may be an impact on in-house capability to carry out the mission (not having a core federal workforce that can ensure mission delivery); or inadequate oversight of contractor performance, which could also have an impact on mission delivery. Given our critical homeland security mission, such risks are not acceptable. We must carefully analyze our apparent dependence on industry to carry out our mission, determine the risk, and correct problems that are identified. This analysis will include: (a) the identification of work that is inherently governmental and therefore must be reserved for government employees; (b) the review of work that is closely associated with inherently governmental functions to make sure that contractor performance of such functions is not expanding to include inherently governmental functions; and (c) the review of critical functions to make sure that the government has sufficient internal capability to control its mission and operations.
2. **Create a process that examines the multi-sector workforce balance immediately and ensures examination of the balance on a regular basis.** This objective has two aspects. First, within the acquisition process, adherence to Section 736 of the Omnibus Appropriations Act of 2009 requires, among other things, that the heads of executive agencies, subject to the Federal Activities Inventory Reform Act, devise and implement guidelines and procedures to ensure that consideration is given to using, on a regular basis, federal employees to perform new functions; further, functions performed by contractors that could be performed by federal employees should result in ongoing examinations of pre-contracting requirements in the early stage of acquisition planning to determine if the work should be performed by federal employees (insourcing). Second, in implementing the Balanced Workforce Strategy, we must identify means for ensuring a smooth transition to a more balanced workforce. We are exploring with the U.S. Office of Personnel Management an innovative approach to use a one-time Direct Hire Authority in order to allow a more seamless transition as contracts end and federal employees need to be brought onboard.
3. **Achieve integrated financial, human capital, and procurement planning,** based on the defined DHS mission, component functions, and work activities produced in the

QHSR and BUR. As is the case with most federal agencies, DHS and its components have a variety of independent planning processes. My organization, for example, prepares Departmental guidance on human capital and multi-year workforce planning. The Chief Financial Officer prepares budget development and execution guidance, as well as the multi-year Resource Allocation Plan. The Chief Procurement Officer prepares guidance and manages the Department's multi-year Advance Acquisition Plan. Each of these planning processes directly relates to achieving a strong, mission-oriented balanced workforce. However, these planning processes have generally been handled independently by the respective specializations in Headquarters and DHS components. To attain and sustain a balanced multi-sector workforce in coming years, these processes must be integrated and managed by senior Departmental and component leadership.

To achieve these objectives, we have begun to implement our Balanced Workforce Strategy. Some elements of the strategy are still in the final development and review stage, but the strategy in its current form will serve as the catalyst for change to a more balanced multi-sector workforce. We envision the strategy in three parts:

- 1. Communications and change management.** The Deputy Secretary will shortly issue guidance on the Balanced Workforce Strategy emphasizing the importance of the effort and directing support and cooperation of program managers who ultimately make decisions about procurement and hiring. Within the Office of the Chief Human Capital Officer, and under my leadership, I have established the Balanced Workforce Program Management Office (PMO). This PMO will focus exclusively and intently on communications and change management, issuing direction and guidance to DHS components, and in tracking and reporting results. I have hired a senior executive with extensive HR experience in several agencies, including service as the senior HR executive in both the Justice and Commerce Departments. In the few brief weeks she has been onboard, we have developed a strategy to drive the needed change. We have formed a senior-level working group to close internal gaps in communication and understanding. We are widely communicating the vision, importance, and details of the Balanced Workforce Strategy to the Department's senior leaders, and we have held a series of briefings with intra-Departmental groups and committees.
- 2. A repeatable process to guide organizations in conducting risk analysis and making multi-sector workforce decisions.** Since the PMO was established, we have reviewed numerous source materials, have spoken with the Department of Defense regarding its experience, and have met several times with the DHS senior-level working group to design and coordinate instructions for the components. The guidance will be comprehensive, specific, and clear. It will produce information that can be documented and discussed. It will also create a framework to simplify multi-sector workforce sourcing decisions. Senior leadership will make final decisions on the proper workforce balance based on the organization's functions and activities, applying the provided guidance and developing workforce and acquisition implementation plans. These workforce and acquisition plans will become the basis for restructured and reallocated resources, and serve as roadmaps for implementing the multi-sector workforce changes.

- 3. Measurement and reporting.** As components' multi-sector workforce proposals and implementation plans are submitted to Headquarters, we will review them for technical soundness, establish appropriate implementation goals, and track and report on goal attainment. Since our three key objectives are reducing mission risk, analyzing and instituting a balanced multi-sector workforce, and achieving greater management integration of planning processes, we must determine how best to measure our success in reaching these goals. Our preliminary thinking is that we need to address measurement in several ways, using both summative and formative evaluation perspectives.

As we consult with other DHS organizations on forming these measures, initial questions include:

**Tactical Implementation.** Are we meeting established goals? Are contracts being decreased? Are new federal employees onboarding? Is documentation available, accurate, valid, and reliable? Are budget and timelines being met?

**Integration Implementation.** Are planning processes being integrated? Are new processes promoting clearer alignment? Are processes repeatable? What technical rules or approaches create barriers for integrated planning?

**Impact of Multi-Sector Workforce Balance Shift on Mission Delivery.** Are important performance measures improving in relation to the future workforce state, compared to performance measure accomplishment in the current workforce state? To what extent can it be determined that these changes are attributable to improvements in the balanced multi-sector workforce? Is there documented evidence that risk has decreased as a result of multi-sector workforce changes?

**Governance.** As mentioned, implementation of the Balanced Workforce Strategy will be successful only with collaboration and shared responsibility across organizational lines. Therefore, the Department is establishing the Balanced Workforce Strategy Executive Steering Group. The Steering Group will be responsible for addressing cross-functional issues and providing comprehensive leadership to the Department and components for planning and executing the Balanced Workforce Strategy.

## **Conclusion**

Our focus must and will be on our homeland security mission, and having a federal workforce that allows maximum flexibility to accomplish our mission. We will conduct a rapid and in-depth review of our current workforce needs and existing contracts. Success in ensuring a balanced workforce is a critical driver of efficiency and promotes One DHS. Again, I thank you for the opportunity to appear before you today, and I welcome any questions you might have.