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DEPARTMENT OF HOMELAND SECURITY

Progress Made in Implementation and Transformation of Management Functions, but More Work Remains

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Homeland Security and Justice Issues

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Highlights

Highlights of GAO-10-911T, a testimony before the Subcommittee on Oversight of Government Management, the Federal Workforce, and the District of Columbia, Committee on Homeland Security and Governmental Affairs, U.S. Senate.

Why GAO Did This Study

Since 2003, GAO has designated implementing and transforming the Department of Homeland Security (DHS) as high risk because DHS had to transform 22 agencies—several with significant management challenges—into one department, and failure to effectively address its mission and management risks could have serious consequences for national and economic security. This high-risk area includes challenges in management functional areas, including acquisition, information technology, financial, and human capital management; the impact of those challenges on mission implementation; and management integration. GAO has reported that DHS's transformation is a significant effort that will take years to achieve. This testimony discusses DHS's progress and actions remaining in (1) implementing its management functions; (2) integrating those functions and strengthening performance measurement; and (3) addressing GAO's high-risk designation. This testimony is based on GAO's prior reports on DHS transformation and management issues and updated information on these issues obtained from December 2009 through September 2010.

What GAO Recommends

This testimony contains no new recommendations. GAO has made over 100 recommendations to DHS since 2003 to strengthen its management and integration efforts. DHS has implemented many of these recommendations and is in the process of implementing others.

View GAO-10-911T or key components.
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DEPARTMENT OF HOMELAND SECURITY

Progress Made in Implementation and Transformation of Management Functions, but More Work Remains

What GAO Found

DHS has made progress in implementing its management functions, but additional actions are needed to strengthen DHS's efforts in these areas.

- DHS has revised its acquisition management oversight policies, and its senior-level Acquisition Review Board reviewed 24 major acquisition programs in fiscal years 2008 and 2009. However, more than 40 major programs had not been reviewed, and DHS does not yet have accurate cost estimates for most of its major programs.
- DHS has undertaken efforts to establish information technology management controls and capabilities, but its progress has been uneven and major information technology programs, such as the SBI*net* virtual fence, have not met capability, benefit, cost, and schedule expectations.
- DHS has developed corrective action plans to address its financial management weaknesses. However, DHS has been unable to obtain an unqualified audit opinion on its financial statements, and for fiscal year 2009, the independent auditor identified six material weaknesses in DHS's internal controls. Further, DHS has not yet implemented a consolidated departmentwide financial management system.
- DHS has issued plans for strategic human capital management and employee development. Further, its scores on the Partnership for Public Service's 2010 rankings of Best Places to Work in the Federal Government improved from prior years, yet DHS was ranked 28 out of 32 agencies on scores for employee satisfaction and commitment.

DHS has also taken action to integrate its management functions by, for example, establishing common policies within management functions. The Implementing Recommendations of the 9/11 Commission Act of 2007 required DHS to develop a strategy for management integration. In a 2005 report GAO recommended that a management integration strategy contain priorities and goals. DHS developed an initial plan in February 2010 that identified seven initiatives for achieving management integration. While a step in the right direction, among other things, the plan lacked details on how the initiatives contributed to departmentwide management integration. DHS is working to enhance its management integration plan, which GAO will review as part of the 2011 high-risk update. DHS also has not yet developed performance measures to fully assess its progress in integrating management functions.

Since GAO first designated DHS's transformation as high risk, DHS has made progress in transforming into a fully functioning department. However, it has not yet fully addressed its transformation, management, and mission challenges, such as implementing effective management policies and deploying capabilities to secure the border and other sectors. In 2009 GAO reported that DHS had developed a strategy for managing its high-risk areas and corrective action plans to address its management challenges. While these documents identified some root causes and corrective actions, GAO reported that they could be improved by DHS identifying resources needed for implementing corrective actions and measures for assessing progress.

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear today to discuss the Department of Homeland Security's (DHS) efforts to transform its component agencies and integrate departmentwide management functions into a single, fully functioning department. DHS began operations in March 2003 with missions that included preventing terrorist attacks from occurring within the United States, reducing the nation's vulnerability to terrorism, minimizing damages from attacks that occur, and helping the nation recover from any attacks. The creation of DHS represented one of the largest reorganizations and consolidations of government agencies, personnel, programs, and operations in recent history, initially bringing together approximately 180,000 employees from 22 originating agencies. More than 7 years later, DHS is now the third largest federal government department with more than 200,000 employees and an annual budget of more than $40 billion. DHS has taken a number of actions to transform its component agencies and integrate and strengthen its management functions into an effective cabinet-level department. In addition, DHS has issued various reports and strategic documents to guide the implementation of its mission and the integration and strengthening of its management functions, including a revised strategic plan, the *Quadrennial Homeland Security Review Report*, and the *Bottom-Up Review Report*.[1] However, we have continued to report that more work remains to integrate and strengthen DHS's acquisition, information technology, financial, and human capital management functions to better support the department's ability to fulfill its various missions.[2]

In 2003, we designated the implementation and transformation of DHS as high risk because it represented an enormous and complex undertaking that would require time to achieve in an effective and efficient manner,

[1]Department of Homeland Security, *One Team, One Mission, Securing Our Homeland: U.S. Department of Homeland Security Strategic Plan, Fiscal Years 2008-2013* (Washington, D.C.); Department of Homeland Security, *Quadrennial Homeland Security Review Report: A Strategic Framework for a Secure Homeland* (Washington, D.C., February 2010); and Department of Homeland Security, *Bottom-Up Review Report* (Washington, D.C., July 2010). We are currently assessing DHS's Quadrennial Homeland Security Review and will report on the results of that work later this year.

[2]GAO, *Department of Homeland Security: Progress Made in Implementation of Management Functions, but More Work Remains*, GAO-08-646T (Washington, D.C.: Apr. 9, 2008).

and it has remained on our high-risk list since.[3] We reported that the components that became part of DHS already faced a wide array of existing challenges, and any failure to effectively carry out the department's mission would expose the nation to potentially serious consequences. In designating the implementation and transformation of DHS as high risk, we noted that building an effective department would require consistent and sustained leadership from top management to ensure the transformation of disparate agencies, programs, and missions into an integrated organization, among other needs. Our prior work on mergers and acquisitions, undertaken before the creation of DHS, found that successful transformations of large organizations, even those faced with less strenuous reorganizations than DHS, can take years to achieve.[4] We have made over 100 recommendations to DHS over the past 7 years to strengthen the department's transformation and its integration and implementation of management functions. DHS has implemented many of these recommendations and is in the process of implementing others.

Within the DHS implementation and transformation high risk area, we identified as at risk the implementation of acquisition, information technology, financial management, and human capital management functions; the impact of weaknesses in those management functions on DHS's accomplishment of its missions, such as DHS's deficiencies in financial management hindering the department's ability to use reliable financial data to support day-to-day decision making; and the integration of management functions within and across the department.[5] In November

[3]We have identified six high-risk areas involving DHS that need broad-based transformation to address major economy, efficiency, or effectiveness challenges. Among the six areas that we have designated as high risk, there are four in which DHS has primary responsibility: (1) Implementing and Transforming the Department of Homeland Security; (2) the National Flood Insurance Program; (3) Protecting the Federal Government's Information Systems and the Nation's Critical Infrastructure; and (4) Establishing Effective Mechanisms for Sharing Terrorism-Related Information to Protect the Homeland. The other two areas, Strategic Human Capital Management and Managing Federal Real Property, are governmentwide areas for which DHS does not have overall leadership responsibilities. GAO *High-Risk Series: An Update*, GAO-09-271 (Washington, D.C.: Jan. 2009); *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: Jan. 2007); *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: Jan. 2005); and *High-Risk Series: An Update*, GAO-03-119 (Washington, D.C.: Jan. 2003).

[4]GAO-08-646T.

[5]We define management integration as the development of consistent and consolidated processes, systems, and people—in areas such as information technology, financial management, procurement, and human capital—as well as in its security and administrative services, for greater efficiency and effectiveness.

2000, we published our criteria for removing any area from the high-risk list.[6] Specifically, agencies must have (1) a demonstrated strong commitment and top leadership support to address the risks; (2) the capacity (that is, the people and other resources) to resolve the risks; (3) a corrective action plan that identifies the root causes, identifies effective solutions, and provides for substantially completing corrective measures near term, including but not limited to, steps necessary to implement solutions we recommended; (4) a program instituted to monitor and independently validate the effectiveness and sustainability of corrective measures; and (5) the ability to demonstrate progress in implementing corrective measures.

My testimony today discusses DHS's progress and actions remaining in

- implementing its management functions in the areas of acquisition, information technology, financial, and human capital management;
- integrating management functions within and across the department and strengthening the department's performance measures; and
- addressing our designation of DHS implementation and transformation as high risk.

My statement is based on our January 2009 high-risk update and GAO reports on DHS's management areas, management integration, and performance measurement.[7] In addition, we obtained updated information from DHS from December 2009 through September 2010 on its transformation and management integration efforts and its plans to revise its departmentwide performance measures through meetings and communication with DHS officials, including the former and current Under Secretary for Management and Deputy Under Secretary for Management. We also reviewed DHS's initial plan for management integration. We conducted our work 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 based on our audit objectives.

[6]GAO-09-271 and GAO, *Determining Performance and Accountability Challenges and High Risks*, GAO-01-159SP (Washington, D.C.: November 2000).

[7]GAO-09-271. See also the related GAO products list at the end of this statement.

In summary, DHS has made progress in implementing its management functions, but additional actions are needed to strengthen DHS's efforts in these areas. For example, DHS has revised its oversight policies for acquisition and information technology management, developed corrective action plans to address financial management internal control weaknesses, and developed human capital plans for strategic human capital management and employee training and development. However, we identified challenges remaining in DHS's management areas. For example, while DHS reviewed 24 major acquisition programs through its Acquisition Review Board in fiscal years 2008 and 2009, more than 40 major programs had not been reviewed, and DHS does not yet have accurate cost estimates for most of its major programs.[8] While DHS has made progress in strengthening its enterprise architecture, the department has not yet adequately addressed how it determines that its information technology investments align with that architecture.[9] DHS has also not yet implemented a consolidated departmentwide financial management system and, since its establishment, has been unable to obtain an unqualified audit opinion on its financial statements. DHS has also faced challenges in identifying and addressing barriers to equal employment opportunities and improving its foreign language capabilities. DHS has taken action to integrate its management functions by, for example, establishing common policies, procedures, and systems within individual management functions, such as human capital management. The Implementing Recommendations of the 9/11 Commission Act of 2007 (9/11 Commission Act) required DHS to develop a strategy for management integration, and in a 2005 report GAO recommended that a management integration strategy contain such elements such as priorities and implementation goals.[10] DHS developed an initial plan in February 2010 that identified seven initiatives for achieving management integration. While a step in the right direction, among other things, we noted that the plan lacked details on how the initiatives contributed to departmentwide

[8]The Acquisition Review Board reviews DHS acquisitions for executable business strategy, resources, management, accountability, and alignment to strategic initiatives. It also approves acquisitions to proceed to their next acquisition lifecycle phases upon satisfaction of applicable criteria.

[9]An enterprise architecture is a departmentwide operational and technological blueprint to guide and constrain acquisitions.

[10]See Pub. L. No. 110-53, § 2405(a)(3), 121 Stat. 266, 548 (2007) (codified at 6 U.S.C. § 341(a)(9), and GAO, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO-05-139 (Washington, D.C.: Mar. 16, 2005).

management integration and linked to the department's overall strategy for transformation. DHS is revising the initial management integration plan and is working to enhance it to include a framework for strengthening acquisition management. We will review DHS's revised management integration plan as part of our 2011 high-risk update. In addition, since we first designated the implementation and transformation of DHS as high risk, the department has made progress in addressing the criteria GAO established in 2000 for removing agencies from the high-risk list. Specifically, DHS has developed a strategy for managing its high-risk area and corrective action plans to address challenges in each of its management areas. The strategy and plans addressed several of the high-risk criteria, such as identifying some of the root causes of problems and corrective actions to address the causes, but did not address other elements, such as the resources needed to implement corrective actions and measures to assess implementation efforts.

In order to address the high-risk designation, DHS needs to meet our five high-risk criteria and, within the context of these criteria, address specific actions and outcomes within its management areas and management integration and demonstrate measurable, sustainable progress in implementing those actions. These actions and outcomes include validating required acquisition documents at each major milestone in the acquisition review process, implementing information technology investment management practices that have been independently assessed as having satisfied the capabilities associated with stage three of our Information Technology Investment Management Framework, and linking workforce planning efforts to strategic and program-specific planning efforts to identify current and future human capital needs, among others.[11]

[11]GAO, *Homeland Security: Despite Progress, DHS Continues to Be Challenged in Managing Its Multi-Billion Dollar Annual Investment in Large-Scale Information Technology Systems*, GAO-09-1002T (Washington, D.C.: Sept. 15, 2009); and *Information Technology Investment Management: A Framework for Assessing and Improving Process Maturity, version 1.1*, GAO-04-394G (Washington, D.C.: March 2004). GAO's Information Technology Investment Management Framework provides a method for evaluating and assessing an organization's institutional capacity for selecting and managing its information technology investments. At maturity stage three of this framework, organizations have in place capabilities that assist in establishing selection, control, and evaluation structures, policies, procedures, and practices that are required by the investment management provisions of the Clinger-Cohen Act of 1996.

DHS Has Made Progress in Implementing Its Management Functions, but Additional Actions Are Needed to Strengthen These Functions

DHS has made progress in implementing its acquisition, information technology, financial, and human capital management functions, but continues to face obstacles and weaknesses in these functions that could hinder the department's transformation and implementation efforts. For example, DHS has faced challenges in implementing acquisition management controls, a consolidated financial management system, and a strategic human capital plan, among other things. As DHS continues to mature as an organization, it will be important that the department continue to work to strengthen its management functions since the effectiveness of these functions affects its ability to fulfill its homeland security and other missions.

Acquisition management. While DHS has made recent progress in clarifying acquisition oversight processes, it continues to face obstacles in managing its acquisitions and ensuring proper implementation and departmentwide coordination. We previously reported that DHS faced challenges in acquisition management related to acquisition oversight, cost growth, and schedule delays.[12] In June 2010, we reported that DHS continued to develop its acquisition oversight function and had begun to implement a revised acquisition management directive that includes more detailed guidance for programs to use when informing component and departmental decision making.[13] We also reported that the senior-level Acquisition Review Board had begun to meet more frequently and provided programs decision memorandums with action items to improve performance. However, while the Acquisition Review Board reviewed 24 major acquisition programs in fiscal years 2008 and 2009, more than 40 major acquisition programs had not been reviewed, and programs had not consistently implemented review action items identified as part of the review by established deadlines. DHS acquisition oversight officials raised concerns about the accuracy of cost estimates for some of its major programs, making it difficult to assess the significance of the cost growth we identified. In addition, over half of the programs we reviewed awarded contracts to initiate acquisition activities without component or department approval of documents essential to planning acquisitions,

[12]GAO, *Department of Homeland Security: Billions Invested in Major Programs Lack Appropriate Oversight*, GAO-09-29 (Washington, D.C.: Nov. 18, 2008), and *Department of Homeland Security: Better Planning and Assessment Needed to Improve Outcomes for Complex Service Acquisitions*, GAO-08-263 (Washington, D.C.: Apr. 22, 2008).

[13]GAO, *Department of Homeland Security: Assessments of Selected Complex Acquisitions*, GAO-10-588SP (Washington, D.C.: June 30, 2010).

setting operational requirements, and establishing acquisition program baselines. Programs also experienced other acquisition planning challenges, such as staffing shortages and lack of sustainment. For example, we reported that the U.S. Visitor and Immigrant Status Indicator Technology (US-VISIT) did not sufficiently define what capabilities and benefits would be delivered, by when, and at what cost, which contributed to development and deployment delays. In addition, we reported that three Coast Guard programs we reviewed—Maritime Patrol Aircraft, Response Boat-Medium, and Sentinel—reported placing orders for or receiving significant numbers of units prior to completing testing to demonstrate that what the programs were buying met Coast Guard needs. Our prior work has found that resolution of problems discovered during testing can sometimes require costly redesign or rework.[14]

We have made a number of recommendations to DHS to strengthen its acquisition management functions, such as (1) reinstating the Joint Requirements Council —the department's requirements review body—or establishing another departmental joint requirements oversight board to review and approve acquisition requirements and assess potential duplication of effort; (2) ensuring that budget decisions are informed by the results of investment reviews; (3) identifying and aligning sufficient management resources to implement oversight reviews throughout the investment life cycle; and (4) ensuring major investments comply with established component and departmental review policy standards. DHS generally concurred with these recommendations and reported taking action to begin to address some of them, including developing the Next Generation Periodic Reporting System to capture and track key program information, and monitoring cost and schedule performance, contract awards and program risks.

Based on our work on DHS's acquisition management, we have identified specific actions and outcomes that we believe the department needs to achieve to address its acquisition management challenges. We believe that these actions and outcomes are critical to addressing the underlying root causes that have resulted in the high-risk designation. In particular, DHS

[14]See, for example, GAO, *Best Practices: High Levels of Knowledge at Key Points Differentiate Commercial Shipbuilding from Navy Shipbuilding*, GAO-09-322 (Washington, D.C.: May 13, 2009); *Joint Strike Fighter: Significant Challenges and Decisions Ahead*, GAO-10-478T (Washington, D.C.: Mar. 24, 2010); and *Uncertainties Remain Concerning the Airborne Laser's Cost and Military Utility*, GAO-04-643R (Washington, D.C.: May 17, 2004); and GAO-10-588SP.

should demonstrate and sustain effective execution of a knowledge-based acquisition process for new and legacy acquisition programs by, among other things, (1) validating required acquisition documents in a timely manner at each major milestone; (2) establishing and operating a Joint Requirements Council, or a similar body, to review and validate acquisition programs' requirements; (3) ensuring sufficient numbers of trained acquisition personnel at the department and component levels; and (4) establishing and demonstrating measurable progress in achieving goals that improve acquisition programs' compliance with departmental policies.

Information technology management. DHS has undertaken efforts to establish information technology management controls and capabilities, but in September 2009 we reported that DHS had made uneven progress in its information technology management efforts to institutionalize a framework of interrelated management controls and capabilities.[15] For example, DHS had continued to issue annual updates to its enterprise architecture that added previously missing scope and depth, and further improvements were planned to incorporate the level of content, referred to as segment architectures, needed to effectively introduce new systems and modify existing ones. Also, we reported that DHS had redefined its acquisition and investment management policies, practices, and structures, including establishing a system life cycle management methodology, and it had increased its acquisition workforce.[16] Nevertheless, challenges remain relative to, for example, implementing the department's plan for strengthening its information technology human capital and fully defining key system investment and acquisition management policies and procedures for information technology. Moreover, the extent to which DHS had actually implemented these investment and acquisition management policies and practices on major information technology programs had been inconsistent. For example, our work showed that major information technology acquisition programs had not been subjected to executive-level acquisition and investment management reviews. As a result, we reported that major information technology programs aimed at delivering important mission capabilities, such as the Rescue 21 search and rescue system and the Secure Border

[15]GAO-09-1002T.

[16]A system life cycle management process normally begins with initial concept development and continues through requirements definition to design, development, various phases of testing, implementation, and maintenance.

Initiative Network (SBI*net*) virtual border fence, had not lived up to their capability, benefit, cost, and schedule expectations because of, for example, deficiencies in development and testing, and lack of risk management processes and key practices for developing reliable cost and schedule estimates.[17] We have made a range of recommendations to strengthen DHS information technology management, such as establishing procedures for implementing project-specific investment management policies, and policies and procedures for portfolio-based investment management. We reported that while DHS and its components have made progress, more needs to be done before DHS can ensure that all system acquisitions are managed with the necessary rigor and discipline.

Based on our work, we have identified actions and outcomes that we believe would help the department address challenges in information technology management that have contributed to our designation of DHS implementation and transformation as high risk. For example, DHS should, among other things, demonstrate measurable progress in implementing its information technology human capital plan and accomplishing defined outcomes, including ensuring that each system acquisition program office is sufficiently staffed. DHS should also establish and implement information technology investment management practices that have been independently assessed as having satisfied the capabilities associated with stage three of our Information Technology Investment Management Framework.[18] In addition, the department should establish enhanced security of the department's internal information technology systems and networks.

Financial management. DHS has made progress in addressing its financial management and internal controls weaknesses, but has not yet addressed all of them or developed a consolidated departmentwide financial management system. Since its establishment, DHS has been unable to obtain an unqualified audit opinion on its financial statements (i.e., prepare a set of financial statements that are considered reliable). For

[17]Rescue 21 is a Coast Guard program to modernize a 30-year-old search and rescue communications system used for missions 20 miles or less from shore, referred to as the National Distress and Response System. SBI*net* is the technology component of a U.S. Customs and Border Protection program known as the Secure Border Initiative, which is to help secure the nation's borders and reduce illegal immigration through physical infrastructure (e.g., fencing), surveillance systems, and command, control, communications, and intelligence technologies.

[18]GAO-09-1002T and GAO-04-394G.

fiscal year 2009, the independent auditor issued a disclaimer on DHS's financial statements and identified eight deficiencies in DHS's internal control over financial reporting, six of which were so significant that they qualified as material weaknesses.[19] Until these weaknesses are resolved, DHS will not be in position to provide reliable, timely, and useful financial data to support day-to-day decision making. DHS has taken steps to prepare and implement corrective action plans for its internal control weaknesses through the *Internal Control Playbook*, DHS's annual plan to design and implement departmentwide internal controls.

In addition, in June 2007 and December 2009 we reported on DHS's progress in developing a consolidated financial management system, called the Transformation and Systems Consolidation (TASC) program, and made a number of recommendations to help DHS address challenges affecting the departmentwide financial management integration.[20] In June 2007, we reported that DHS had made limited progress in integrating its existing financial management systems, and we made six recommendations focused on the need for DHS to define a departmentwide strategy and embrace disciplined processes necessary to properly manage the specific projects.[21] We followed up on these recommendation in our December 2009 report and found that DHS had begun to take actions to implement four of our six 2007 recommendations but had not yet fully implemented any of them. Specifically, DHS had made progress in (1) defining its financial management strategy and plan, (2) developing a comprehensive concept of operations, (3) incorporating disciplined processes, and (4) implementing key human capital practices

[19]A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

[20]GAO, *Homeland Security: Departmentwide Integrated Financial Management Systems Remain a Challenge*, GAO-07-536 (Washington, D.C.: Jun. 21, 2007), and *Financial Management Systems: DHS Faces Challenges to Successfully Consolidating Its Existing Disparate Systems*, GAO-10-76 (Washington, D.C.: Dec. 4, 2009).

[21]Disciplined processes have been shown to reduce the risks associated with software development and acquisition efforts to acceptable levels and are fundamental to successful system implementations. A disciplined process includes, among other things, management, testing, data conversion and system interfaces, risk and project management, and other related financial management activities.

and plans for such a systems implementation effort. However, DHS had not yet taken the necessary actions to standardize and reengineer business processes across the department, including applicable internal controls, and to develop detailed consolidation and migration plans. While some of the details of the department's standardization of business processes and migration plans depend on the selected new financial management system, DHS would benefit from performing a gap analysis and identifying all of its affected current business processes so that DHS can analyze how closely the proposed system will meet the department's needs. In addition, we reported that DHS's reliance on contractors to define and implement the new financial management system, without the necessary oversight mechanisms to ensure that the processes were properly defined and effectively implemented, could result in system efforts plagued with serious performance and management problems. We reported that these issues placed DHS at risk for implementing a financial management system that does not meet cost, schedule, and performance goals. We recommended that DHS establish contractor oversight mechanisms to monitor the TASC program; expedite the completion of the development of the TASC financial management strategy and plan so that the department is well positioned to move forward with an integrated solution; and develop a human capital plan for the TASC program that identifies needed skills for the acquisition and implementation of the new system. DHS agreed with our recommendations and described actions it had taken and planned to take to address them, noting, for example, the importance of being vigilant in its oversight of the program.

Based on our work on DHS's financial management we have identified specific actions and outcomes that we believe the department needs to address to resolve its financial management challenges. Among other things, DHS should develop and implement a corrective action plan with specific milestones and accountable officials to address the weaknesses in systems, internal control, and business processes that impede the department's ability to integrate and transform its financial management. DHS should also sustain clean opinions on its departmentwide financial statements, adhere to financial system requirements in accordance with the Federal Financial Management Improvement Act of 1996,[22] and have

[22]Pub. L. No. 104-208, Div. A, tit. I § 101(f), tit. VIII, 110 Stat. 3009, 3009-389 (1996). See generally 31 U.S.C. § 3512 and accompanying note. This act requires agencies to implement financial management systems that substantially comply with (1) federal financial management systems requirements, (2) federal accounting standards, and (3) the U.S. Standard General Ledger at the transaction level.

independent auditors report annually on compliance with the act. [23] In addition, DHS should establish contractor oversight mechanisms to monitor the contractor selected to implement TASC and successfully deploy TASC to the majority of DHS's components, such as the Coast Guard, the Federal Emergency Management Agency, and the Transportation Security Administration.

Human capital management. DHS has issued various strategies and plans for its human capital activities and functions, such as a human capital strategic plan for fiscal years 2009-2013 that identifies four strategic goals for the department related to talent acquisition and retention; diversity; employee learning and development; and policies, programs, and practices.[24] DHS is planning to issue an updated strategic human capital plan in the coming months. While these initiatives are promising, DHS has faced challenges in implementing its human capital functions. For example, our prior work suggests that successful organizations empower and involve their employees to gain insights about operations from a frontline perspective, increase their understanding and acceptance of organizational goals and objectives, and improve motivation and morale.[25] DHS's scores on the 2008 Office of Personnel Management's Federal Human Capital Survey—a tool that measures employees' perceptions of whether and to what extent conditions characterizing successful organizations are present in their agency—and the Partnership for Public Service's 2010 rankings of the Best Places to Work in the Federal Government improved from prior years. However, in the 2008 survey, DHS's percentage of positive responses was 52 percent for the leadership and knowledge management index, 46 percent for the results-oriented performance culture index, 53 percent for the talent management index,

[23]Division A, Section 101(f), Title VIII of Public Law 104-208.

[24]DHS, *Human Capital Strategic Plan*, *Fiscal Years 2009-2013* (Washington, D.C.).

[25]GAO, *High-Risk Series: Strategic Human Capital Management*, GAO-03-120 (Washington, D.C.: January 2003).

and 63 percent for the job satisfaction index.[26] In addition, in 2010, DHS was ranked 28 out of 32 agencies in the Best Places to Work ranking on overall scores for employee satisfaction and commitment.[27]

In addition, our prior work has identified several workforce barriers to achieving equal employment opportunities and the identification of foreign language needs and capabilities at DHS. In August 2009 we reported that DHS had developed a diversity council, among other initiatives, but that DHS had generally relied on workforce data and had not regularly included employee input from available sources to identify triggers to barriers to equal employment opportunities, such as promotion and separation rates.[28] We also reported that, according to DHS, it had created planned activities to address these barriers, but modified target completion dates by up to 21 months and had not completed any planned activities due to staffing shortages. In June 2010 we reported on DHS's foreign language capabilities, noting that DHS has taken limited actions to assess its foreign language needs and existing capabilities and to identify potential shortfalls.[29] Assessing hiring needs is crucial in achieving a range of component and departmentwide missions. As just one example, employees with documented proficiency in a variety of languages can contribute to U.S. Immigration and Customs Enforcement's intelligence

[26]*Department of Homeland Security: 2008 Federal Human Capital Survey Results* (Washington, D.C.: 2008). The leadership and knowledge management index indicates the extent to which employees hold their leadership in high regard, both overall and on specific facets of leadership. The results-oriented performance culture index indicates the extent to which employees believe their organizational culture promotes improvement in processes, products and services, and organizational outcomes. The talent management index indicates the extent to which employees think the organization has the talent necessary to achieve its organizational goals. The job satisfaction index indicates the extent to which employees are satisfied with their jobs and various aspects thereof.

[27]Partnership for Public Service and the Institute for the Study of Public Policy Implementation at the American University School of Public Affairs, *The Best Places to Work in the Federal Government* (Washington, D.C.: 2010).

[28]GAO, *Equal Employment Opportunity: DHS Has Opportunities to Better Identify and Address Barriers to EEO in Its Workforce*, GAO-09-639 (Washington, D.C.: Aug. 31, 2009). The Equal Employment Opportunity Commission uses the term "triggers" to refer to indicators of potential barriers to equal employment opportunity.

[29]GAO, *Department of Homeland Security: DHS Needs to Comprehensively Assess Its Foreign Language Needs and Capabilities and Identify Shortfalls*, GAO-10-714 (Washington, D.C.: June 22, 2010). DHS has a variety of responsibilities that utilize foreign language capabilities, including investigating transnational criminal activity and staffing ports of entry into the United States.

and direct law enforcement operations, but staff with these capabilities are not systematically identified.

We have made several recommendations to help DHS address weaknesses concerning equal employment opportunity and assessments of foreign language needs and capabilities within human capital management. For example, we recommended that DHS identify timelines and critical phases along with interim milestones as well as incorporate employee input in identifying potential barriers to equal employment opportunities. DHS concurred with our recommendations and reported taking action to address them, such as revising plans to identify steps and milestones for departmental activities to address barriers to equal employment opportunities, and developing a strategy for obtaining departmentwide employee input. We also recommended that DHS comprehensively assess its foreign language needs and capabilities and identify potential shortfalls. DHS concurred with our recommendations and reported taking actions to address them, such as developing a task force consisting of DHS components and offices that have language needs in order to identify requirements and assess the necessary skills.

Based on our work on human capital management at the department, we have identified various actions and outcomes for DHS to achieve to address those human capital management challenges that have contributed to our designation of DHS implementation and transformation as high risk. The department should, among other things, develop and implement a results-oriented strategic human capital plan that identifies the department's goals, objectives, and performance measures for strategic human capital management and that is linked to the department's overall strategic plan. DHS also needs to link workforce planning efforts to strategic and program-specific planning efforts to identify current and future human capital needs, and improve DHS's scores on the Federal Employee Viewpoint Survey.[30] In addition, DHS should develop and implement mechanisms to assess and provide opportunities for employee education and training, and develop and implement a recruiting and hiring strategy that is targeted to fill specific needs.

[30]The Federal Employee Viewpoint Survey is the Office of Personnel Management's new name for its former Federal Human Capital Survey.

DHS Has Taken Action to Integrate Its Management Functions and Develop Performance Measures, but Could Strengthen Its Integration and Performance Measurement Efforts

DHS has taken actions to integrate its management functions and to strengthen its performance measures to assess progress in implementing these functions, but the department has faced challenges in these efforts. We have reported that while it is important that DHS continue to work to implement and strengthen its management functions, it is equally important that DHS address management integration and performance measurement from a comprehensive, departmentwide perspective to help ensure that the department has the structure, processes, and accountability mechanisms in place to effectively monitor the progress made to address the threats and vulnerabilities that face the nation.[31] Management integration and performance measurement are critical to the successful implementation and transformation of the department.

Management integration. DHS has put in place common policies, procedures, and systems within individual management functions, such as human capital, that help to vertically integrate its component agencies.[32] However, DHS has placed less emphasis on integrating horizontally, and bringing together its management functions across the department through consolidated management processes and systems.[33] In November 2009, we reported that DHS had not yet developed a strategy for management integration as required by the 9/11 Commission Act and with the characteristics we recommended in our 2005 report.[34] Specifically, we recommended that the strategy (1) look across the initiatives within each of the management functional units, (2) clearly identify the critical links that must occur among these initiatives, (3) identify tradeoffs and set priorities, (4) set implementation goals and a time line to monitor the progress of these initiatives to ensure the necessary links occur when needed, and (5) identify potential efficiencies, and ensure that they are achieved. In the absence of a management integration strategy, DHS

[31]GAO-08-646T.

[32]Vertical integration refers to integration of these elements—processes, systems, and people—within management functions, from the department level down through each of the corresponding management functions in the component agencies.

[33]Horizontal integration refers to integration of the elements mentioned across management functions, such as the integration of human capital management and financial management activities in areas related to payroll. GAO, *Department of Homeland Security: A Comprehensive Strategy Is Still Needed to Achieve Management Integration Departmentwide*, GAO-10-318T (Washington, D.C.: Dec. 15, 2009).

[34]GAO, *Department of Homeland Security: Actions Taken Toward Management Integration, but a Comprehensive Strategy Is Still Needed*, GAO-10-131 (Washington, D.C.: Nov. 20, 2009) and GAO-05-139.

officials stated that documents such as management directives and strategic plans addressed aspects of a management integration strategy and could help the department to manage its integration efforts. However, we reported that without a documented management integration strategy, it was difficult for DHS, Congress, and other key stakeholders to understand and monitor the critical linkages and prioritization among these various efforts. We also reported that while DHS increased the number of performance measures for its Management Directorate, it had not yet established measures for assessing management integration across the department. We reported that without these measures DHS could not assess its progress in implementing and achieving management integration. We recommended that once a management integration strategy was developed, DHS establish performance measures for assessing management integration. DHS stated that the department was taking actions to address our recommendation.

Since our November 2009 report, DHS has taken action to develop a *management integration strategy*. Specifically, DHS developed and provided us with an initial management integration plan in February 2010. The initial plan identified seven priority initiatives for achieving management integration:

- *Enterprise governance.* A governance model that would allow DHS to implement mechanisms for integrated management of DHS programs as parts of broader portfolios of related activities.
- *Balanced workforce strategy*. Workforce planning efforts to identify the proper balance of federal employees and private labor resources to achieve the department's mission.
- *TASC*. DHS initiative to consolidate financial, acquisition, and asset management systems, establish a single line of accounting, and standardize business processes.
- *DHS headquarters consolidation*. The collocation of the department by combining existing department and component leases and building out St. Elizabeths campus in Washington, D.C.
- *Human resources information technology*. Initiative to consolidate, replace, and modernize existing departmental and component payroll and personnel systems.
- *Data center migration*. Initiative to move DHS component agencies' data systems from the agencies' multiple existing data centers to two DHS consolidated centers.
- *Homeland Security Presidential Directive 12 personal identification verification cards deployment*. Provision of cards to DHS employees and contractors for use to access secure facilities, communications, and data.

This initial management integration plan contained individual action plans for each of the seven initiatives. In March 2010, we met with DHS officials and provided oral and written feedback on the initial plan. We noted that, for example:

- the action plans lacked details on how the seven initiatives contribute to departmentwide management integration and links to the department's overall strategy for transformation;
- the performance measures contained in the plans did not identify units of measure, baseline measurements, or target metrics that would be used to measure progress;
- the impediments and barriers described in the plans did not align with identified risks and the strategies for addressing these impediments and barriers; and
- the plans did not identify planned resources for carrying out these initiatives.

DHS officials told us the department is working to enhance its initial management integration plan to include a framework for strengthening the department's acquisition management. We plan to review the changes DHS is making to the initial management integration plan as part of our work for the 2011 high-risk update.

Based on our work and recommendations on management integration, we have identified specific actions and outcomes for DHS that we believe will help the department address those management integration challenges that contributed to our designation of DHS implementation and transformation as high risk. Specifically, we believe that addressing these actions and outcomes within the individual management functional areas of acquisition, information technology, financial, and human capital management would help DHS to integrate those functions. For example, to successfully implement the TASC program, the Chief Financial Officer would need to work with the Chief Procurement Officer to establish effective mechanisms for overseeing the contractor selected to implement the TASC program; the Chief Information Officer to ensure that data conversions and system interfaces occur when required; and the Chief Human Capital Officer to ensure that relevant personnel at the department and component levels are trained on use of the TASC program once the system is implemented. In addition, DHS should revise its strategy for management integration to address the characteristics for such a strategy that we recommended in 2005.

Performance measurement. DHS has not yet fully developed performance measures or put into place structures and processes to help ensure that the agency is managing for results. Performance measurement underpins DHS's efforts to assess progress in strengthening programs and operations and in implementing corrective actions to integrate and strengthen management functions. DHS has developed performance goals and measures for its programs and reports on these goals and measures in its Annual Performance Report. However, DHS's offices and components have not yet developed outcome-based performance measures to monitor, assess, and independently evaluate the effectiveness of their plans and performance.[35] We have reported that the lack of outcome goals and measures hinders the department's ability to effectively assess the results of program efforts and whether the department is using its resources efficiently.[36]

Over the past 2 years, we have worked with DHS to provide feedback on the department's Government Performance and Results Act (GPRA) performance goals and measures through meetings with officials from the department and its offices and components.[37] Our feedback has ranged from pointing out components' limited use of outcome-oriented performance measures to assess the results or effectiveness of programs to raising questions about the steps taken by DHS or its components to ensure the reliability and verification of performance data. In response to this feedback and its own internal review efforts, DHS took action to develop and revise its GPRA performance goals and measures for some areas in an effort to strengthen its ability to assess its outcomes and progress in key management and mission areas. For example, from fiscal year 2008 to 2009, DHS reported adding 58 new measures, retiring 18 measures, and making description improvements to 67 existing performance measures. From fiscal year 2009 to 2010, DHS reported adding 32 new performance measures, retiring 24 measures, and making

[35]Outcome-based measures focus on the impact or results of activities.

[36]GAO, *Department of Homeland Security: Progress Report on Implementation of Mission and Management Functions*, GAO-07-454 (Washington, D.C.: Aug. 17, 2007).

[37]GPRA requires executive agencies to complete strategic plans in which they define their missions, establish results-oriented goals, and identify the strategies that will be needed to achieve those goals. GPRA also requires executive agencies to prepare annual performance plans that articulate goals for the upcoming fiscal year that are aligned with their long-term strategic goals. Finally, GPRA requires executive agencies to measure performance toward the achievement of the goals in the annual performance plan and report annually on their progress in program performance reports.

description improvements to 37 existing performance measures. DHS is continuing to work on developing and revising its performance measures to improve its focus on assessing results and outcomes and to align its measures to the goals and objectives established by the Quadrennial Homeland Security Review. In August and September 2010, we provided feedback on the department's proposals for outcome-oriented performance measures aligned with the Quadrennial Homeland Security Review's goals and objectives. We look forward to continuing working with the department to provide feedback to help strengthen its ability to assess the outcomes of its efforts.

DHS Has Taken Actions to Transform into an Integrated Department, but Has Not Yet Fully Addressed Its Transformation Challenges

Since we first designated the implementation and transformation of DHS as high risk in 2003, the department has made progress in its transformation efforts in relation to the five criteria we established in November 2000 for removing agencies from the high-risk list, but has not yet fully addressed its transformation, management, and mission challenges, such as implementing effective management policies and deploying capabilities to secure the border and other sectors. In January 2009, we reported that DHS had developed its *Integrated Strategy for High Risk Management* outlining the department's overall approach for managing its high-risk areas and the department's processes for assessing risks and proposing initiatives and corrective actions to address its risks and challenges.[38] We also reported that DHS had developed corrective action plans to address challenges in the areas of acquisition, financial, human capital, and information technology management. The corrective action plans addressed some, but not all, of the factors we consider in determining whether agencies can be removed from our high-risk list. Specifically, the strategy and corrective action plans identified senior officials with the responsibility for managing DHS's transformation high-risk area and for implementing the corrective action plans. The strategy and plans defined some root causes for problems within management areas, identified initiatives and corrective actions to address the causes, and established milestones for completing initiatives and actions, though we noted that these elements could have been better defined to, for example, more clearly address the management challenges we have identified. The strategy also included a framework for DHS to monitor the implementation of its corrective action plans primarily through various departmentwide committees

[38] GAO-09-271.

However, we reported that the strategy and corrective action plans did not contain measures to gauge the department's progress and performance in implementing corrective actions, or identify the resources needed by DHS for carrying out the corrective actions identified. The strategy and corrective actions plans consistently cited limited resources as a challenge or constraint in implementing corrective actions. Further, we reported that required elements in the strategy and corrective action plans could be strengthened or clarified, including linking initiatives and corrective actions in the corrective action plans to root causes and milestones. In addition, we reported that while DHS had developed a framework for monitoring progress, the department had just begun to implement its corrective action plans. We recommended that for DHS to successfully transform into a more effective organization, it needed to (1) revise its *Integrated Strategy for High Risk Management* and related corrective action plans to better define root causes, include resources required to implement corrective actions, and identify key performance measures to gauge progress; and (2) continue to identify, refine, and implement corrective actions to improve management functions and address challenges. We have identified and communicated to DHS specific actions and outcomes that we believe the department needs to address within each of its management areas and for management integration. We believe that these actions and outcomes will help DHS address our high-risk criteria by, among other things, identifying root causes for problems within each management area, developing and implementing corrective actions to address those root causes, and demonstrating measurable, sustainable progress in implementing the correction actions.

Since our 2009 high-risk update, DHS has taken actions to address the high-risk designation. For example, DHS and GAO have held regular, joint meetings, including periodic meetings that also involve Office of Management and Budget officials, to discuss the department's progress in addressing the high risk designation and its overall transformation efforts. DHS and GAO have also discussed the department's planned revisions to its *Integrated Strategy for High Risk Management* and corrective action plans for its management areas. However, as of September 2010, DHS has not yet provided us with an updated strategy or corrective actions plans to address the high-risk designation, as promised. DHS officials told us that the department is currently revising its strategy and will provide us with the updated strategy in the coming months. We will continue to assess DHS's implementation and transformation efforts, including any updated strategy and corrective action plans, as part of our work for the 2011 high-risk update, which we plan to issue in January 2011.

This concludes my prepared testimony. I would be happy to respond to any questions that members of the Subcommittee may have.

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