



WRITTEN TESTIMONY OF

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**Before the
Committee on Homeland Security and Governmental Affairs**

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Chairman Johnson, Ranking Member Carper, and other distinguished members of the Committee, thank you for the opportunity to discuss the Department's management and acquisition reforms and the legislation being considered by the Committee. The focus of this testimony is on the progress of broader management and acquisition reforms across the Department, as well as ongoing support for authorization of key reforms to sustain progress made.

The Department, when formed, was an organization comprised of components with different approaches, methods and policies regarding acquisition and management activities. Lacking was a departmental acquisition oversight structure, strong requirements development process, and centralized resource allocation to name a few examples. The major consequence of these myriad of efforts was a lack of a unified, departmental approach for the administration of the Department's management and acquisition efforts; efforts critical for the security of the nation. In order to create a more cohesive Department, Secretary Johnson launched the *Unity of Effort* initiative, which established a more collaborative process for decision-making, including those that shape acquisition, resource allocation and other management functions.

The momentum gained from the Secretary's landmark *Unity of Effort* initiative has resulted in a stronger management framework much earlier in the investment life cycle, as well as better integrating the Department's people, organizational structures, and operational capability. Better management starts with strong governance at the highest levels. Today, major decisions are

regularly made by the Secretary's Leaders Council (SLC) and the Deputy Secretary's Management Action Group (DMAG).

In the past year, the SLC and DMAG have made critical decisions around strategy, resource allocation, requirements, and operational planning. These decisions have produced: a more mission-focused budget; progress on the campaign plan for the Southern Border; maturation of the three pilot Joint Task Forces to unify operational planning; and the maturation of the Joint Requirements Council (JRC) to improve the quality and validity of the Department's requirements generation and oversight process. By virtue of a stronger focus earlier in the investment life cycle, DHS is better positioned to execute strategies and budgets that ultimately close capability gaps.

Under *Unity of Effort*, the Department has developed a more robust, upfront strategy and policy capability, to ensure leadership priorities drive investments. To develop and coordinate long term strategy and analysis, the Department supports legislation that would elevate the senior DHS policy official position from that of an Assistant Secretary to an Under Secretary. This elevation would place DHS on a par with similar positions at other cabinet-level agencies.

In the budget area, the Department has completely transformed its approach. Today, the budget process focuses on cross-Department mission areas rather than through component stove pipes. With the support of Congress, DHS is moving from more than 70 legacy appropriations to a common appropriations structure (CAS) to align common funding categories to DHS missions. In fact, the Department submitted the FY 2017 budget using the new CAS.

In the acquisition management area, DHS has focused on institutionalizing stronger oversight and governance structures and reforming the acquisitions process to build out solid requirements much earlier in the investment life cycle, where requirements are first conceived and developed. For example, a more mature JRC evaluates issues that cut across multiple components and makes recommendations to the DMAG that focus on maximizing the efficiency of investments and enhancing mission capabilities. The JRC projects full operating capability by the end of FY 2016 and having Congress codify the JRC would cement a process that would endure for years to come.

DHS also supports the Committee's intent to ensure the position of Chief Acquisition Officer (CAO) remains at the level of the Under Secretary for Management. As CAO, the Under Secretary for Management plays a direct role in the Department's management, administration, and oversight of approximately \$18 billion spending annually through the acquisition process. The creation of a departmental acquisition executive structure and staff to spearhead the management of the department's acquisition efforts was an important first step to address the Department's challenges. The Office of Program Accountability and Risk Management (PARM) serves as the central oversight body from which DHS directs improvement of management, administration, and oversight of the Department's acquisition programs. The draft legislation clarifies various roles such as the PARM Executive Director, as well as the reporting relationship from the Component Acquisition Executives (CAEs) to the CAO. These proposed legislative provisions capture the progress DHS has made and would further strengthen oversight throughout the entire Department for the future.

Through PARM, significant progress has been made to improve oversight of DHS's acquisition programs. These include a comprehensive update to MD-102, which serves as the principal acquisition policy directive; the assessment and remediation of skill gaps in the acquisition program management workforce; the afore-mentioned CAE structure, for which DHS now requires a qualified and experienced acquisition professional to oversee the organization's acquisition policies and efforts; the completion of all required documentation for major programs; and the expanded oversight authority of the Acquisition Review Board, which now focuses on major issues beyond program performance and effectiveness.

Going forward, DHS will continue to improve acquisition management by increasing oversight of non-major programs; further refining the staffing review process to ensure the Department has a qualified workforce; continue developing the Acquisition Program Health Assessment tool; solidify an IT Agile development process; and, continue aggressive program monitoring, coupled with corrective actions, and cancelling or pausing poor-performing programs.

In the procurement area, the Department has implemented several initiatives to strengthen relationships with industry partners. As indicated in earlier testimony, the Acquisition Innovations in Motion initiative has facilitated forums between senior Department officials and industry consortiums and has resulted in improvements to the quality and timeliness of DHS contracting processes and information sharing, as well as the emerging skills required for acquisition professionals. These interactions have built trust and have driven more quality updates to DHS acquisition policies.

Across management functions, the Department continues to make significant progress in implementing recommendations by the Office of the Inspector General (OIG) and the Government Accountability Office (GAO), and has fully met three of the five criteria for GAO High Risk List removal. These advances have dramatically improved the effectiveness of management lines of business (i.e., finance, information technology, human capital, internal security, readiness support, procurement). In August 2015, the Under Secretary for Management and the Management Directorate's Chief Executive Officers (e.g., CFO, CIO, Chief Human Capital Officer) established key priorities and stretch goals to address pressing challenges. The proposed legislation incorporates various DHS practices as well as many recommendations from the OIG and GAO, which will ensure that the progress made thus far will have staying power for Administrations to come.

The Department's collective task is to institutionalize improvements to support its primary objective: the effective execution of DHS missions. The successful pilot of the Joint Task Force (JTF) structure has confirmed its value in integrating people and solutions at the southern border. Under this new structure, Components operate together, as more cohesive operating units, to achieve the objectives of the DHS Southern Border and Approaches Campaign: ensure effective enforcement and interdiction across land, sea and air and degrade transnational criminal organizations without impeding the flow of lawful trade, travel and commerce across borders. Task Force Directors are responsible for coordinating the border security resources of the Department for the southeast, southwest and for critical investigations. The leadership of the Joint Task Force Directors played a large role in the successful Departmental response to the

increase in unaccompanied children and families in 2015. The Department was more prepared to address this surge than in 2014. While the Task Forces became operational on August 1, 2015, authorization of the JTF structure by Congress will ensure they remain an integral part of the Department's operating structure and that the JTFs have the requisite authority to carry out their duties to meet future challenges.

Finally, establishing strong business and mission management processes and a robust outreach campaign to external partners are necessary but not sufficient to maximize the effectiveness and longevity of the *Unity of Effort* initiative. Sustained support of the initiative will be greatly enhanced if the DHS career leadership and workforce have opportunities to serve in substantive joint positions in strong headquarters offices and the JTFs. A DHS Joint Duty program, authorized by Congress, will increase the professional development and promotion opportunities of the DHS workforce and further institutionalize the aims of *Unity of Effort*.

Concerns Regarding Management Reform and Acquisition Draft Legislation

With regard to the draft management reform and acquisition legislation, the Department is pleased that Congress, and more specifically this Committee, continues to work with the Department to improve management functions and, as indicated above, is generally supportive of the draft legislation.

In some respects, however, DHS favors going further in institutionalizing efforts to integrate the Department. Although legislation is not specifically required to establish the Office of Community Partnerships (OCP), for example, legislation would permanently authorize the

establishment of a DHS office to coordinate the DHS countering violent extremism activities and represent DHS in interagency engagement on this issue.

The Department is seeking congressional authorization for the consolidation of headquarters Chemical, Biological, Radiological, Nuclear and Explosives (CBRNE) programs into one office to improve external and internal coordination of CBRNE issues and oversight of CBRNE requirements and major CBRNE-related acquisitions. Similarly, DHS seeks congressional authorization to reorganize the National Protection and Programs Directorate (NPPD) to separate the operational functional responsibilities from the mission support functions to more effectively develop operational plans and budgets and provide better oversight of acquisitions, which DHS believes will enable better mission execution.

With regard to procurement and acquisition specifically, the majority of the draft legislation provides increased transparency and accountability, both of which can reasonably be expected to result in better utilization of the resources entrusted to the Department. With that stated some of the provisions undoubtedly drafted in furtherance of increased transparency, accountability, and efficiency can reasonably be expected to have the opposite impact.

For example, the draft legislation weakens the existing authorities of the Chief Procurement Officer (CPO) and confuses accountability over procurement decisions. The draft legislation provides the CPO with the authority to provide input concerning the hiring and performance of each Head of Contracting Activity (HCA). However, to ensure accountability of the CPO, the CPO needs the authority to appoint (or not) each HCA, provide input into the evaluation of each

HCA, and approve (or not) the organizational placement of each HCA. Given the current language of the bill, if one or more procurements do not perform adequately, it will prove difficult to ascertain if accountability should rest with the CPO or the Component leadership regarding the selection and placement of the HCA.

Additionally, the Department is concerned with the inclusion of oversight of the programs in sustainment (i.e. post Final Operating Capability (FOC) delivery – operational activities) in the role of the newly established Executive Director, as well as instituting a requirement for inclusion of these operational activities in the Comprehensive Acquisition Status Report (CASR). The inclusion is not needed since programs in sustainment are required to annually update operations and maintenance cost estimates and affirm the lifespan for each of these former major acquisition programs.

The GAO recommended in its audit “DHS Should Better Define Oversight Roles and Improve Program Reporting to Congress,” dated March 2015, that the Department produce operations and maintenance cost estimates for programs in sustainment and establish responsibility for tracking sustainment programs’ adherence to those estimates. In response, the then-Acting Under Secretary for Management, Mr. Chip Fulghum, directed Component Heads to annually update operations and maintenance cost estimates and affirm the lifespan for each of these former major acquisition programs. The Chief Financial Officer, as part of the Department’s Planning, Programming, Budgeting, and Execution process, was directed to assess the alignment of the estimates with spending patterns for current services. These funding levels are addressed in the Department’s annual Future Years Homeland Security Program. The change in process required

by the bill would require significant additional resources aligned to the “Executive Director,” and reduce the accountability of the appropriate DHS officials in the oversight of sustainment activities. The best interests of the Department will be served by clarity (and singularity) of responsibility and accountability; these responsibilities with the Executive Director and the CASR creates an environment of overlapping and muddled responsibility and accountability.

The Department generally agrees with the acquisition bill’s reporting requirements established for acquisition programs that breach their approved Acquisition Program Baseline (APB) cost, schedule, and performance thresholds, even though DHS prefers a case by case approval instead of one standard for all. The vast majority of the Department’s breaches will be cleared within the allotted timeframe. However, the Department is concerned that a very small number of programs may have instances where correction of a breach is not possible within the 210 days provided by the draft legislation. For example, a contract protest may occur that lasts greater than the allotted 210 days. This leaves the Department with only one option - to halt or cancel the program. The Department understands and appreciates the Committee’s concern, but requests that some option be available in these rare circumstances where a critical program is not able to resolve a program breach within the 210 days allotted by the legislation. In these instances, the Department would recommend providing additional reporting updates, but allowing the Under Secretary for Management to extend the timeframe without halting or cancelling the program.

Finally, the Department is concerned with the specificity with which “cloud computing” is addressed in the draft legislation. Information technology evolves too rapidly to include a specific type of technology in such legislation. DHS respectfully requests that the legislation

focus on leveraging technology rather than specifying “cloud computing,” which in the fullness of time may well go the way of the typewriter.

Conclusion

In conclusion, while there is always more work to do, the Department has made significant strides to improve management, including acquisition planning and execution. DHS has strengthened the Department’s upfront strategy, planning and joint requirements capabilities, thereby addressing long standing weaknesses. According to the OIG and GAO, DHS has demonstrated significant progress in addressing auditors’ recommendations for strengthening management functions, including strong progress especially over the past two years, improving acquisition policies, processes, and procedures. This includes strengthening the roles and clarifying the authorities of the Department’s acquisition organizations and stakeholders. DHS has improved requirements development, resource allocation, and industry engagement. These efforts have produced more effective governance and significant improvements to current and future acquisitions.

The Department, with the minor modifications previously discussed, fully supports the management reform and acquisition legislation being deliberated by this Committee. It captures the improvements the Department has made and provides greater clarity, transparency, and accountability. Further, it establishes and defines appropriate roles and authorities for ensuring proper acquisition governance and oversight.

Thank you again for the opportunity to testify regarding the management reforms and acquisition improvements the Department has made and to discuss the legislative proposals being considered by this Committee.