



**TESTIMONY OF  
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U.S. DEPARTMENT OF HOMELAND SECURITY  
UNDER SECRETARY FOR MANAGEMENT  
BEFORE THE US SENATE  
COMMITTEE ON HOMELAND SECURITY AND GOVERNMENTAL  
AFFAIRS COMMITTEE  
Subcommittee on Oversight of Government Management, the  
Federal Workforce and the District of Columbia  
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Thank you Mr. Chairman, Ranking Member Voinovich and members of the Subcommittee. It's a pleasure to appear before you today for the first time as the Under Secretary for Management.

I have been the Under Secretary for Management for four months. For the previous three and one half years, I was a defense and aerospace consultant doing work for NASA, FAA, DOD, Coast Guard and others. Prior to this, I was a career civil servant for 38 years. I began my career at the Portsmouth Naval Shipyard as a project engineer in 1965 working on nuclear submarines. My last three government positions were Senior Acquisition Executive at the National Security Agency (NSA), Principal Deputy Assistant Secretary of the Navy (Research, Development and Acquisition) and Executive Director and Senior Civilian of the Naval Sea Systems Command, the Navy's largest shore establishment.

I am here today to discuss the major management and programmatic challenges the Department faces and areas I will focus on as the Under Secretary for Management.

The Government Accountability Office (GAO) has continued to designate transforming DHS as high risk. Its report and other Inspector General reports address, in large part, the status of the integration of DHS' varied management processes, systems and people in areas such as information technology, financial management, procurement, human capital, and administrative services. GAO reports that DHS has made progress in management integration but has

concerns that there appears to be a lack of a comprehensive strategy. Specifically, GAO noted that to be successful, DHS' strategy must integrate planning across management functions, identify critical interdependencies, define interim milestones, and optimize possible efficiencies.

As the Under Secretary for Management, I support the strategic initiatives proposed by GAO. For example, GAO indicates that some of the plans and directives already issued by DHS could be used in building the needed integration strategy. Accordingly, I am reviewing DHS' progress against existing plans and directives to ensure that they support integration strategy goals and are completed on schedule. My role as Under Secretary is to direct this effort and ensure its implementation across the Department.

The most significant challenge we have is to continue the effort that was started with the creation of the new Department and turning it into a unified force that protects our country. DHS, whose size is that of a Fortune 50, is the equivalent of an entrepreneurial start-up that has merged 22 agencies with approximately 180,000 employees. This effort requires the effective and efficient use of financial and human resources, technology, streamlined processes and superb management. As such, optimizing the performance of those resources and capabilities is where I focus most of my efforts and the Department's strategy.

The major elements of our strategy are:

- Improving acquisition and procurement throughout the Department;
- Strengthening the requirements and investment review processes;
- Hiring and maintaining human capital;
- Seeking efficiencies across the enterprise in operations and the use of resources; and
- Making the key management systems, such as financial and information technology, world-class.

Our approach has a common thread through all of these elements: to ensure that there is a comprehensive and integrated strategy throughout the Components with specific and measurable goals that support the activities and priorities of the Department. On a practical level, we will ensure the success of this strategy by having a team with the right knowledge, skills and abilities to support the programs, transform disparate operations, and measure progress against metrics and milestones.

### **Acquisition and Procurement**

The Department of Homeland Security is in the midst of many crucial acquisitions that are vital to the success of DHS. That is why Chief Procurement Officer Elaine Duke and I are working to strengthen acquisition and procurement by institutionalizing solid processes. To this end we are:

- Strengthening the requirements and investment review processes by improving the Joint Requirements Council (JRC) and Investment Review Board (IRB) process.
- Reviewing the major programs and investments to ensure that the requirements are clear, cost estimates are valid, technology risks are properly assessed, schedules are realistic, contract vehicles are proper, and the efforts are well managed.
- Building the capability to manage complex efforts by ensuring that program offices are properly structured and staffed with the right people and skills to ensure efficient and effective program management and oversight; and to aggressively hire where we have known shortages.
- Examining best practice metrics in use in by other departments with the intent to start implementation this year.

To date, the Department has focused on procurement. Procurement, however, is only one element of acquisition management. Procurement is the actual transaction for goods or services and plays only a part of the overall acquisition process.

Acquisition is the process that starts with identifying a mission need, developing requirements and budget to meet that need, contracting with industry to deliver the products and services to fulfill the need, and sustain the delivered system through its life. Acquisition includes managing operational and life-cycle requirements: from formulating concepts of operations, developing sound business strategies, and exercising prudent financial management to assessing trade-offs and managing program risks. Procurement or contracting teams act as business deal partners to the program office in the acquisition process.

In general, best practice acquisition management is executed by teams of professionals who manage the entire life-cycle of a major program effort. However, DHS currently has a shortage of people who are experienced in program management, including its related functional areas such as acquisition logistics and cost analysis.

Although the Department received funding in the FY 2007 budget to hire additional acquisition personnel, obtaining qualified acquisition specialists in a timely manner is challenging. Competition for procurement personnel is intense within the Washington, D.C. area. To date, DHS has initiated aggressive staffing solutions to resolve these personnel shortages and has centralized recruiting activities to better manage similar needs across the Department.

As part of the President's FY 2008 budget, we plan to initiate our Acquisition Intern Program. We will start with 66 new entry level positions and grow to 200 positions by FY 2010. This program is modeled after highly successful DOD programs.

Going forward, I will continue to focus on acquisition management as one of my major priorities and expedite training in key disciplines for those who manage the Department's major programs. By having more skilled employees and improved asset management tools, acquisition management will provide the Department with the infrastructure and resources it needs to complete its mission and secure the Homeland. In particular, DHS' \$15.7 billion procurement budget provides for the development, fielding and support of significant homeland security capabilities. These new capabilities are critical for the Department to better deliver large and complex initiatives.

## **Program Challenges**

The U.S. Coast Guard Deepwater program was restructured following a number of independent reviews. We have formalized a collaborative partnership with the Navy in order to identify best practices, common systems, technologies and processes for improved interoperability. The role of the Coast Guard in managing this large scale effort has changed to one of more hands-on control.

As a result of increased Coast Guard control, examples of acquisition related Deepwater Program improvements include:

- Competition is being injected across the product lines;
- A uniform Coast Guard approach to logistics support is being implemented to ensure better operational logistics performance;
- A service-wide C4I architecture is being pursued that is directed by the Coast Guard that focuses on fielding infrastructure and then adding functionality on a spiral basis;
- Contracts for National Security Cutters 1 and 2 are being updated and outstanding contractual issues are being addressed to establish a clean baseline for the remainder of the ships in the class;
- Current resources are being augmented with hiring at all levels to increase the professional talent of the acquisition workforce; and
- The Commandant is implementing his "Blueprint for Acquisition" which addresses major organizational and process changes to significantly improve the performance of Coast Guard Acquisition.

*SBl<sub>net</sub>*, the Department's multi-year plan to secure our borders and reduce illegal immigration by upgrading technology used in controlling the border, including improved communications assets, expanded use of manned and unmanned aerial vehicles and state of the art detection technology, has faced Congressional and GAO criticism. The program's approach to securing our borders is comprehensive and includes risk mitigation factors. For example, the contract that was awarded to Boeing in September of 2006 has a base period of three years with three one-year option periods.

As such, there are two risk-mitigating factors to consider with regard to the Boeing contract. First, it allows DHS to execute the acquisition into discrete, workable phases, implemented through task and delivery orders. This approach provides the greatest amount of flexibility to respond to evolving requirements.

Second, the contract with Boeing is not exclusive, which means DHS reserves the right to compete and use other contract vehicles for the goods and services required for the *SBI*net Program. Through this practice we are ensuring that dollars are spent wisely.

This phased, modular and scaleable methodology has been successful and a major accomplishment for DHS. Project 28 will demonstrate the *SBI*net system's capabilities by deploying sensor towers, unattended ground systems and upgrades to existing Border Patrol vehicles and communication systems. Upon completion of Project 28, which is set for June 2007, the Army will conduct an independent test and evaluation and provide an independent assessment of *SBI*net's interim operating capabilities. Because this is a modular and scalable architecture, we will be in position to make important tradeoffs on performance, risk and total system costs very early – all in less than one year after the contract award. In my opinion, this is a model for spiral acquisition and risk reduction and I am puzzled as to why this acquisition approach is criticized.

GAO has indicated concerns that DHS Procurement relies extensively on outside agencies for contracting support. To date, our model for using contractors on projects such as Deepwater and *SBI*net has been to address immediate staffing shortfalls. Because the Department has launched a number of new large scale initiatives, our acquisition workforce requires skill sets and experience that are very different from an ordinary acquisition program. Prior to DHS' establishment in 2003, the Department's components did not have major acquisitions like the USCG's Deepwater program, i.e. programs that require large mature and experienced acquisition support services such as those that exist in the Department of Defense for major weapons systems and ship-building.

However, through the Department's strategy, human resource recruitment efforts, employee training, and improved acquisition management, we will reduce our reliance on contractors. We will develop a mature acquisition workforce that will enable us to build our own "pipeline" of people, create a career-path from within the Department, and reduce our inefficiencies in areas of oversight and project management. This will not happen overnight, but will require several years to fully mature.

A final point that I'd like to mention regarding the Department's acquisition and procurement practices is that DHS has exceeded both the Administration's goal and the Department's elevated goal of 30% for small business prime contracts. I am happy to report that in fiscal year 2006, 34.6% of the procurement dollars went to small business prime contractors. Of that 34.6%, 12.1% went to small,

minority owned businesses. We are proud of these numbers and consider them to be evident of our commitment to support small businesses and to demonstrate our awareness of the role that small businesses play in our nation's ability to prepare for and respond to terrorist attacks and natural disasters.

### **Office of Personnel Management (OPM) Federal Human Capital Survey (FHCS)**

DHS did very poorly on the OPM Federal Human Capital survey. Through the survey results, managers and line employees alike delivered a message that the leadership has heard loud and clear. Leadership teams across DHS are committed to identifying the underlying reasons for DHS employee dissatisfaction and are seeking ways to address them expeditiously.

As initial steps toward improving employee satisfaction at headquarters and within operating components, we are working to better communicate throughout the workforce, emphasize performance management training at the supervisor and employee level, and improve recognition of good performance.

Although the general results of the survey were disappointing, we are encouraged by the fact that DHS employees have passion for our mission. 89% percent of employees report that they believe the work they do is important and 80% percent like the work that they do. This is a strong foundation upon which to build and improve.

Having evaluated the detailed results of the survey and analyzed the practices of Departments that are recognized for their high performance, we are now using this information to develop additional steps that will improve employee satisfaction. This summer, we will conduct another survey of our workforce to ensure that our efforts are on track and address key employee concerns.

Additionally, the leadership team in each operating component and headquarters is discussing the details of the survey with their workforce in order to gather employee suggestions and recommendations for improvement.

### **Human Capital**

We are addressing GAO's assessment and expectations in the area of Human Capital and have developed a results-oriented strategic human capital plan. We are aggressively building a world-class organization by hiring and retaining a talented and diverse workforce. Our operational plan identifies specific activities with milestones for integrating workforce planning in human capital operations, improving DHS-wide hiring and retention practices, and leveraging our partnership with the DHS Civil Rights and Civil Liberties Office to continually increase diversity across DHS.

We are improving our hiring processes by educating our hiring managers and human resource officials on the flexibilities that are currently available as well as implementing an enterprise E-recruitment system. We have established a Department-wide branding initiative and will implement proactive recruitment strategies to fill critical mission support vacancies that cross component lines in areas such as information technology, acquisition, and human resources.

We are well on our way to achieving our hiring targets in our frontline mission critical occupations as well. In ICE, we have already filled over 58% of the 2,105 authorized positions for this fiscal year. FEMA is at the 90% mark in staffing or the first time. As the President committed to last year, we plan to have 17,819 Border Patrol Agents by the end of FY08 and 18,319 by the end of 2008. Furthermore, CBP, in partnership with the Federal Law Enforcement Training Center, has developed a plan within the current budget to train all of the agents at the Border Patrol Academy in Artesia, NM.

Our recruitment strategies will be designed to ensure that DHS reflects our Nation's diversity. The percent of Hispanic females and males in the DHS workforce is 4.59 and 12.11 respectively, with Hispanic males employed at twice the National Civilian Labor Force (CLF) rate. The percent of African-American females and males is 7.63 and 6.86 respectively, which also exceed CLF percentages.

Although we have achieved a well-balanced workforce, we must do better in ensuring that our leadership ranks reflect the Nation's diversity as well. In particular, the Secretary, Deputy Secretary, and I are committed to ensuring that the talent pool for Senior Executive Service positions is representative of our Nation as a whole.

We are broadening our efforts to encompass a wider range of human resource effectiveness with an initial focus on performance management. A performance-based management system compensates and rewards employees based on merit, that is, their performance and contribution toward the achievement of the Department's mission. Moreover, a performance-based management system requires work on everyone's part to collaborate and define requirements, establish targets towards desired results, and agree on management methods for measuring and evaluating success. Based on the results of the OPM survey, this is the area where we need to focus on first.

Building a performance-based, results-oriented culture at DHS is very important. This program is an integral part in the Department's strategy for building a single, unified DHS and linking individual performance with specific organizational goals. Furthermore, it will foster an environment of open communication and feedback between the supervisor and employee, and reward more productive and harder working employees.

To date, we've trained over 13,000 supervisors to properly develop performance measures and administer the new program and have implemented the program and its new automated system for over 14,000 employees. We will continue to expand coverage of the new performance management program in a way that allows us to seamlessly align DHS' strategy, vision and values across the Department.

Other efforts underway are captured in a recently issued two year Human Capital Operational Plan. Our five key priorities in the human capital area include:

1. Hiring and retaining a talented and diverse workforce
2. Creating a DHS-wide culture of performance – *Team DHS*
3. Creating high-quality learning and development programs
4. Implementing a DHS-wide integrated leadership service
5. Becoming a model of human capital service excellence

Since I have been at DHS I have had the opportunity to participate in the opening sessions of our SES candidate development program and our DHS Fellows program. I am excited with the quality, enthusiasm, and commitment of these future leaders of the Department knowing that we are just in the infancy stage of some these important efforts.

## **Financial Management**

The Department has many substantial challenges to overcome in its effort to improve its financial management processes and address GAO's expectations. Chief Financial Officer David Norquist and I are working to make measurable, demonstrable progress in the development and implementation of the following:

- Appropriate systems and processes that ensure clean audit opinions;
- Sound internal controls for financial reporting;
- Timely, accurate, and useful financial data collection for analysis; and
- Efficient financial management services.

Success in these areas rests upon a framework of policies, processes, systems and accountability. We have efforts underway in each of these areas that are directed by the "Internal Controls over Financial Reporting (ICOFR) Playbook" - a corrective action plan that includes Federal Government best practices for financial management. The Playbook was approved by Secretary Chertoff and issued throughout the Department. Through this playbook, we are aggressively working towards ensuring that our internal audit and control systems are in place to help us achieve the mission and execute the Department's strategy.

Of particular importance are internal controls. Sound internal controls are essential to effectively meet the Department's mission. DHS must have a process in place that can continuously test whether our internal controls are well-



designed and operating effectively. This means that management must not rely entirely on what outside auditors determine is wrong and be capable of independently addressing and preventing potential irregularities. This has been a major concern of the GAO and I believe we are addressing it smartly. In executing this effort, we work very closely with the Office of the Inspector General. Because of the importance of this effort, the CFO and I brief the Secretary monthly on the status.

We have also developed a strategy to migrate and reduce the number of our financial management systems across the department. This includes our approach for systems migration and configuration control, the order and schedule for migration, baseline(s) maintenance and to incrementally start providing greater visibility into financial activity through timely accurate and useful financial related data.

Additionally, we are working to ensure that the Department's grant programs have the necessary internal controls in place, are adhered to, and that funds to State and Local first responders are monitored to achieve success with measurable outcomes.

### **Information Technology**

In my early assessment of the Office of Management, I recognized that our Chief Information Officer, Scott Charbo, did not have the requisite authority over each of the DHS IT components and that the documented concerns of the GAO with respect to authority of the business chiefs was valid in this case. The Secretary agreed with my assessment and shortly thereafter issued a Management Directive to provide the CIO with such authority. This action now gives the CIO direct control and accountability over the budget, addresses the GAO high risk issue and in my opinion gives the DHS CIO more authority than any other CIO in the Federal Government.

We continue to address the other GAO issues mentioned in the area of information technology management. Utilizing information technology, the Department has established and institutionalized Department-wide business processes and systems to manage information. For example, the CIO heads the CIO Council, whose membership includes the CIOs from all of the DHS components. The council works to standardize business practices where it makes sense in order to improve information sharing. These efforts improve Department operations and reduce costs by eliminating duplicative IT systems.

In addition, DHS has awarded the EAGLE and FirstSource contracting agreements, the largest contracting vehicles in the Federal Government for the procurement of IT and program management services. This should result in more streamlined and cost-effective procurements across the Department.

Particular initiatives that have contributed toward improved information management at reduced costs include the following initiatives:

- The Department's Enterprise Architecture Board (EAB) reviews investments at various stages in the IRP and CPIC cycles.
- The EAB published the Homeland Security Enterprise Architecture Version 2007 to ensure best business practices and consistency.
- OMB gave an overall rating of "yellow" on the Homeland Security Enterprise Architecture 2007. However, we received a green for Completion and for Use. We are working to improve our reporting of savings.
- The enterprise architecture informs the creation of DHS strategic plans and all investment reviews.
- Consolidation of major networks and systems continues the reduction of seven wide-area networks and creation of one common e-mail platform.
- The first 24,000 square feet of a Department-wide primary data center has been opened in order to consolidate multiple disparate data centers into a more secure and cost effective environment. An additional 40,000 square feet is under construction and due to open in July.
- The contract for a second data center is currently in the source selection phase.

Presently, the Chief Information Officer is working closely with the Chief Financial Officer (CFO) and the Office of the Inspector General in order to implement an Internal Controls Assessment Project that will bring information security policy and actions to Federal Information Security Management Act (FISMA) standards. We are executing a plan to fix identified FISMA deficiencies and as of Q2 have obtained the following deliverables:

- Increased Department IT system certification & accreditation (C&A) from 22% in 2005 to 85% in 2007;
- Increased DHS system security controls testing from 54% to 82%
- Annual DHS-wide IT security awareness stands at 88% with training for certain specialized job functions at 97%;
- Integrated a baseline list of systems into DHS' budget and procurement process; and
- Key policies and procedures have been reviewed and revised to assure protection of personal identifiable information.

### **Key Processes**

The urgency and complexity of DHS' mission will continue to demand rapid refinement of our major processes. One of the biggest challenges we have is to continue to build our capability in the operational components and at the Department-wide level, while the ongoing day to day business moves at a fast pace. That dictates a measured approach in implementation. Since I assumed

the Under Secretary position we have instituted a new process for making Science and Technology investments by ensuring the technology being pursued fills a defined operational need or mission gap; instituted a new process for FY 09-13 planning involving the entire department with the objective of identifying the major issues and those that cut across the entire department in order to have adequate time to properly support the development of the FY 09 budget; and established the framework for a more responsive Investment review process.

### **Consolidate the Department of Homeland Security at St. Elizabeths**

We all agree that saving the taxpayer's money is important. Consolidating the Department of Homeland Security at the St. Elizabeths West Campus will result in a Net Present Value (NPV) taxpayer savings of \$1 billion over a thirty year period by consolidating private and public sector lease agreements.

Additionally, the Department also needs to reduce the total number of locations that house DHS components in the National Capital Region (NCR) to as few as possible in order to lower overall costs. The consolidation of mission support functions that can not be accommodated at St. Elizabeths also has the potential to achieve comparable cost avoidances through co-location of similar functions, elimination of redundancies, and economize shared services. This effort will right size the real estate portfolio resulting in DHS having 70 percent of its offices in less costly yet more secure Government-owned space.

Moreover, DHS's mission demands an integrated approach to protect our Homeland. Yet, the Department's legacy facilities are dispersed in more than 50 locations and 7.1 million Gross Square Feet (GSQF) of office space throughout the NCR. This dispersal adversely impacts critical communication, coordination, and cooperation across the Department. Consolidating executive leadership in a *secure* setting with sufficient office space for policy, management, operational coordination, and command and control capabilities at the St. Elizabeths West Campus is vital to the long-term mission success of the Department.

Consolidating our facilities will increase efficiency, enhance communication, and foster a "one-DHS" culture that will optimize Department-wide prevention and response capability. I have visited many of the DHS locations in the Washington DC area and am disheartened by the working environment provided for many of our people. Some of these facilities are not well-suited for mission requirements, and as the Department grows this will just exacerbate the situation. This seriously impacts our ability to recruit and retain people, when they have more appealing options in the Federal Government and clearly has a negative impact on morale for which we are often criticized.

I request that the Senate support this effort by authorizing and appropriating funding for DHS's consolidation at St. Elizabeths West Campus and the efficient realignment of off-campus locations.

**Conclusion:**

Secretary Chertoff has expressed that one of his key goals for DHS is to strengthen DHS core management, policy and operational integration. The other four are:

- Protect our Nation from dangerous people
- Protect the Nation from dangerous cargo and things coming into the country
- Protect and harden our critical infrastructure
- Strengthen our emergency preparedness and response

While my testimony today focuses on the management area, we have made significant progress in each of the other four mission areas. As the Department enters into its next stage of development to transform into an effective, integrated organization, it is important to keep in mind that this process is a marathon, not a sprint. We must develop sustainable, long-term processes which will build capabilities. While we certainly realize the importance of timeliness, we want to be proactive and forward-looking. To do so, we need to get correct systems in place. This takes time, but it is more beneficial, productive, and efficient in the long run. We are building for the future.

Thank you for your leadership and continued support of the Department of Homeland Security and its management programs. I know from my 4 months on the job that we have major challenges ahead. I look forward to working together in shaping the future and success of DHS with energy and enthusiasm. Thank you for this opportunity to be here today, and I would be pleased to respond to any questions that you may have.