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BEFORE THE

COMMITTEE ON HOMELAND SECURITY
U.S. HOUSE OF REPRESENTATIVES

CONCERNING

PREVENTING WASTE, FRAUD, ABUSE AND MISMANAGEMENT IN HOMELAND SECURITY – A GAO HIGH-RISK LIST REVIEW

MAY 7, 2014

Good morning Chairman McCaul, Ranking Member Thompson, and Members of the Committee. Thank you for inviting me here today to discuss high-risk areas at DHS identified by GAO.

In its report, *High-risk Series: An Update* (GAO-13-283, February 2013), GAO identified high-risk areas in the Federal government, including areas of particular concern at DHS. My testimony today will focus on some high-risk areas that we also identified in our December 2013 report, *Major Management and Performance Challenges Facing the Department of Homeland Security* (OIG-14-17), particularly in managing acquisitions.

Our work has shown that DHS' management of its acquisitions is not as effective and efficient as it could be. This problem stems from three main issues:

- First, DHS' unique mission requires multifaceted and sophisticated acquisitions. Whether acquiring a fleet of helicopters, building a border fence over hundreds of miles of varied terrain, or integrating and managing systems from diverse legacy agencies, DHS' requirements increase the complexity and risk of its acquisitions.

- Second, DHS is working toward a transparent, authoritative governing process — the Acquisition Lifecycle Framework (ALF) — which, if fully implemented, would lead to better oversight and guidance of acquisitions. Unfortunately, DHS components often do not follow this governing process (or any other) in carrying out their acquisitions, and DHS has had difficulty enforcing compliance.

- Third, the components' acquisition decisions often work counter to the Department's stated goal of "One DHS." In planning and managing acquisitions, components often operate in a vacuum; they fail to take into account the needs of other components or they fail to leverage other assets or acquisitions already underway.

We have made recommendations to improve the efficiency and effectiveness of DHS' programs and operations, and DHS has taken some steps to implement our recommendations. However, the Department continues to struggle with acting as an integrated, single entity to accomplish its mission.

Nature of the Risk

Acquisition management at DHS is inherently complex and high risk. It is further challenged by the magnitude and diversity of the Department's procurements. In FY 2013, DHS' Major Acquisition Oversight List included 123 programs; 88 (72 percent) of the programs were Level 1 or Level 2. Level 1 and Level 2 programs have life cycle costs of $300 million or more or have special departmental interest. Some examples of Level 1 and Level 2 acquisitions include:

- The United States Coast Guard's HC-144A Maritime Patrol Aircraft, a twin engine turboprop airplane designed for superior situational awareness, a reduced workload, and increased crew safety. Life cycle cost estimate – $24.9 billion

- U.S. Customs and Border Protection's (CBP) Automated Commercial Environment, a system to enable CBP to interact, manage, and oversee import and export data, and manage custodial revenue and enforcement systems. Life cycle cost estimate – $4.5 billion

- TSA's Screening Partnership Program, procures screening services from private companies at TSA airports. Life cycle cost estimate – $2.4 billion

- CBP's Mission Support Facilities to develop, plan, execute, and sustain facilities and infrastructure inventory to support CBP's Mission Support Offices nationwide. Facilities include administrative offices, training centers, laboratories, and warehouses. Life cycle cost estimate – $2 billion

- CBP's Integrated Fixed Towers, a system for automated, persistent wide area surveillance to detect, track, identify, and classify illegal entries. Life cycle cost estimate – $842 million

Combating the Risk: Acquisition Management Framework

Effective acquisition management requires careful planning and oversight of processes, solid internal controls, and compliance with laws and regulations. Acquisitions must be planned and managed through their entire life cycle to ensure that they are procured, deployed, and used efficiently and effectively.

DHS has developed a comprehensive acquisition framework of policies, procedures, and entities to streamline its acquisition practices and ensure that procured goods and services meet mission needs cost efficiently. This system should lead to informed investment decisions on goods and services that fulfill DHS' mission.

Acquisition Phases

DHS has adopted the Acquisition Life Cycle Framework (ALF), composed of the following four phases, to determine whether to proceed with an acquisition:

1. Need – identify the need that the acquisition will address;
2. Analyze/Select – analyze the alternatives to satisfy the need and select the best option;
3. Obtain – develop, test, and evaluate the selected option and determine whether to approve production; and
4. Produce/Deploy/Support – produce and deploy the selected option and support it throughout the operational life cycle.

Each phase of the ALF leads to an "Acquisition Decision Event" (ADE), a predetermined point at which the acquisition is reviewed before it can move to the next phase. The reviews are intended to ensure alignment of needs with DHS' strategic direction and adequate planning for upcoming phases.

The figure below shows the four phases of the ALF and each ADE.

ADE-0	Identify the need
ADE-1	Validate the need
ADE-2A	Approve the program
ADE-2B	Approve projects within the program
ADE-2C	Approve low rate initial production
ADE-3	Approve full rate production and deployment
ADE 4*	Project transition – a milestone unique to the Coast Guard, authorizes the project to move to sustainment

The ALF is a rigorous, disciplined process designed to result in cost-efficient acquisitions that can meet the Department's needs and help accomplish its mission.

Acquisition Entities, Policies, and Procedures

DHS' Office of Program Accountability and Risk Management (PARM) administers the ALF and oversees all major DHS acquisitions. PARM reports directly to the Under Secretary for Management and manages and implements the Department's *Acquisition Management Directive*. PARM is also responsible for independently assessing major investment programs and monitoring programs between formal reviews to identify issues.

DHS has established the following mechanisms to govern acquisitions:

- The Acquisition Review Board (ARB) – a cross-component board composed of senior-level decisionmakers. The ARB determines whether a proposed acquisition meets requirements and can proceed to the next phase and eventual production and deployment. Before every ADE, components must submit acquisition documents to the ARB for review, including a mission needs statement, capability development plan, and an acquisition plan.

- Quarterly Program Accountability Report – provides a comprehensive, high-level analysis of a program's vital signs provided to DHS leadership, component acquisition executives, and program managers.

- A Joint Requirements Council – reviews high-dollar acquisitions and recommends savings opportunities to the ARB.

- Centers of Excellence – two have been set up under PARM: Program Management Center of Excellence and Cost Estimating & Analysis Center of Excellence. Leadership staff and subject matter experts at the centers provide proven practices, guidance, and counsel on program management and cost estimating and analysis.

- The Decision Support Tool – a web-based central dashboard to assess and track the health of major acquisition projects, programs, and portfolios. The Department's goal is to improve program accountability and make sound strategic decisions throughout the life cycle of major acquisitions.

- Comprehensive Acquisition Status Report – provides information on the status of major acquisitions. Reports include information such as the current acquisition phase, the date of last review, life cycle cost estimate, and key events and milestones.

Failing to Follow the Framework Results in Problematic Acquisitions

However, as our work has shown, this process is not always followed. Several of our audits have highlighted DHS' challenge in establishing an overarching structure that fully integrates the components into overall governance, unified decisionmaking, and collective analysis.

<u>CBP's Acquisition of H-60 Helicopters</u>

In May 2013, we issued *DHS' H-60 Helicopter Programs (Revised)* (OIG-13-89), which illustrates the risks of deviating from the ALF. Although the Department had some processes and procedures to govern its aviation assets and provide oversight, the acquisition was not fully coordinated and acquisition costs, schedules, and performance were not controlled.

CBP did not take into account guidance from the DHS Office of the Chief Procurement Officer (OCPO) in its H-60 acquisition planning. In 2007, CBP's Office of Air and Marine submitted its congressionally mandated acquisition plan, which outlined how its aviation assets and acquisitions would support its mission. CBP leadership approved the plan to acquire 38 new and converted medium-lift helicopters and submitted it to the DHS OCPO.

On March 3, 2008, OCPO expressed its concerns about the program in a memo to CBP. According to OCPO, CBP needed to address substantive issues in the acquisition plan. CBP should have had two separate H-60 plans, and both should move independently through the acquisition review process, including ARB review. OCPO was also concerned that CBP–

- Had not clearly defined the acquisition's period of performance;
- Did not have a complete life cycle cost estimate;
- Had not completed a cost benefit analysis to compare upgrading its existing fleet to purchasing new helicopters; and
- Had not used various contracting best practices.

Just 3 days after receiving the memo from OCPO, CBP nevertheless continued with the H-60 acquisition by signing an agreement with the U.S. Army.

In March 2010, the ARB concluded that both CBP and the Coast Guard were pursuing H-60 conversions and directed the Coast Guard to collaborate with CBP, report on possible helicopter program synergies, and present a joint review within 75 days. The Coast Guard was not able to complete the review because CBP did not provide the needed information.

Subsequent attempts to push the acquisition into the ALF failed.

We recommended that DHS direct CBP to apply all ALF requirements to all its aviation-related acquisitions. DHS concurred with this recommendation, and CBP was directed to submit its plans to acquire aviation assets to PARM. According to DHS, the ARB would review and decide on CBP's aviation programs and projects as they progressed through the ALF.

Information Technology Investments

In August 2012, we issued *CBP Acquisition of Aviation Management Tracking System (Revised)* (OIG-12-104). We reported that although CBP had a joint strategy to unify its aviation logistics and maintenance system with those of the Coast Guard, it planned to purchase a new, separate system. This system would not be coordinated with the Coast Guard's already operational system. We concluded that the acquisition did not comply with the Secretary's efforts to improve coordination and efficiencies among DHS components. Acquiring the new system would also be a continuation of components' past practices of obtaining disparate systems that cannot share information. If CBP instead transitioned to the Coast Guard's system, it would improve tracking of aviation management and cost less than purchasing a new system.

DHS Governance of Aviation Assets

DHS historically has had little formal structure to govern the Department's aviation assets and no specific senior official to provide expert independent guidance on aviation issues to DHS senior management. The Department has intermittently issued policies and established various entities to oversee its aviation assets and operations, but it has not sustained these efforts. For example, DHS set up an Aviation Management Council in 2005, but oversight was inconsistent, and the council stopped meeting in 2007. In 2009, department-level oversight of DHS' aviation assets resumed. An Aviation Issue Team led by the Office of Program Analysis and Evaluation reviewed potentially colocating component aviation facilities, finding commonality in component aviation assets, and combining component aviation-related information technology systems.

In 2011, the Deputy Secretary established an Aviation Working Group, but the group did not have a charter, defined roles and responsibilities, or an independent aviation expert. It collected data on CBP and USCG missions, aircraft inventories, flight hours, and aviation resources; reviewed components' funding plans and opportunities for joint acquisitions; and considered an organizational structure for a department-wide aviation office. However, according to senior officials, without an authoritative expert, DHS was relying on unverified information from components to make aviation-related decisions.

In addition to challenges in establishing a structure to govern aviation assets, DHS has had difficulty bringing aviation-related acquisitions into the ALF. For example, CBP's Strategic Air and Marine Plan (STAMP) has an estimated life cycle cost of about $1.5 billion. STAMP encompasses all of CBP's aviation-related acquisitions used to detect, interdict, and prevent acts of terrorism near and across or across U.S. borders. CBP does not believe that STAMP should be subject to the ALF because the program existed before DHS established the framework. We contend (and have recommended) that individual programs and projects under STAMP should go through the ALF separately.

Unmanned Aircraft

In *CBP's Use of Unmanned Aircraft Systems in the Nation's Border Security* (OIG-12-85, May 2012), we reported that CBP had not adequately planned the resources needed to support its unmanned aircraft. CBP's plans to use the unmanned aircraft did not include processes to ensure that: (1) each launch and recovery site had the required operational equipment; (2) stakeholders submitted mission requests; (3) mission requests were prioritized; and (4) it obtained reimbursement for missions flown on stakeholders' behalf. Because these were not included, CBP risked having invested substantial resources in a program that underutilized resources and limited its ability to achieve its mission goals. Specifically, our audit showed that CBP had not achieved its scheduled or desired levels of flight hours for the unmanned aircraft. We estimated that seven unmanned aircraft should support 10,662 flight hours per year to meet the minimum capability and 13,328 flight hours to meet desired capability. However, staffing and equipment shortages, coupled with FAA and other restrictions, limited actual flight hours to 3,909 — 37 percent of the unmanned aircraft's mission availability threshold and 29 percent of its mission availability objective.

CBP's Advanced Training Center Acquisition

In February 2014, we issued *U.S. Customs and Border Protection's Advanced Training Center Acquisition* (OIG-14-47). We reported that CBP did not effectively oversee and manage the fourth phase of the acquisition of its Advanced Training Center. Although not subject to the ALF, CBP did not comply with Federal and departmental regulations governing acquisitions. CBP did not develop and execute the $55.7 million agreement with its service provider, the U.S. Army Corps of Engineers, according to Federal, departmental, and component requirements. In particular, CBP did not develop, review, or approve a required independent government cost estimate and acquisition plan prior to entering into the agreement. Key documentation supporting the agreement with the Corps of Engineers was either missing or incomplete. CBP also approved millions of dollars worth of contract modifications to the agreement without first ensuring the need and reasonableness of the modifications. In addition, CBP improperly used reimbursable work authorizations to transfer money for this project, as well as other construction projects. During our audit, CBP began taking action to ensure future compliance with all statutory requirements; CBP concurred with all our recommendations.

TSA's Advanced Imaging Technology

We issued *Transportation Security Administration's Deployment and Use of Advanced Imaging Technology (Revised)* (OIG-13-120) in March 2014. We reported that the Transportation Security Administration (TSA) did not develop a comprehensive deployment strategy for using advanced imaging technology (AIT) units — procured at a cost of nearly $150 million — at airports. Because TSA did not have reliable data to determine whether the units were effectively deployed, TSA decisionmakers could not implement efficiency improvements.

This occurred because TSA did not have a policy or process requiring program offices to prepare strategic acquisition or deployment plans for new technology that aligned with the overall goals of the Passenger Screening Program.

The AIT units did not undergo a standalone acquisition review, but were instead reviewed as part of the Passenger Screening Program. Because the AIT units met the Level 1 acquisition threshold, they should have gone through all the steps required for that level. TSA should also have developed a deployment strategy for the AIT units, but it only developed a deployment schedule.

Without documented, approved, and comprehensive plans, as well as accurate data on the use of AIT, TSA continued to screen the majority of passengers with walkthrough metal detectors. This potentially reduced AIT's security benefits, and TSA may have used resources inefficiently to purchase and deploy AIT units that were underused.

Failing to Use Acquisitions to Forge "One DHS"

In addition to failing to manage high-risk acquisitions through a governing process, DHS acquisitions often miss opportunities to ensure DHS acts in a concerted and efficient manner. DHS has struggled to become fully integrated. With 22 components and a range of missions, cooperation and coordination continue to be a challenge. The Department's structure sometimes leads to "stovepiping"— components operating independently and management often not cooperating and sharing information to benefit "One DHS." In an April 2014 memorandum for DHS leadership, the Secretary reiterated the need to strengthen the Department's "unity of effort."

During our recent audits, we identified several programs in which there was little or no cross-component coordination and communication and weak department-level authority. These led to cost inefficiencies and ineffective program management. Therefore, we made recommendations to enhance collaboration to improve both efficiency and effectiveness and prevent waste and abuse.

DHS Radio Equipment Program

DHS manages about 197,000 pieces of radio equipment and 3,500 infrastructure sites, with a reported value of more than $1 billion. We issued a pair of reports that highlighted the problematic nature of some of the acquisition processes for communications equipment.

In one of our audits, *DHS' Oversight of Interoperable Communications* (OIG-13-06, November 2012), we tested DHS radios to determine whether DHS components could talk to each other in the event of a terrorist event or other emergency. They could not. Only 1 of 479 radio users we tested — or less than one-quarter of 1 percent — could access and use the specified common channel to communicate. Further, of the 382 radios tested, only 20 percent (78) contained all the correct program settings for the common channel. In other words, DHS components could not talk to each other using $430 million worth of radios purchased nearly a decade after the 9/11 Commission highlighted the problem. They could not do so because DHS did not establish an effective governing structure with the authority and responsibility to ensure it achieved department-wide, interoperable radio communications. We also reported that without an effective governing structure and a concerted effort to attain interoperability, the Department's progress would remain limited.

DHS' plans to achieve interoperability are still in progress. The Department has drafted, but not finalized, a DHS Communications Interoperability Plan; it has extended the date of signature from April to September of this year.

In August 2013, we issued *DHS Needs to Manage Its Radio Communication Program Better* (OIG-13-113). We reported that without sound investment decisions on radio equipment and supporting infrastructure, DHS could not effectively manage its radio communication program. DHS had not implemented a governance structure with authority to establish policy, budget and allocate resources, and hold components accountable for managing radio programs and related inventory. Components were still independently managing their current radio programs with no formal coordination with the Department. They used different systems to record and manage personal property inventory data, including radio equipment. The components' inventory data also indicated they did not record radio equipment consistently in personal property systems. As a result, DHS was making management and investment decisions for the radio communication program using inconsistent, incomplete, and inaccurate real and personal property data.

We concluded that a department-wide inventory would help DHS prioritize its needs, plan its investments, and help plan future acquisitions and manage communication networks. DHS also needs a strong governance structure over its radio communication program. Thus, we recommended that the Department develop a single portfolio for radio equipment and infrastructure and establish a department-level point of accountability. In response to our recommendations, DHS said that because of budget constraints, it would include a timeline and resources for portfolio management in its FY 2016 Resource Allocation Plan. The Department was collecting data to develop a single profile of assets, infrastructure, and services; reviewing existing policies and procedures; and planning to revise its personal property manual by June 30, 2014.

<u>Cross-Border Tunnel Program</u>

In our audit of CBP's and U.S. Immigration and Customs Enforcement's (ICE) efforts to monitor and detect illegal cross-border tunnels (*CBP's Strategy to Address Illicit Cross-Border Tunnels,* OIG-12-132, September 2012), we reported that although CBP is creating a program to address capability gaps in countering the cross-border tunnel threat, it had not demonstrated how its detection strategy would consider ICE's needs.

CBP and ICE need coordination and oversight in developing these technologies because the Border Patrol's mission objective is to prevent illegal traffic from crossing the border while ICE's objective is to investigate and dismantle criminal organizations.

Without taking into account both components' needs, the Department risks not being able to disrupt criminal organizations that engage in cross-border smuggling. We made recommendations to improve consideration of CBP's and ICE's needs and to improve DHS' coordination and oversight of counter-tunnel efforts.

CBP took action on our recommendations, including formation of an Integrated Product Team, which includes relevant stakeholders. It also planned to draft required acquisition planning documents and submit the program to the ARB.

Aviation

Our audit of CBP's H-60 helicopter program showed that CBP did not properly oversee and manage the conversion and modification of its H-60 helicopters, which affected the cost-effectiveness and timely delivery of the converted and modified H-60s. We noted that increased cooperation between CBP and the Coast Guard in managing the conversion and modification of its H-60 helicopters would reduce redundancies and potentially save millions of dollars. Specifically, if CBP were to complete the conversions and modifications at a Coast Guard facility, it would save about $126 million and H-60s would fly 7 years sooner. The Department's own independent study confirmed that CBP would realize substantial savings by using the Coast Guard facility. Specifically, DHS estimated CBP could save at least $36 million and as much as $132 million in the cost of conversion alone. According to DHS, it could not be more precise because CBP did not provide sufficient data.

Mr. Chairman, this concludes my prepared statement. I welcome any questions you or other Members of the Committee may have.

Appendix

Major Management and Performance Challenges Facing the Department of Homeland Security, OIG-14-17, December 2013

Independent Auditors' Report on DHS' FY 2013 Financial Statements and Internal Control over Financial Reporting, OIG-14-18, December 2013

DHS' H-60 Helicopter Programs (Revised), OIG-13-89, May 2013

U.S. Customs and Border Protection's Management of the Purchase and Storage of Steel in Support of the Secure Border Initiative, OIG-12-05, November 2011

Transportation Security Administration's Deployment and Use of Advanced Imaging Technology, OIG-13-120, March 2014

DHS Needs to Manage Its Radio Communication Program Better, OIG-13-113, August 2013

United States Customs and Border Protection's Radiation Portal Monitors at Seaports, OIG-13-26, January 2013

DHS' Oversight of Interoperable Communications, OIG-13-06, November 2012

CBP's Strategy to Address Illicit Cross-Border Tunnels, OIG-12-132, September 2012

CBP's Use of Unmanned Aircraft Systems in the Nation's Border Security, OIG-12-85, May 2012

Unclassified Summary of Information Handling and Sharing Prior to the April 15, 2013 Boston Marathon Bombings, April 10, 2014

DHS Uses Social Media to Enhance Information Sharing and Mission Operations, But Additional Oversight and Guidance Is Needed, OIG-13-115, September 2013

DHS Can Make Improvements to Secure Industrial Control Systems, OIG-13-39, February 2013

CBP's and USCG's Controls Over Exports Related to Foreign Military Sales, OIG-13-118, September 2013

U.S. Customs and Border Protection Has Taken Steps to Address Insider Threat but Challenges Remain, OIG-13-118, Redacted, September 2013

DHS Needs to Strengthen Information Technology Continuity and Contingency Planning Capabilities, OIG-13-110, Redacted, August 2013

DHS Can Take Actions to Address its Additional Cybersecurity Responsibilities, OIG-13-95, June 2013

DHS' Efforts to Coordinate the Activities of Federal Cyber Operations Centers , OIG-14-02, October 2013

Homeland Security Information Network Improvements and Challenges, OIG-13-98, June 2013