

WRITTEN TESTIMONY OF

The Honorable Rafael Borrás

Under Secretary for Management

Management Directorate

U.S. Department of Homeland Security

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Chairman Duncan, Ranking Member Barber, and other distinguished members of the committee, I thank you for the opportunity to appear before you today to discuss how the Department identifies, evaluates and adopts acquisition best practices.

I wish to express appreciation to my colleagues from the Government Accountability Office (GAO) for their work to support the transformation of the Department of Homeland Security (DHS). Over the past four years, we have forged good working relationships and reached common ground on many issues. We continue to meet regularly to provide GAO officials with a better understanding of how we are methodically making positive change to improve acquisition management at DHS. I am gratified by their recent comments and actions that recognized the substantial progress made and we expect to sustain that progress given the changes made to solidify our management infrastructure, which includes policies, delegations, business intelligence, and governance.

To best illustrate the significant progress made in the past four years, the GAO in its 2009 High Risk report cited the Department as High Risk because it had not developed a “comprehensive plan to address the transformation, integration, management, and mission challenges GAO identified in 2003.” Since 2009, not only have we forged a comprehensive integration strategy, we have also demonstrated substantial progress, which led GAO to acknowledge in their 2013 High Risk report that, “Significant progress has been made to transform and integrate the Department into a more cohesive unit.” As such, GAO decided to narrow the scope of the Department’s High Risk designation. In fact, they stated in December 2012 that, “the Department has made substantial progress in many areas and if their *Integrated Strategy* is fully implemented, they are on a path to be removed from the High Risk List.” Any progress we have made is the direct result of an across-the-board commitment by Operational Components and Headquarters offices to follow a clear and logical strategy. This progress has been reinforced by the willingness of our Components and Line-

of-Business Chiefs to leverage best practices in both the procurement and program management disciplines.

OVERVIEW OF DHS PROCUREMENT PORTFOLIO

In FY 2012, the Department procured over \$12.4 billion in goods and services directly linked to the DHS mission – to prevent terrorism and enhance security, secure and manage our borders, enforce and administer our immigration laws, safeguard and secure cyberspace, and ensure resilience to disasters – all of which provide essential support to national and economic security. Among the best acquisition practices we have adopted from world class organizations include: increasing the competition rate, enhancing the Nation’s industrial base by investing in small businesses, and finally, standardizing our commodities and services through strategic sourcing.

Competition

I am pleased to report that in FY 2012 over 72 percent of our eligible contracts were awarded competitively, which far exceeded the government-wide average of 63 percent. We were able to do this by strengthening the Competition Advocacy structure across the Department, establishing annual Component goals for increased use of competitive processes, carefully monitoring progress against those goals, and expanding communications with industry to ensure thorough market research is accomplished.

Awards to Small Businesses

We also continue to award many of our contracts to small and minority-owned businesses. The Small Business Administration (SBA) recently announced that DHS earned its 4th consecutive “A” rating, which makes DHS the only agency among the top seven federal spenders to achieve that

feat. In FY 2012 alone, DHS awarded \$ 3.94 billion in small business contracts. This included \$880 million in contracts to veteran-owned small businesses, including \$684 million to service disabled veteran-owned businesses. DHS also has a strong record of supporting small disadvantaged businesses. In FY 2012 alone, the Department awarded \$1.7 billion in contracts to African American, Hispanic, Native American, Asian Pacific, and Subcontinent Asian owned small businesses, including \$762 million in awards under the 8(a) Business Development Program.

Strategic Sourcing

Another best practice we have institutionalized is strategic sourcing, which improves efficiency by standardizing purchases for common goods and services. I recognize that in this budget constrained environment, it is increasingly important that agencies focus on fiscal responsibility and ensure the Federal Government utilizes taxpayer dollars in the most efficient manner possible. Strategic sourcing enables this goal and saves the Federal Government money by leveraging purchasing volume and focusing on reducing the total cost of ownership.

The Administrator of the Office of Management and Budget's (OMB) Office of Federal Procurement Policy recently stated that strategic sourcing is the Administration's top priority for procurement. DHS is recognized as a leader in the federal strategic sourcing space by GAO, OMB, and Congress. DHS has achieved savings of over \$1.7 billion from strategically sourcing products and services across all DHS Components. DHS has implemented 56 strategic sourcing initiatives, covering over 450 separate contracts. Fourteen of these initiatives were awarded in FY 2012. This year, DHS has awarded another 12 new initiatives. Our strategic sourcing program also benefits small business. In FY 2012, over 3,000 strategic sourcing contracts were awarded to small businesses, totaling \$381 million. This dollar value represents 34 percent of the total strategic sourcing dollars awarded by DHS, which exceeds the goal established by the SBA.

DHS shares the strategic sourcing concept of operations, reporting and analysis methodologies and templates, tools, techniques, and other best practices learned from our many years of experience and strategic sourcing successes. This serves not only as a savings multiplier, but it also grows the strategic sourcing capability and knowledge base across the entire Federal Government.

ACQUISITION PROGRAM MANAGEMENT

Over the past four years, DHS has adopted many program management best practices. From the private sector, we've institutionalized principles like risk-based oversight, evaluation of major investments through portfolio management, and access to reliable data from matured business intelligence to track the progress of investments throughout their life cycle.

Each of these principles has resulted in the advancement of Integrated Investment Life Cycle Management (IILCM). IILCM is a transformational concept to integrate all phases of the Department's multi-billion dollar budget and investment/acquisition management process. The framework provides critical linkages between Strategy, Capabilities and Requirements, Programming and Budgeting, and Investment Oversight phases to ensure the effective execution of federal funds to support strategic priorities.

IILCM was signed into policy by Secretary Napolitano in February 2013 and the framework is being piloted through March 2014 using the cybersecurity, biodefense and common vetting portfolios. The best practices gained from the pilot experience will inform the Management Directives and Instructions that will institutionalize IILCM across the Department for the future.

In order to strengthen Department-wide program management, the Office of Program Accountability and Risk Management (PARM) was created in 2011 and modeled after best

practices in the private sector. It continues to provide centralized oversight for all major acquisition programs. To date, this oversight has resulted in:

- 136 Acquisition Review Boards (ARB)
- 249 Acquisition Decision Memoranda (ADM)
- Three (3) cancelled major acquisition programs and eight (8) paused programs.

PARM also provides independent assessments and monitoring of programs between formal reviews of major acquisition programs to identify any emerging issues that the ARB needs to address to keep the programs on track. Finally, PARM works with the Business Intelligence program management office to enhance business intelligence and improve ARB decision making.

Management Directive (MD) 102-01 has been institutionalized and is recognized by all Component Executives as the standard acquisition policy roadmap to manage their programs. The ARB has a broad span-of-control and has authorized low risk/high impact programs the authority to proceed. The ARB has institutionalized an effective Component Acquisition Executive (CAE) structure that serves as the single point of accountability for programs within the Components and also guides managers of major investments through the acquisition governance process.

One of the top priorities during my tenure is to ensure best practices are properly evaluated and tested, but only adopted if they prove to be cost effective and contribute to improved efficiency. The Department has a long history of partnering with DoD to leverage best practices and methodologies to help guide the development of our policies, processes, and structures. Further, we have also established mechanisms to evaluate the effectiveness of assets and technologies that were deemed by DoD to be obsolete or excess for complex military usage. In fact, while many DoD processes, assets, and technologies have proven quite useful to DHS, in some cases, not all assets and technologies are deemed suitable given the cost and time it takes to customize it for non-combat use. Before committing to a technology exchange or asset transfer, DHS conducts detailed

operational assessments and cost analyses to understand the cost and technical impact(s) these technologies would have on the DHS operations and support chain.

Another aspect of assessing cost impact is to fully understand the total cost of ownership, which includes maintenance, operations, and upgrades during the remaining operational life of the asset. For example, evaluation teams at U.S. Customs and Border Protection (CBP) revealed additional unfunded costs associated with recoding software, modifying technology, and retrofitting certain assets before deploying border sensor equipment. Accordingly, DHS determined the exchange from DoD would not be cost efficient given the externalities involved.

While DHS and DoD have many similarities, there are key mission-related differences. For example, DoD's mission is designed to operate in hostile combat theaters around the world and, therefore, their standards, processes, hardware, and systems often require a more rigorous "military hardening" standard. Researchers and analysts from the Science and Technology (S&T) Directorate have discovered that the "military hardening" standard inherent for the designs and tolerances for military ships, aircraft, unmanned aerial systems (UAS), and border sensor equipment, sometimes makes what appears to be a simple transfer of these assets extremely complex and inordinately expensive.

Another example of a key difference with DoD is the way people are trained and assigned to operate systems. DHS uses front-line Border Patrol Agents to operate systems because they know the operational environment and can best communicate with the agents responding in the field. DHS finds it most effective to have agents who can go back and forth between typical agent duties in the field and technology operator duties at a station. For high-technology systems, DoD often creates specialty codes with specialist training that can last several months. This approach does not align with the Department's needs. As a result, a part of the DHS evaluation involves determining how Operational Components can adapt the systems so that agents can operate them without

extensive specialization and training. The following list identifies the best practices adopted from DoD by DHS:

1. The Chief Acquisition Executive (CAE) model comes directly from DoD's Service Acquisition Executive (SAE) concept.
2. The MD-102-01 is modeled after DoD's 5000 series publication.
3. DHS' governance structure (ARB/IRB) is modeled directly after DoD's Defense Acquisition Board (DAB) process.
4. DHS' acquisition documents (Operational Requirements Document (ORD), Integrated Logistics Support Plan (ILSP), Test and Evaluation Master Plan (TEMP), Analysis of Alternatives (AoAs), Life Cycle Cost Estimates (LCCEs), etc.) come directly from DoD best practices and document the planning and analysis that is required.
5. DHS' requirements approval process is modeled directly after DoD practices. For example, ORDs go to our equivalent of DoD's Joint Requirements Oversight Council (JROC). As IILCM is deployed, investment management will expand beyond acquisitions to include; people, structures, systems and all capital assets.
6. The Department's requirement for independent oversight of the Office of Test and Evaluation (OT&E) comes directly from DoD best practices.
7. CBP created an operational requirements and OT&E staff organization, modeled after joint staff processes, and interacted directly with DoD personnel to help design the organization and processes.
8. CBP participated with DoD in a variety of technology demonstrations to help identify potential systems and assess their effectiveness. One example of this is DoD's Thunderstorm Program. Most recently, joint DHS/DoD demonstrations of various surveillance and C2 technologies were conducted in and around the coast off of the Rio Grande Valley in south Texas.
9. The USM, DHS Under Secretary for Science and Technology, and DoD's USD Acquisition Technology and Logistics (AT&L) co-chair the Capability Development Working Group (CDWG), which provides oversight and strategic direction for joint DoD/DHS R&D and acquisition activities. It also allows for sharing and collaboration on best practices—which is a two-way exchange. For example, DHS is providing enhanced capability related to cost-estimating practices to DoD.
10. CBP modeled initial Analysis of Alternatives (AoA) activities (especially for SBInet and the successor Arizona Technology Plan) on DoD practices, and had the U.S. Air Force's (USAF's) AoA center of excellence review and assess the completeness and effectiveness of our process and results.
11. U.S. Coast Guard (USCG) procures C-130Js through the USAF and equips them with communications and sensor packages that are suitable for the USCG mission set. This enables the USCG to achieve economies of scale with the airframe and follow-on logistics support and parts, while achieving the required capability.
12. Acquisition workforce training is an area where implementing DoD models can be a challenge. While DoD has access to the defense acquisition workforce development funds

(DWDF) and is subject to DAWIA, civilian agencies have not been resourced at the same level. Additionally, the acquisition certification requirements are diverging between defense and civilian employees.

13. The USCG MSAM, DHS D102, Systems Engineering Life Cycle (SELC), Workforce Certification processes are derived from DoD model and tailored to USCG/DHS-specific needs. In addition, USCG leverages DoD best practices for guides and processes, including CG Risk Management (DoD RM guide) and Systems Safety (MIL-STD 882).
14. USCG Project Resident Offices (on-site contract oversight) are based on similar Defense Contract Management Agency (DCMA) offices.
15. In addition, USCG uses formal agreements (MOAs/MOUs) to obtain U.S. Navy, USAF, U.S. Army (USA), and Defense Agency expertise, practices and capabilities. Examples of these include:
 - C-130 contracting for new and upgraded HC-130s with the Air Force.
 - NSC Weapons Systems certification from Naval Sea Systems Command (NAVSEA).
 - FRC and HC-144A OT&E with Navy Commander Operational Test and Evaluation Force (COMOPTEVFOR).
 - RB-M / RB-S & Cutter Boats T&E with Naval Surface Warfare Center, Carderock Division.
 - H-60/H-65 Avionics expertise and contracts for equipment purchases from the USA.
 - NSC, FRC & OPC life cycle cost estimates from NAVSEA.
 - C4ISR ¹ expertise from the Navy Space and Naval Warfare Systems Command.
 - Unmanned Aircraft Systems (UAS) development, and aircraft certification from Naval Air Systems Command (NAVAIR).

CONCLUSION

The Department has made steady progress to improve the acquisition management discipline. While there is still additional work to do, we feel that the infrastructure enhancements position the Department to sustain the significant progress made over the past four years. As indicated by GAO in the February 2013 report, the Department is clearly more integrated and operating as a single unit. We will continue to focus on reducing risk, building quality controls into

¹ C4ISR - Command, Control, Communications, Computers, Intelligence, Surveillance and Reconnaissance

our oversight function, and leveraging business intelligence to identify problem areas before they reach a critical state.

Once again, I thank you for the opportunity to appear before you today, and I look forward to answering your questions.