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CONCERNING

**DHS ACQUISITION PRACTICES: IMPROVING OUTCOMES FOR TAXPAYERS
USING DEFENSE AND PRIVATE SECTOR LESSONS LEARNED**

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Good afternoon Chairman Duncan, Ranking Member Barber, and Members of the Subcommittee. Thank you for inviting me here today to discuss the Department of Homeland Security's (DHS) acquisition practices.

Acquisition management is a complex, but critical process made more challenging by the magnitude and diversity of the Department's procurements. Effective acquisition management requires careful planning and oversight of processes, solid internal controls, and compliance with laws and regulations. DHS is making progress in creating 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. Nevertheless, the Department continues to be challenged in implementing sound acquisition practices.

In my testimony today, I will provide some background information on DHS' acquisition management and then focus on two recent audits that illustrate challenges facing DHS' acquisition management, that is, the Department's ability to establish an effective, high-level governing structure to coordinate department-wide assets and guide investment decisions, gather reliable inventory data, develop acquisition strategies and plans, and oversee the acquisition process to ensure compliance with established policies. Such a governing structure would assist DHS in identifying efficiencies, preventing waste, and allocating resources across the Department.

DHS' Acquisition Management Policies and Entities

Acquisition management is a complex process that goes beyond simply awarding a contract. It begins with the identification of a mission need and continues with the development of a strategy to fulfill that need while balancing cost, schedule, and performance. Acquisition management also entails managing operational and life cycle requirements — from formulating concepts of operations, developing sound business strategies, and exercising prudent financial management to assessing tradeoffs and managing program risks.

DHS has issued policies and procedures and established various entities to oversee its components' acquisitions. Specifically, *Acquisition Management Directive 102-01* (MD 102-01) provides overall policy and structure for acquisition management in the Department.

In fiscal year (FY) 2011, the Department created the Office of Program Accountability and Risk Management (PARM), which is responsible for overseeing all of DHS' major acquisitions. PARM reports directly to the Under Secretary for Management, manages and implements MD 102-01, serves as the Executive Secretariat to the Acquisition Review Board (ARB) and the Component Acquisition Executive Council, and guides managers of major investments through the acquisition governance process. PARM also provides independent assessments of major investment programs and works with DHS partners to enhance business intelligence to inform ARB decisions. It monitors programs between formal reviews to identify emerging issues that DHS needs to address. DHS has established a Joint Requirements Council to review high-dollar acquisitions, that is, Level 1 acquisitions that exceed \$1 billion and Level 2 acquisitions of \$300 million to \$1 billion, and to make recommendations to the ARB on crosscutting savings opportunities. DHS also created Centers of Excellence to assist in improving performance.

The Department has also developed the Decision Support Tool to aid in monitoring and oversight. This web-enabled tool provides DHS leaders, governance boards, and program managers with a 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 to strengthen the ability to make sound strategic decisions throughout the life cycle of major acquisitions. On October 1, 2011, the Decision Support Tool became the official source of Acquisition Decision Event (ADE) information and data; it is used to provide ARBs with standardized information.

On February 13, 2012, DHS issued a memorandum to all components and programs to ensure that, on a monthly basis, all acquisition program information reported in the Department's existing data systems is complete, accurate, and valid.

DHS envisions becoming more data driven, with emphasis on the criticality of maintaining quality data in its source systems. The Department created the Comprehensive Acquisition Status Report (CASR), which provides the status of DHS major acquisitions listed in the *Department of Homeland Security Major Acquisition Oversight List*. The new CASR format increases the quality of information and can be produced more quickly. As the Department's business intelligence capability and data fidelity efforts continue to mature, the condensed timeline will leverage Decision Support Tool automation data to feed the CASR in real time.

Acquisition Life Cycle Framework

The Department classifies acquisitions into three levels to define the extent and scope of required project and program management and the specific official who serves as the Acquisition Decision Authority. The Department oversees level 1 and level 2 acquisition programs. For level 1 acquisitions, those that equal or exceed \$1 billion, the Acquisition Decision Authority is the Deputy Secretary. For level 2 acquisitions of \$300 million to \$1 billion, the Acquisition Decision Authority is the Chief Acquisition Officer. Components are responsible for the oversight and controls for acquisition programs below the \$300 million threshold.

DHS adopted the acquisition life cycle framework (ALF) to assure consistent and efficient acquisition management, support, review, and approval throughout the Department. The framework is designed to ensure that acquisitions are stable and well-managed; that the program manager has the tools, resources, and flexibility to execute the acquisition; that the product meets user requirements; and that the acquisition complies with applicable statutes, regulations, and policies.

The DHS ALF is a four-phase process that DHS uses 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. Product/Deploy/Support – produce and deploy the selected option and support it throughout the operational lifecycle.

Each phase leads to an ADE, a predetermined point within an acquisition phase at which the acquisition will undergo a review prior to commencing the next phase. The review is designed to ensure that needs are aligned with DHS' strategic direction, and that upcoming phases are adequately planned.

Prior to every ADE, components are required to submit acquisition documents to the ARB for review, including:

- **Mission Needs Statement:** Synopsizes specific functional capabilities required to accomplish the Department's mission and objectives, along with deficiencies and gaps in these capabilities.
- **Capability Development Plan:** Defines how critical knowledge to inform decisions will be obtained, defines the objectives, activities, schedule, and resources for the next phase.
- **Acquisition Plan:** Provides a top-level strategy for future sustainment and support and a recommendation for the acquisition approach and types of acquisition.

Each phase ends with a presentation to the ARB, the cross-component board in the Department composed of senior-level decision makers. The ARB determines whether a proposed acquisition meets the requirements of key phases in the ALF and is able to proceed to the next phase and eventual full production and deployment.

The Acquisition Review Process is followed to prepare for an ARB and to ensure appropriate implementation of the ARB's decisions.

DHS' Management of its Aviation Assets and CBP's H-60 Acquisition

In our May 2013 report, *DHS' H-60 Helicopter Programs* (OIG-13-89, Revised), we noted that the United States Coast Guard (USCG) properly managed its H-60 helicopter program, but the Department and U.S. Customs and Border Protection (CBP) did not effectively oversee or manage the acquisition, conversion, and modification of CBP's H-60 helicopters.

DHS established processes and procedures to govern its aviation assets and provide acquisition oversight. However, these efforts did not fully coordinate the acquisition, conversion, and modification of DHS aviation assets, and did not control acquisition costs, schedules, or performance. Department governance of aviation assets has been sporadic, and acquisition oversight in some components has been ineffective. As a result, DHS has not implemented a comprehensive aviation strategy and did not properly oversee CBP's acquisition of the H-60s.

DHS Governance of Aviation Assets

DHS has no 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. Over the past 9 years, DHS issued policies and established various entities to oversee its aviation assets and operations, but it did not sustain these efforts.

Since 2003, senior managers realized the need for a high-level structure to integrate the Department's components and help link cross component aviation missions and capabilities. Over time, this oversight structure included department-level management, with an Aviation Management Council started in 2005. Oversight was inconsistent, and the Aviation Management Council stopped meeting in 2007.

In 2009, Department level oversight of DHS' aviation assets resumed. DHS' Office of Program Analysis and Evaluation (PA&E) ensures that components' operational plans align with the Department's needs and resources. A PA&E-led Aviation Issue Team reviewed potentially collocating component aviation facilities, finding commonality in component aviation assets, and combining component aviation related information technology systems. The Under Secretary for Management recommended re-establishing the Aviation Management Council to lead DHS' efforts to strategically align aviation assets across the Department's components to improve effectiveness, efficiency, and interoperability.

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 beginning in FY 2019; and considered an organizational structure for a department-wide aviation office. However, according to senior PA&E officials, without a dedicated, independent aviation expert to lead an authoritative, decision making entity, the Department was relying on unverified, component-provided information to make aviation related decisions.

DHS Oversight of CBP's H-60 Acquisition Program

DHS did not properly oversee CBP's acquisition of its H-60s. CBP did not take into account guidance from DHS' Office of the Chief Procurement Officer (OCPO) on its H-60 acquisition plan. In addition, PARM did not conduct a complete review of CBP's H-60 program because the Department did not ensure that CBP followed departmental acquisition guidance and properly participated in the ARB process or coordinated with the ARB.

In 2007, CBP's Office of Air and Marine submitted its congressionally mandated acquisition plan, the *CBP Air and Marine National Strategic Plan 2007–2012*, which outlined how its aviation assets and acquisitions would support its mission. CBP approved its plan for acquiring 38 new and converted medium-lift helicopters on February 7, 2008, and submitted the plan to the OCPO.

In a March 3, 2008, memorandum to CBP, the OCPO noted that the acquisition plan included substantive issues that needed to be addressed. According to the OCPO, CBP should have had two separate H-60 plans, and both plans should independently go through the acquisition review process, which includes ARB review. The OCPO was also concerned that CBP–

- Had not clearly defined the period of performance for the acquisition;
- 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.

Although they were aware of these concerns, CBP officials continued with the acquisition, signing an Interagency Agreement with the Army 3 days after receiving the OCPO memo.

According to a PARM official, CBP officials did not consider its Strategic Air and Marine Plan (StAMP) to be subject to the acquisition review process because the plan existed before the current acquisition review process had been established. However, according to MD 102-01, dated January 2010, the directive was to apply to all existing acquisition programs “to the maximum extent possible.”

In addition, in a September 2011 StAMP briefing, CBP acknowledged that the conversion and modification of its 16 H-60 Alphas to Limas was still in the acquisition phase. Therefore, CBP’s StAMP acquisition programs were subject to the acquisition review process, and CBP’s H-60 acquisition, conversion, and modification programs should have participated more transparently in the ARB process.

In a March 11, 2010, Acquisition Decision Memorandum (ADM), the ARB concluded that CBP and the USCG were both pursuing H-60 conversions, and that it was important to understand whether the USCG H-60 conversion programs were compatible with CBP’s prospective conversions and modifications. The ARB directed the USCG to collaborate with CBP and report on possible helicopter program synergies and present a joint review within 75 days.

The USCG hosted CBP officials at its Aviation Logistics Center, but both USCG and CBP officials said that a senior CBP executive canceled any reciprocal visits by USCG officials to CBP sites and instructed CBP H-60 program personnel not to have any further contact with USCG H-60 officials. Without CBP’s cooperation, the USCG was unable to complete the joint review. PARM did not provide any further official direction to the components on the incomplete review, and the ARB did not determine why the joint review was not presented within the 75 days.

In a June 17, 2011, ADM, the ARB directed CBP to prepare for a program review. The ARB intended for CBP to document its acquisition program baselines, as well as present program acquisition documentation, to comply with MD 102-01. CBP provided its response to the June 17, 2011, ADM on September 23, 2011, and the official ARB review was cancelled.

As a result, PARM sent a draft ADM to CBP that “found the StAMP program to be non-compliant” for the following reasons:

- CBP’s “inability to submit an acquisition program baseline for approval;”
- CBP’s “failure to submit other acquisition documentation in accordance with MD 102-01 for review and adjudication;” and
- CBP’s “inability to provide authoritative life cycle costs with supporting documentation for review and adjudication.”

PARM did not issue a final signed ADM and acknowledged the limited effectiveness of providing a draft ADM to CBP. If PARM had issued a signed ADM documenting CBP's noncompliance, CBP would have been required to respond with an action plan addressing the identified issues.

In July 2012, a PARM official confirmed the need to divide CBP's StAMP into separate programs so the Department would have greater visibility into the numerous acquisition programs and projects included in the plan.

Conclusion and Recommendations

The Department could better govern its aviation assets under a formal entity led by a senior-level DHS employee with appropriate authority. In addition, CBP's H-60 programs remain subject to review and should participate in the ARB process. Therefore, we recommended that the Deputy Secretary direct CBP to apply all the requirements of the Acquisition Life Cycle Framework in MD 102-01 to each individual program or project within StAMP. DHS concurred with this recommendation, and CBP was directed to submit StAMP to PARM, which will oversee the plan in accordance with MD 102-01. Certain existing projects and new acquisition programs or projects that are currently part of StAMP will be required to progress through the acquisition life cycle. The ARB will make an acquisition decision as the programs and projects progress through the acquisition life cycle.

DHS' Management of its Radio Communication Program

In our August 2013 report, *DHS Needs to Manage Its Radio Communication Program Better* (OIG-13-113), we noted that DHS is unable to make sound investment decisions for radio equipment and supporting infrastructure because it is not effectively managing its radio communication program. DHS does not have reliable department-wide inventory data or an effective governance structure to guide investment decision-making. As a result, DHS risks wasting taxpayer funds on equipment purchases and radio system investments that are not needed, sustainable, supportable, or affordable. Two DHS Components we visited stored more than 8,000 radio equipment items valued at \$28 million for a year or longer at their maintenance and warehouse facilities, while some programs faced critical equipment shortages.

DHS Components use different systems to record and manage personal property inventory data, including radio equipment. Components' inventory data indicates they do not record radio equipment consistently into their respective personal property systems. Our analysis and onsite testing of CBP, U.S. Immigration and Customs Enforcement (ICE), the United States Secret Service (USSS), and the USCG radio equipment inventories at technical maintenance facilities and warehouses indicated the inventories were inaccurate or incomplete. USSS and CBP also did not record new radio equipment in their inventory systems.

The four DHS Components we reviewed did not report infrastructure real property inventory data consistently in the Real Property Inventory System (RPIS), and they also reported incomplete and inaccurate infrastructure real property data. The data the system captures is not

sufficient to manage the radio communication program. Although it contains basic data fields for capturing elements needed to manage real property, RPIS does not capture the comprehensive data needed to manage radio programs. Managing radio programs and infrastructure is not limited to real property information, but also includes knowing the network, the backhaul (how the signal is transmitted), operating frequencies, and the type of equipment installed at each radio site. The DHS Office of Emergency Communications' *System Lifecycle Planning Guide*, dated August 2011, points out the importance of capturing this type of information in managing a radio system.

DHS does not have an effective governance structure over its radio communication program. Specifically, DHS has 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. During a prior audit of oversight of radio communication interoperability, DHS said that it established a structure with authority to ensure Components achieve radio communications interoperability. However, that authority is limited to the acquisition and management of future communication networks. Components are independently managing their current radio programs with no formal coordination with the Department. As a result, management and investment decisions for the current DHS radio communication program are made using inconsistent, incomplete, and inaccurate real and personal property data.

Unreliable department-wide radio inventory data has made it difficult for DHS officials to identify radio infrastructure and other resources that Components could share to achieve cost savings or address critical shortages. DHS also risks wasting taxpayer dollars because of its ineffective management of radio equipment. For example, CBP and ICE stored 8,046 radio equipment items valued at \$28 million at maintenance facility warehouses for a year or longer, while some CBP program offices faced critical equipment shortages. In addition, two Components purchased radio equipment that was never used in operations, while a third Component needed the same equipment.

DHS is managing radio equipment and systems separately as personal property and real property rather than as a portfolio. A portfolio management approach is key to achieving a balanced mix of executable programs and ensuring a good return on investments when determining needs and allocating fiscal resources. Portfolio management is also central to making informed decisions about the best way to allocate available equipment to ensure the right equipment is at the right locations and in the quantities needed to conduct mission operations.

Conclusion and Recommendations

DHS needs a reliable department-wide inventory to help it plan, budget, schedule, and acquire upgrades and replacements of its radio systems and equipment. A department-wide inventory will help DHS prioritize its needs and plan its investments to make the most efficient use of available resources. It will also assist with planning for the acquisition and management of future communication networks. DHS also needs a strong governance structure over its radio communication program with adequate authority and resources to establish policy, make resource allocation and investment decisions, and hold Components accountable for managing radio programs and related inventories. A portfolio management approach to the DHS radio

communication program would help ensure DHS receives a good return on investment when determining needs and allocating fiscal resources.

DHS estimated that it would need \$3.2 billion to modernize its radio systems to meet its needs, and awarded a \$3 billion department-wide strategic sourcing contract in March 2012 for this purpose. However, the cost efficiencies that DHS seeks to achieve from a strategic sourcing contract for radio equipment may potentially be negatively affected by poor procurement or inventory management practices.

DHS concurred with both of our recommendations and began taking corrective actions to develop and implement department-level portfolio management of tactical communications. The Joint Wireless Program Management Office has also made significant progress in collecting the data necessary to develop a single profile of DHS assets, infrastructure, and services across Components. DHS also said it will complete a review of existing policies and procedures and will revise, as necessary, its personal property manual to align with the findings.

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