

Statement of  
Stan Soloway  
President & CEO  
Professional Services Council

“DHS Acquisition Practices: Improving  
Outcomes for Taxpayers Using Defense and  
Private Sector Lessons Learned”

U.S. House of Representatives  
Homeland Security Committee  
Subcommittee on Oversight and Management  
Efficiency

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Mr. Chairman, Congressman Barber, Members of the Subcommittee. Thank you for the invitation to testify before you this afternoon on behalf of the Professional Services Council's 370 member companies and their hundreds of thousands of employees across the nation.<sup>1</sup> As DHS enters its second decade of existence, the time is right to assess what more can be done to improve overall mission outcomes at the department.

### The PSC Commission and DHS

In fact, such a review is not just suitable for DHS, but for the government as a whole. It was with that intent that PSC launched, in January of this year, its Leadership Commission. The PSC Leadership Commission, comprised of 19 members of the PSC Board of Directors, was spurred to action in large part as a result of the findings of PSC's fifth biennial Acquisition Policy Survey, which suggested that after more than a decade of trying to address well documented shortcomings in federal acquisition, including human capital planning and workforce training, and despite the investment of unprecedented financial resources, little has changed.<sup>2</sup> The commission was also spurred by a series of conversations with congressional staff who were also searching for new ideas to help address seemingly intractable challenges.

Through six months of deliberations and dialogue with federal acquisition, information technology and human capital professionals, the commission reached a set of findings and recommendations that will significantly inform my testimony today. Indeed, for DHS in particular, where nearly 30 percent of the agency's budget goes to acquisition, and information technology is key to all of its operational needs, the commission's work holds substantial relevance. That relevance is heightened by the fact that DHS's acquisition leadership has already demonstrated an understanding of these challenges and an openness to new strategies for improving the department's performance.

Let me therefore start with a brief summary of the commission's findings. With your permission, I would like to submit the entire commission report for the record.

### An Underappreciated Set of Crises

Overall, the commission's findings can be summarized as follows:

- The government is in the midst of a human capital crisis that is largely being ignored or underestimated. The crisis is marked by astounding demographic imbalances, especially in the technology workforce, a stark struggle in attracting key talent, a quickly escalating pace of retirements, and, according to our government colleagues, significant gaps in core acquisition competencies;

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<sup>1</sup> For 40 years, PSC has been the leading national trade association of the government professional and technical services industry. PSC's more than 370 member companies represent small, medium, and large businesses that provide federal agencies with services of all kinds, including information technology, engineering, logistics, facilities management, operations and maintenance, consulting, international development, scientific, social, environmental services, and more. Together, the association's members employ hundreds of thousands of Americans in all 50 states.

<sup>2</sup> See: "The Unabated Crisis: The 2012 PSC Acquisition Policy Survey" December 2012. Available at [http://www.pscouncil.org/i/p/Procurement\\_Policy\\_Survey/c/p/ProcurementPolicySurvey/Procurement\\_Policy\\_S.aspx?hkey=835b11ac-0fe7-4d23-a0e0-b98529210f7e](http://www.pscouncil.org/i/p/Procurement_Policy_Survey/c/p/ProcurementPolicySurvey/Procurement_Policy_S.aspx?hkey=835b11ac-0fe7-4d23-a0e0-b98529210f7e)

- Federal acquisition and technology workforce training and development continues to rely on internal mechanisms that do not provide the critical thinking in business and risk acumen so essential in today's marketplace;
- Innovation, while present, remains the exception rather than the rule;
- Collaboration, both within government and between government and its private sector partners, is at low ebb, despite a range of leadership initiatives, including at DHS, to reverse this disturbing trend. In fact, one of the most significant findings was that, according to our government colleagues, collaboration between acquisition and technology functionals is ineffective and often non-existent, thus contributing to the difficulty in aligning mission needs with that which is ultimately procured;
- While the Federal Acquisition Regulation provides substantial guidance for the establishment of acquisition strategies, the government lacks a foundational taxonomy that helps inform and drive smart acquisition strategies; and
- Industry must play a role in reforms, including finding ways to address key government concerns, such as the prominence of award protests, and the difficulty assessing the objective benefits of solutions being proposed.

Hovering over all of this, of course, is the crisis budgeting environment in which every agency is now operating. That environment inevitably results in sub-optimization of operations, a wide range of procurement impacts, including lengthy delays, and much more. I discussed this topic in testimony before the Senate Homeland Security and Governmental Affairs Committee in June.<sup>3</sup> It is a crisis and challenge that is simply not adequately appreciated or understood by many in the Congress or the general public.

Among the other impacts of this troubling crisis are buying strategies and behaviors that sub-optimize results and encourage penny wise and pound foolish decisions. Examples include the over-use of lowest price technically acceptable contract awards, the potential over-reaching of the government's otherwise well intentioned strategic sourcing initiative, and acquisition strategies that simply do not reflect commercial best practices and that will likely result in simply adequate, or worse, outcomes in lieu of excellence.

### Imbalanced Perspectives on the Industrial Base

Further, what might be deemed to be a compliance rather than performance and outcomes focused acquisition process leads to strategies that are ultimately destructive to both the government and industry. One good example is the current trend, now evident in many agencies, including DHS, to use specific market segments as tools to achieving small business contracting goals. We offer this observation carefully, since a large percentage of our members are small firms and we do not want to, in any way, indicate any lack of support for the government's small business programs. However, what we are seeing today is inconsistent with the objectives of those programs and threatens to significantly distort what should otherwise be a balanced industrial base available to DHS and other federal agencies.

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<sup>3</sup> PSC's testimony from "The Costs and Impacts of Crisis Budgeting" before the Senate Homeland Security and Government Affairs Committee is available at: [www.pscouncil.org/PolicyIssues/Legislation/Appropriations/Testimony to HSGAC on The Costs and Impacts of Crisis Budgeting.aspx](http://www.pscouncil.org/PolicyIssues/Legislation/Appropriations/Testimony%20to%20HSGAC%20on%20The%20Costs%20and%20Impacts%20of%20Crisis%20Budgeting.aspx)

This trend is manifest by acquisition decisions to set aside all or most of entire categories of work for small businesses largely because other categories do not lend themselves to, or have failed to achieve, adequate small business participation. Further, at DHS and elsewhere, we have seen very sizeable procurements set aside for small business even though the sheer size of the procurements—sometimes as much as \$100 million or more—might well be inappropriate for performance by small companies.

The effects of this type of imbalance is to both constrain competition—since significant numbers of providers will be ineligible to bid—and exacerbate a market balkanization that is already threatening the viability of mid-tier firms and the long-term ability of small businesses to grow and thrive beyond the restrictive small business size standards. We are aware of cases where customers have specifically asked their acquisition counterparts to not set work aside because they wanted the fullest and most competitive field possible, and have been denied because of other pressures generally unrelated to the acquisition involved. And we are well aware of small businesses, with ambitions to grow, that are managing their companies to remain below the small business thresholds, thus defeating one of the fundamental purposes of the small business programs.

Each of these effects are present throughout the components of DHS. In fact, DHS has been considering a variety of ways to address this imbalance. Three years ago, at the request of the department, PSC conducted an analysis of the department’s small business programs where, among other things, we identified areas for improvement as well as the need for a balanced industrial base.

#### Limited Lessons from the Defense Department

Given the title of this hearing, it would be a mistake to too heavily rely on or look to DoD for solutions to the challenges facing DHS. For one thing, the agencies are so vastly different in size and need. For another, with the exception of DoD’s ability to protect in large part the funding needed to train its acquisition workforce, DoD is struggling with many of the same challenges facing DHS and also has a long way to go. Indeed, DoD has spent nearly \$2 billion over the last five years on acquisition workforce development but, according to the majority of its own acquisition leaders, has made little progress, particularly when it comes to the acquisition of services. In fact, the spending trend for DoD has been migrating towards the acquisition of services—as opposed to hardware and major systems—for some 15 years, yet DoD still does not have within the Defense Acquisition University a curriculum to adequately prepare its workforce to effectively acquire and integrate professional and technology services.

With those general findings in mind, I offer a set of recommendations, based on the commission’s report, which we believe are highly relevant to DHS and could be of real benefit to its operations. Moreover, we are convinced that the acquisition leadership within DHS both understands many of the challenges we have identified and is prepared, with the right leadership and congressional support, to pursue a number of these recommendations.

#### A New Perspective on Workforce Development

First, with regard to the workforce, particularly but not solely in the acquisition field, we believe it is time to fundamentally rethink how this vital resource is trained and developed. It needs to start with a more strategic review of the government's human capital realities. No longer can the government assume, as too many would like to, that the government can simply decide what skills it wants to hire and then do so. Instead, due to both its resource limitations and the government's abject difficulty attracting core skills, the government must carefully parcel its precious human capital resources in a hierarchical manner that prioritizes the most critical functions, rather than attempting to spread those resources on the basis of traditional perspectives.

Acquisition is clearly a critical function in government and to DHS and is absolutely core to its missions. So, too, is information technology. But where there are signs that the government is able to attract the requisite young acquisition talent to replace the rapidly retiring more senior workforce, the same is not true in technology. Thus, in acquisition, the biggest challenges are more in how that increasingly youthful workforce is developed and trained, whereas in technology the government needs to address more broadly and holistically how and where to deploy its scarce personnel resources. In fact, the federal information technology workforce today arguably has the worst demographic imbalance of any government workforce segment—fully eight to nine times as many workers over 50 as under 30; the largest over 60 cohort in a decade; the smallest peak career cohort of 40-50 year olds in a decade; and the smallest under 30 cohort in years. In other words, the trends are going in precisely the wrong direction. That strongly suggests the need for new thinking and action.

Specifically, the commission's recommendations include substantially broadening the aperture of training for the acquisition workforce, rather than relying solely on internal, and often overly traditional, mechanisms. If the perceptions of federal acquisition leaders are true that the acquisition workforce lacks key skills in the acquisition of complex information technology or in negotiations—the essence of any business relationship—then something is fundamentally wrong with how that workforce has been trained and developed to date, no matter the amount of money or time committed to that training.

For DHS, this recommendation would build on efforts already underway. While, on some levels, the creation of the Homeland Security Acquisition Institute is a positive development and reflective of the commitment of DHS leadership to workforce improvement, it could also exacerbate their challenges. The key is to focus the Institute on government-unique processes while opening the door broadly to a wide range of sources for much needed business and related training and development. This has been a key mistake made by DoD, which continues to pour money into and expand its own bricks and mortar training infrastructure and rely on the same mechanisms for training delivery it has for decades. DHS has a great opportunity to do something very different.

Additionally, DHS labors under the same burdens that other civilian agencies do—the lack of a clearly defined, aspirational career field for program managers. Across the civilian agency spectrum, there is wide variance in the availability of qualified program managers—who are absolutely essential to the effective execution of complex programs. Thus, our commission has recommended changes to the Office of Federal Procurement Policy Act that would both expand OFPP's workforce responsibilities and enable the creation of such a technology career path, replete with the requisite training, development and certifications.

Similarly, our commission made recommendations for cross-functional rotations of personnel as well as cross-functional training, private-sector exchanges, and the like. DHS already has in place an Acquisition Professional Career Program, in which acquisition personnel do a series of rotations in different DHS components. The program is an excellent idea but could be substantially enhanced if the workforce were also provided functional rotations. As is widely done in the best of private sector companies, such functional rotations build internal knowledge, understanding and long term collaboration.

Another area where DHS is to be commended is with regard to its recent initiatives to leverage the private sector to assist with its training. Though small in scale, the effort recognizes that DHS can learn from the experience of the private sector and that will help DHS acquisition personnel understand how industry assesses risk and makes key business decisions.

### Building an Environment of Collaboration & Innovation

When it comes to collaboration, the DHS acquisition and technology leadership have been among the most consistent advocates and practitioners of enhanced internal and external collaboration and communication. Unfortunately, the consensus among virtually all of our member firms that support DHS is that the leadership exhortations are not being heeded at the operational level. Given that close communication between customer and supplier is widely seen as a key to successful partnerships, this trend must be addressed aggressively. While it will take time, there are a lot of additional steps that can and should be taken.

Foremost, the current fiscal crisis offers a unique and powerful opportunity to build a new culture of collaboration. Our commission has recommended that all significant program offices be given, by their individual component leadership, a reasonable but real target for efficiency and savings, and then be directed to work directly with their private sector partners to collectively identify ways in which real, sustainable program savings can be achieved. Both sides know they are in this together; this kind of exercise could not only enable the achievement of meaningful cost savings, but in the process also enhance the internal and external collaborative relationships.

Additionally, the commission recommended a number of post-award steps that can also enhance communications and understanding. For example, the commission recommends two key enhancements to the post-award debriefing process. First, that all debriefings be required to include any and all levels of information that would otherwise be attainable through a formal discovery process during a protest. This will serve to help unsuccessful offerors submit more effective and responsive proposals on future procurements and almost certainly reduce the likelihood of protests. Second, each major acquisition should be followed by a 360 degree debriefing, through which all offerors, and internal agency stakeholders—including the operational entity for which the acquisition was conducted—be given an opportunity to evaluate the quality of the acquisition process itself. These evaluations could be conducted online and anonymously and provide the government with valuable insights into how it can improve its processes and thus its outcomes.

Connected to the issue of collaboration is that of incentivizing innovation. A number of government officials, including DHS officials, have expressed concern that industry proposals are becoming increasingly vanilla. Clearly, this is an issue industry needs to address. At the same time, companies must continually evaluate the degree to which a

customer is seriously seeking innovation or simply asking for the same service at a lower price. To a great extent, this can all be traced to the quality of the statement of work or requirements accompanying an RFP. Beyond addressing that core issue, which DHS and other agencies openly acknowledge being a problem area, we believe it would also be helpful to pursue two additional steps. First, include in the evaluation criteria specific points for innovation. Second, PSC has committed to creating a template that companies (and agencies) can use as an addendum to an RFP in which they can specifically identify not only the innovations they are proposing, but also objectively quantify the monetary value of the innovation. This should enable much greater clarity in the evaluation of proposals and provide the government with a valuable tool that helps overcome the challenges of evaluating widely divergent proposed solutions—which is particularly important in an era of frequent protests and an increasingly inexperienced acquisition workforce.

### Industry Must Step Up As Well

As I noted at the outset, we also recognize that industry has significant responsibilities. While we cannot dictate behavior to the length and breadth of the private sector, there are a number of additional steps PSC is committed to taking to help facilitate improvements.

We have committed to convening a panel that will seek to develop recommendations to address the issue of protests. Few issues are more contentious in federal procurement and we recognize the importance of addressing it. In addition, with the agreement of key government agencies, PSC will be developing an online course covering the basic tenets of acquiring infrastructure as a service. As you know, the emergence of the “as a service” concept, including cloud computing, brings with it new and sometimes complex challenges of business structure, pricing and contracting. As such, we will provide to the government, without charge, an online course to help orient both government and industry to the key overarching principles and how they differ from more traditional approaches to acquisition.

### Conclusion

Mr. Chairman, Members of the committee, we face a very real set of challenges and crises. I hope that the work of our commission and this testimony contributes to the identification and pursuit of meaningful solutions. With every crisis comes opportunity; and we have rarely had the kind of opportunity we have today to make genuine and powerful progress. We look forward to working with you and with the department toward that shared goal.

Thank you for the opportunity to appear here today. I look forward to answering any questions you might have.