



WRITTEN TESTIMONY OF

**The Honorable Chip Fulghum
Acting Deputy Under Secretary for Management
U.S. Department of Homeland Security**

Before the

**Committee on Homeland Security, Subcommittee on
Oversight and Management Efficiency**

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2:00-3:30 p.m.

311 Cannon House Office Building

Chairman Perry, Ranking Member Watson-Coleman, and other distinguished members of the Subcommittee, thank you for the opportunity to appear today to discuss acquisition management at DHS. My comments will focus on: 1) the impact of *Unity of Effort* on improving acquisition management; 2) our progress and challenges in addressing GAO's recommendations.

I wish to express appreciation to my colleagues from the Government Accountability Office (GAO) for their longstanding and dedicated work to support the transformation of acquisition management at DHS. Over the past several years, we have forged an excellent working relationship with GAO and have reached common ground on many issues. I am gratified by their recent comments that recognized the substantial progress the Department has made to address its high risk areas, especially those that fall within the acquisition management area. We are committed to sustaining this progress and working to ensure program managers effectively execute our policies, procedures and instructions.

As Acting Deputy Under Secretary for Management and Acting Chief Acquisition Officer, I am ultimately responsible for overseeing the policies, processes, and procedures used to acquire and oversee goods and services for the Department. The momentum gained from the Secretary's *Unity of Effort* initiative has accelerated the efforts undertaken by previous Under Secretaries for Management to build a stronger management framework much earlier in the investment life cycle. Exactly one year ago, Secretary Johnson formally launched the *Unity of Effort* initiative to better integrate the Department's people, organizational structures, and operational capability. The Secretary also emphasized the need to improve acquisition management through enhancements to policies, structures and processes.

More importantly, the *Unity of Effort* initiative has institutionalized stronger, more centralized governance structures through the establishment of the Secretary's Leaders Council (SLC) and the Deputy's Management Action Group (DMAG). Strategy and resourcing decisions made by these governance boards ultimately feed the existing acquisition process, which continues to oversee acquisition investments—from the mission needs phase through completion of a program.

In the past year, the SLC and DMAG have made critical decisions around strategy, resource allocation, requirements, and operational planning. The decisions have produced: a leaner, more mission-focused FY 2016 budget; a campaign plan for the Southern Border; the launch of three (3) pilot Joint Task Force(s) to unify operational planning, and the re-establishment of the Joint Requirements Council (JRC) to improve the quality and validity of the Department's requirements generation and oversight process. By virtue of a stronger "left side" of the investment life cycle process, DHS is better positioned to execute strategies to close capability gaps. I will discuss the JRC and its impact on acquisition management later in this testimony.

While there is always room for improvement, there are positive trends in the way we

manage our acquisition programs. In February 2015, DHS was identified as one of 16 departments and agencies on GAO’s “High Risk List.” In its report to Congress¹, GAO once again noted the Department’s good progress in addressing 30 recommendations and outcomes and stated that DHS is on a path to getting off the High Risk list. Specifically, GAO noted that since its last report in 2013, DHS has “fully addressed” 9 of 30 risk areas and has made significant progress toward addressing the remaining 21. Overall, GAO has stated that DHS is a “model” for how federal agencies can work to address GAO’s high risk designations. GAO also stated:

“DHS’s top leadership, including the Secretary and Deputy Secretary of Homeland Security (who assumed leadership of the department after our 2013 update), have continued to demonstrate exemplary commitment and support for addressing the department’s management challenges. For instance, the department’s Deputy Secretary and Under Secretary for Management, and other senior management officials have frequently met with us to discuss the department’s plans and progress, which helps ensure common understanding or the remaining work needed to address our high-risk designation.”

The Department has worked diligently to improve its acquisition processes and these efforts have produced more effective governance and significant improvements to future and health of current acquisitions. For example, we have established metrics to track program health, compliance with processes and policies, and program staffing. In recent years, the Acquisition Review Board (ARB) has increased its oversight reach and has taken action to cancel or pause several poor-performing or higher-risk programs that were not achieving the pre-established cost, schedule and performance goals.

In a recently released report², GAO examined 22 acquisition programs on our Major Acquisition Oversight List (MAOL). I am pleased with GAO’s acknowledgment that DHS is continuing to take steps to address challenges related to keeping DHS programs within cost and schedule parameters. As GAO recognized, we have already taken significant steps to improve acquisition management, such as dedicating additional resources to acquisition oversight and documenting major acquisition decisions in a more transparent and consistent manner. In addition, we are in the process of making policy changes in Management Directive (MD) 102-01 based on GAO’s recommendations in a September 2012 report³. These ongoing efforts highlight the Department’s commitment to better acquisition and resource management.

In the past 12 months, we have increased the scrutiny of our Headquarters oversight responsibility by holding 24 ARBs. During my tenure as Acting Deputy Under Secretary, I have personally chaired 13 of those ARBs.

¹ GAO, *High Risk Series: An Update*, (GAO-15-290)

² *Homeland Security Acquisitions—Major Program Assessments Reveal Actions Needed to Improve Accountability* (GAO-15-171SP)

³ *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs* (GAO-12-833)

During these ARBs, substantive decisions were made that significantly influenced the performance of these programs. Some key decisions included:

- USCG's National Security Cutter and National Automated Identification System; TSA's Electronic Baggage Screening Program; and TSA's Passenger Screening Program for Explosive Trace Detection were all authorized to enter the deployment phase.
- OHA's BioWatch 3 was cancelled.
- FEMA's Logistics Supply Chain Management System was directed to halt any new development until an assessment of its operational capability and capability gaps is completed.
- USCIS Transformation and ICE TECS Modernization (MOD) programs were both removed from breach status.
- TSA's Technology Infrastructure Modernization Program was paused until TSA completes a re-baseline of the Surface and Aviation segments and updates acquisition documentation and strategy.
- CBP's Strategic Air Marine Program was brought into compliance with MD-102 and is working to address actions assigned by the ARB.
- USCG's Medium Range Surveillance Program was directed to re-baseline costs for the HC-144 and the C-27J aircraft that were transferred from United States Air Force.

The impact of this enhanced oversight has been acknowledged by both GAO and the DHS Inspector General (IG). For example, GAO acknowledged that the Automated Commercial Environment (ACE) program which struggled for many years to develop the needed capabilities has remained on track to meet its approved schedule and cost estimates. The DHS IG has recently come to similar findings regarding the ACE program.

While much has been accomplished, more is being done to address the challenges that remain. One of these ongoing challenges is to ensure that acquisition programs are sufficiently staffed with trained and certified acquisition professionals. Recruiting and retaining top talent in the program management area is a challenge faced across the entire federal government. We have completed an analysis of the staffing gaps and I am working with Component heads to develop aggressive action plans to close those gaps by Quarter 2 of FY 2016. In the meantime, I am holding Components accountable for meeting their staffing goals or face the possibility that their programs will not be allowed to proceed to the next phase of the acquisition cycle.

In a February 2015 report (GAO-15-290), GAO identified five (5) outcomes and recommendations in the Department's acquisition program management area. Of the 5 identified outcomes, one is "fully" addressed and we believe another will be "mostly addressed" by the end of calendar year 2015. We agree with GAO that we need to do a better job with producing and/or updating some of our acquisition documentation in a

timelier manner. In response to this recommendation, I directed the Office of Program Accountability and Risk Management (PARM) and Component Acquisition Executives (CAE) to execute a plan to complete all outstanding documentation for acquisition programs by the end of Fiscal Year 2015.

With regard to improving acquisition capabilities, I am pleased that GAO has determined that this recommendation is “fully addressed.” This has been accomplished in large part due to the solidification of the CAE structure, which serves as the single point of entry into each operational Component. Each CAE is operating from a standard operating procedure that defines roles, responsibilities and expectations. We will continue to refine this structure and support the success of each CAE.

As mentioned earlier in my testimony, we have made good progress addressing the requirements-development process. As indicated, this progress was accelerated in June 2014, when the Secretary formally re-instituted a department-wide Joint Requirements Council (JRC). The JRC is comprised of senior operational executives from all major operational and headquarters Components. It is chaired by a senior executive, currently a Rear Admiral from the Coast Guard, and reports directly to the Secretary’s office.

Since June 2014, the JRC has worked to create an effective Component-driven joint requirements process that analyzes, validates, and recommends courses of action to leadership on DHS-wide capabilities and requirements that enhance operations, and more effectively and efficiently manage the Department’s investments. To date, the JRC has stood-up a support staff and 5 cross-component teams to assess and analyze capabilities across a broad array of portfolios which include: Aviation Commonality; Information-based Screening and Vetting; Information Sharing; Chemical Biological Radiological Nuclear (CBRN) and Cybersecurity. On April 14, 2015, I approved a Joint-Operational Requirements Document (J-ORD) for aviation assets that was analyzed and validated by the JRC. Additionally, the JRC is in the midst of developing an enduring Component-driven joint requirements process.

The JRC has already achieved initial operating capability and projects full operating capability by the end of FY 2016. The JRC recently received budget authority in the DHS’s FY15 Appropriations to solidify the staff and develop a requirement generation process. Ultimately, the processes and procedures for the requirements-development phase will be codified into policy, which will ensure a lasting, functional framework for the Department’s requirements process.

Finally, we are in the process of implementing broader improvements to the acquisition process, beyond those mentioned previously. I have asked the Senior Procurement Executive, Chief Information Officer, and Executive Director for PARM to implement several initiatives by the end of FY 2015. The first of these initiatives is engagement with industry councils. This engagement will facilitate honest conversations about the Department’s vision and strategic plan, to include mission-specific priorities, as well as challenges and gaps in current capabilities. Another of these initiatives focuses on

obtaining feedback on how best to improve the quality and timeliness of our contracting process, which includes “learning events” on how we can improve debriefings, market research, and requests for information.

In addition, industry feedback may be utilized to make changes to MD-102, as well as to determine how best to normalize the acquisition life cycle management review process across all department-wide acquisitions (e.g., Information Technology, Research & Development, and professional services). We will also create a “Procurement Innovation Lab” that leverages the best practices from both the federal government and industry to improve how we procure innovative technologies.

It is our fundamental responsibility to manage the Department effectively and efficiently. Sound management is critical to our ability to execute our mission successfully, and it is incumbent upon us as guardians of the public trust to be careful and scrupulous in our expenditure of public funds. You have my commitment that I will continue to focus intensely on strengthening the Department’s management functions, and that I will work closely with this Committee and with GAO to achieve that goal.

While there is still much work to do, we have made significant strides in improving acquisition and investment management for the Department’s portfolio of major programs. I believe we are making progress in shifting the paradigm so investment decisions are more empirically driven and there is qualified technical expertise to support program managers at each phase of the life cycle.

Thank you for the opportunity and the privilege to appear before you.