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BEFORE THE

**HOMELAND SECURITY COMMITTEE'S
SUBCOMMITTEE ON BORDER AND
MARITIME SECURITY**

U.S. HOUSE OF REPRESENTATIVES

CONCERNING

**SECURING THE MARITIME BORDER:
THE FUTURE OF CBP AIR AND MARINE**

July 14, 2015



Chairman Miller, Ranking Member Vela, and Members of the Subcommittee, thank you for inviting me here today to discuss our work at U.S. Customs and Border Protection's (CBP) Office of Air and Marine (OAM).

In my testimony today, I will focus on our recent report on CBP's unmanned aircraft systems, as well as other reports, which I believe illustrate several persistent issues facing the Department of Homeland Security (DHS). Specifically:

- DHS components often do not engage in the kinds of basic management practices—such as analyzing mission needs and deciding how best to meet those needs before completing an acquisition—that would better ensure the components are able to carry out their missions effectively.
- Many complicated and expensive programs lack performance measures, which are vital to ensuring the effectiveness of those programs and operations. Components also continue to use poor business practices that often result in less than ideal stewardship of taxpayer dollars.
- Finally, many programs fail to capitalize on efficiencies that may be gained by integrating their efforts with those of other components, thus hindering the Department's mission to achieve a unity of effort.

Unmanned Aircraft System (UAS)

From FYs 2005 to 2013, CBP invested about \$360 million on its Unmanned Aircraft System (i.e., “drone” program), which includes Predator B aircraft, related equipment such as ground control stations, as well as personnel, maintenance, and support. In 2014, we conducted an audit to determine the effectiveness and cost of the UAS program.

Unfortunately, despite its 8-year effort and significant investment of taxpayer dollars, CBP could not demonstrate how much the program has improved border security, largely because the program lacks performance measures and CBP was unaware of the true cost of the program.

Anticipated usage of the aircraft

When CBP established its UAS Concept of Operations in 2010, it expected that by FY 2013, it would be flying four 16-hour unmanned aircraft patrols every day of the year, or 23,296 total flight hours. However, the unmanned aircraft logged a combined total of 5,102 flight hours, or about 80 percent less than what OAM anticipated. According to OAM, the aircraft did not fly more primarily because of budget constraints, which prevented OAM from obtaining the personnel, spare parts and other infrastructure for operations, and

maintenance necessary for more flight hours. Other contributing factors included flight restrictions and weather-related cancellations.

Performance metrics

Although the UAS program is about 10 years old, OAM has never established formal metrics, which greatly impedes any effort to determine whether the program has been successful. OAM's failure to establish relevant metrics is a barrier to fully understanding whether the taxpayers' investment is a good one.

When OAM stood up the program, however, it did establish performance expectations in order to justify the cost of the program. These expectations are contained within the 2007 UAS Mission Need Statement, Concept of Operations, and Acquisition Plan. Government auditing standards permit us to compare such expectations against current performance.¹ The performance expectations included:

Increased apprehensions: CBP anticipated that UAS support would increase apprehensions. For example, according to the UAS Mission Need Statement, "This investment expects to improve the efficiency, effectiveness, and safety of Border Patrol agents...by reducing response to false motion sensor alerts, increasing the number of apprehensions of illegal border crossings, and raising the agent's situational awareness when moving towards and making arrests."

Although it is not possible to determine whether the specific use of unmanned aircraft increased apprehensions of illegal border crossers, we can compare the United States Border Patrol's total number of reported apprehensions to the number of apprehensions OAM attributed to the use of unmanned aircraft. For example, in the Tucson and Rio Grande Valley Sectors, where UAS operations were concentrated, the Border Patrol reported 275,392 apprehensions; yet, CBP attributed only 2,272 of those apprehensions, or less than 1 percent, to the UAS program. Moreover, according to border patrol agents and intelligence personnel we interviewed in Arizona, the Border Patrol probably would have detected the same people using ground-based assets, without the assistance of unmanned aircraft.

- Reducing border surveillance costs: According to the UAS Mission Need Statement, OAM expected unmanned aircraft to reduce border surveillance costs by 25 to 50 percent per mile. However, because OAM does not track this metric, it cannot demonstrate that the unmanned aircraft have reduced the cost of border surveillance.

¹ Government Auditing Standards, 2011 Revision, section 6.37

- Responding to sensor alerts: According to the UAS Mission Need Statement, unmanned aircraft would improve the Border Patrol's efficiency by responding to sensor alerts, allowing the Border Patrol to determine whether any action was necessary before sending an agent to the location. However, we identified only six instances in FY 2013 of unmanned aircraft responding to ground sensor alerts.
- Border coverage: According to DHS' *Annual Performance Report, Fiscal Years 2012–2014*, the UAS program expanded unmanned aircraft coverage to the entire Southwest Border. However, unmanned aircraft do not currently cover the entire southwest border. The Federal Aviation Administration permits OAM to fly its unmanned aircraft over the southwest border from California to the Texas gulf coast. Yet, of the 1,993-mile southwest border, UAS operations focused on only about 100 miles of the Arizona border and 70 miles of the Texas border.

True cost of the program

By our measure, CBP was not recognizing all operating costs. To determine the full cost of the UAS program, we took an approach that is standard within the government and private industry: managerial cost accounting. This requires answering a simple question—how much does it cost to do something? In the case of unmanned aircraft, we wanted to know how much it cost to own, operate, and maintain the aircraft and sensors. Specifically, how much did it cost DHS, and the taxpayer, to provide the capabilities of the Predator B unmanned aircraft?

We estimate that, in FY 2013, it cost at least \$62.5 million to operate the unmanned aircraft system program, or about \$12,255 per flight hour. CBP's estimates of the cost of operating the aircraft were significantly lower because it did not include:

- Full maintenance costs: Our estimate, based on the amount stated in the contract, was that all of the maintenance and support of the aircraft would cost more than \$24 million. OAM's calculation of \$9.4 million did not include the costs paid to the contractor when mechanics were not performing maintenance activities.
- Depreciation: The unmanned aircraft have a 20-year life span, and based on ordinary straight-line depreciation, cost about \$7.6 million per year. OAM's lack of accounting for depreciation is inconsistent with all generally accepted accounting practices, both in the government and the private sector.

- Operations support: OAM paid a contractor for program management and flight operations support services, including flight operations support at four airbases and an operations center in California, as well as incidental materials, travel, training, and data deliverables. It did not include this in its total cost calculation.
- Base overhead: OAM houses the unmanned aircraft at bases around the country, and pays for services such as rent and utilities, but does not recognize these services as costs of doing business.
- OAM personnel: OAM does not count the cost of the pilot or support personnel in its calculations—more than \$11 million per year—because they are funded through a separate appropriation. However, according to OMB Circular A-126 and General Services Administration requirements, a proper accounting for costs must include these costs, which is why we included them in our report. Specifically, OMB and GSA require that agencies accumulate operations and ownership costs of aircraft programs, as well as account for the cost of acquiring, operating, and supporting their aircraft. In addition, according to the Federal Accounting Standards Advisory Board, “the full cost of a program’s output is the total amount of resources used to produce the output...regardless of the funding sources.”

Given the cost of the UAS program, as well as its current lack of performance measures, we believe CBP’s decision not to expand the program at this time is a wise one. We are concerned about the equivocal nature of their decision, however. Recent OAM documents regarding the UAS program state that there is a \$34 million shortfall in funding and that OAM does not support program expansion *without additional funding*.

As we said in our report, OAM’s comments indicate that if it did receive additional funding, it would support program expansion. We recognize that “at this time” or “currently” OAM does not plan to expand the program. To be clear, our recommendation addresses OAM’s long-term plan and requires an independent study to determine whether the \$443 million associated with the long-term plan could be put to better use by investing in the current program or in alternatives. We would encourage CBP to explore investing in alternatives, such as manned aircraft and ground surveillance assets.

We are pleased to report that, as a result of our audit, CBP agreed to establish program goals and performance measures, and the Department agreed to conduct an independent study before acquiring more unmanned aircraft, as well as establish a DHS-wide policy for accumulating all program costs. The Department recently informed us that it expects to complete its study to determine whether additional unmanned aircraft are needed and justified by

December 31, 2015. CBP is also in the process of revising the UAS Concept of Operations to ensure it contains attainable goals and verifiable performance measures. Additionally, the Department has established a charter for the Flight Hour Program Working Group, which is committed to transparent cost accounting for all DHS aviation programs. We believe the Department, specifically, the Office of the Chief Readiness Support Officer, was very responsive to the report and is especially committed to addressing two of our recommendations. ([*U.S. Customs and Border Protection's Unmanned Aircraft System Program Does Not Achieve Intended Results or Recognize All Costs of Operations*, OIG-15-17](#))

The results of our 2015 UAS report—that CBP logged only about 20 percent of its anticipated flight hours, could not demonstrate performance, and had not accounted for all of its costs—were predictable. Three years earlier, we assessed the drone program and found that CBP's inadequate planning and project management resulted in performance shortfalls. Specifically, in our May 2012 report, [*CBP's Use of Unmanned Aircraft Systems in the Nation's Border Security*](#), we reported:

- CBP had not achieved its anticipated number of flight hours. CBP desired 13,328 flight hours; however, staffing and equipment shortages, coupled with FAA and other restrictions, limited actual flight hours to 3,909;
- CBP's lack of a specific operations and maintenance budget request for the UAS program resulted in a \$25 million budget shortfall. From FYs 2006 through 2011, CBP reported it spent \$55.3 million for operations and maintenance, but it had not made a specific operations and maintenance budget request for the UAS program. As a result, CBP needed to transfer about \$25 million from other programs in FY 2010 to address the shortfall; and
- CBP had not adequately planned to fund unmanned aircraft-related equipment, such as ground control stations, cameras, and navigation systems, which resulted in insufficient equipment to perform UAS missions.

Other Audit Work

Several other audit reports have highlighted the need for a renewed focus on management fundamentals. Congress and the public must be confident that CBP's financial practices and operations minimize inefficient and wasteful spending, and that it is making informed decisions to manage its programs and implement its policies.

Insufficient and unreliable data prevents analysis and accountability

Sound financial practices and related management operations are critical to achieving the Department's mission and to providing reliable, timely information that supports management decision-making. However, CBP has not consistently documented the analysis justifying programs or conducted thorough needs assessments before moving forward with acquisitions. In addition, it does not always collect the right information and the data it does collect is too often inconsistent and unreliable.

For example, in January 2015, we issued a management advisory describing deficiencies in OAM's management of its national aviation maintenance contract. In 2009, CBP awarded a \$938 million contract to Defense Support Services, LLC to maintain about 265 aircraft to fly approximately 100,000 hours per year. Even though the number of CBP aircraft maintained, annual flight hours, and the average age of the aircraft fleet decreased from FYs 2010 through 2013, contract costs increased an average of nearly 9 percent per year.

Unfortunately, we were unable to complete a detailed review of the contract costs because of inconsistent and unreliable data. Specifically, we could not verify whether the contractor correctly charged CBP for the maintenance labor hours it completed. The contractor and CBP used two separate data systems for recording maintenance labor hours. We tried to compare CBP's labor hour data to labor hour data provided by the contractor, but the data was inconsistent and did not match. This unreliable data precluded further analysis. In essence, the state of the recordkeeping made the program unauditible. CBP told us that it planned to improve verification and tracking of maintenance labor hours. ([*U.S. Customs and Border Protection's Management of National Aviation Maintenance Activities, Management Advisory*](#))

Unity of effort and leveraging other Department programs

Likewise, we have observed that, despite similar responsibilities and challenges, DHS components are not always willing to work together to realize economies of scale, which hinders the Department's overall cost-effectiveness and efficiency. For example, in 2013, we reported that CBP was unwilling to coordinate with the Coast Guard to upgrade its H-60 helicopters, even though both components were converting the same helicopters. In March 2010, DHS' Acquisition Review Board directed the Coast Guard to collaborate with CBP and present a joint review on possible helicopter program synergies. The Coast Guard hosted CBP officials at its Aviation Logistics Center, but according to Coast Guard and CBP officials, a senior CBP executive canceled any reciprocal visits by Coast Guard officials and instructed CBP staff not to have any further contact with Coast Guard H-60 personnel. Without CBP's cooperation, the Coast Guard could not complete the joint review, and neither the Office of

Program Accountability and Risk Management nor the Acquisition Review Board followed up.

As a result, CBP may have missed an opportunity to save significant taxpayer money. In fact, we determined that DHS could have saved about \$126 million if the two components had successfully coordinated the conversion of CBP's H-60 helicopters at the Coast Guard's Aviation Logistics Center. Instead, CBP chose to continue its conversion program with the Army. When we contrasted the cost and number of helicopters the Army converted and modified for CBP with Coast Guard's efforts, we found that the Coast Guard was able to convert many more helicopters at less cost and in a shorter period of time:

- Between September 2008 and July 2012, the Army converted and modified two CBP H-60s at an average cost of \$22.3 million each; the conversions took about 3.5 years.
- In contrast, between January 2007 and July 2012, the Coast Guard converted 27 of its H-60s; the last 7 conversions cost about \$5.3 million each and took an average of less than a year to complete. At that time, we estimated that each future CBP conversion would cost about \$18.3 million and would take about 1.7 years to complete.

A subsequent H-60 Business Case Analysis by DHS' Office of Chief Readiness Support Officer, the Aviation Governing Board, the Coast Guard, and CBP confirmed the cost savings of having the Coast Guard convert the helicopters but it was too late.² CBP would not have additional funds for its H-60 efforts until FY 2017 and, based on the condition of its H-60 helicopters, it had to remove many of them from operations. Ultimately, the program simply ran out of money because of mismanagement.

In response to one of our other recommendations, CBP is coordinating with the U.S. Army to trade its older H-60As for newer H-60Ls that the Army is decommissioning. This project is ongoing. All aircraft acquisitions and other significant investments must now be submitted through the Department's Joint Requirements Council, which was established to make better-informed investment decisions, particularly as it relates to supporting a unified Department acquisition strategy. One of the Council's emphasis areas is to ensure better integration of aviation assets. We hope that this process, which

² According to the initial *DHS H-60 Helicopter Business Case Analysis* (February 28, 2014), CBP estimated the recapitalization costs at \$25.6 million per aircraft (including modification requirements). This would have equated to a total cost of \$256 million for the remaining 10 CBP H-60As. After further discussions with DHS, we calculated that DHS could save as much as \$132 million to convert and modify the remaining 10 CBP H-60s if done at the Coast Guard's Aviation Logistics Center.

was created only a year ago, will assist in avoiding future acquisition mismanagement. ([DHS' H-60 Helicopter Programs \(Revised\), OIG-13-89](#))

CBP's acquisition of an aviation management tracking system provides another example of missed opportunities to improve performance and cut program costs. In August 2012, we reported that despite CBP's and the Coast Guard's joint strategy to unify their aviation logistics and maintenance systems, CBP planned to purchase a new aviation management tracking system that would not be coordinated with the Coast Guard's already operational system. We concluded that if CBP transitioned to the Coast Guard's system instead, it would improve tracking of aviation management and cost less. CBP did not concur with our recommendations, but the former acting CBP Commissioner directed OAM to stop the acquisition of the new system.

Subsequently, OAM directed the development of a new web-based program under the current National Aviation Maintenance contract, which will allow it to continue to use its existing aviation maintenance tracking system. We closed this recommendation because the web-based program, which is expected in March 2016, is not considered a new computer system. Nevertheless, we continue to believe that CBP should migrate to the Coast Guard's aviation management tracking system rather than continuing with their current plan, which should only be considered a stopgap measure. ([CBP Acquisition of Aviation Management Tracking System \(Revised\), OIG-12-104](#))

In its 2012 report on DHS's Air and Marine Assets, the Government Accountability Office (GAO) reported that DHS could improve certain types of coordination, such as co-locating proximate OAM and Coast Guard units, to better leverage existing resources, eliminate unnecessary duplication, and enhance efficiencies. GAO also reported that OAM had not documented its analyses to support its resource mix and placement decisions for its air and marine assets across all locations. ([Border Security: Opportunities Exist to Ensure More Effective Use of DHS's Air and Marine Assets, GAO-12-518, March 2012](#))

Conclusion

The Department, CBP, and OAM have taken steps to implement our recommendations, yet OAM's basic management practices continue to fall short. Sound planning and strategies for efficiently acquiring, using, and maintaining aviation assets that operate at full capacity, for example, would go a long way toward improving overall operations. Additionally, OAM should take advantage of every opportunity to coordinate with the Coast Guard to eliminate duplication and leverage assets. Finally, better performance measures and calculation of costs would help enhance security, as well as safeguard taxpayer dollars.

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

Appendix
OIG Reports Referenced in This Testimony

[U.S. Customs and Border Protection's Unmanned Aircraft System Program Does Not Achieve Intended Results or Recognize All Costs of Operations](#), OIG-15-17, December 2014

[U.S. Customs and Border Protection's Management of National Aviation Maintenance Activities](#), CBP Management Advisory, January 2015

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

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

[CBP Acquisition of Aviation Management Tracking System \(Revised\)](#), OIG-12-104, August 2012.