



**TESTIMONY OF
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U.S. DEPARTMENT OF HOMELAND SECURITY
UNDER SECRETARY FOR MANAGEMENT
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON HOMELAND SECURITY
SUBCOMMITTEE ON MANAGEMENT, INVESTIGATIONS, AND
OVERSIGHT
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Thank you Mr. Chairman, Congressman Rogers and members of the Subcommittee. It's a pleasure to appear before you today for the first time as the Under Secretary for Management.

I have been the Under Secretary for Management for two months. For the previous three and one half years I was a defense and aerospace consultant doing work for NASA, FAA, DOD, Coast Guard and others. Prior to this I was a career civil servant for 38 years. I began my career at the Portsmouth Naval Shipyard as a project engineer in 1965 working on nuclear submarines. My last three government positions were Senior Acquisition Executive at the National Security Agency (NSA), Principal Deputy Assistant Secretary of the Navy (Research, Development and Acquisition) and Executive Director and Senior Civilian of the Naval Sea Systems Command, the Navy's largest shore establishment.

I am here today to discuss the major management and programmatic challenges the Department faces and areas I will focus on as the Under Secretary for Management.

The Government Accountability Office (GAO) has continued to designate transforming DHS as high risk. Their report and other Inspector General reports address, in large part, the status of the integration of DHS' varied management processes, systems and people in areas such as information technology, financial management, procurement, and human capital, as well as administrative services. The GAO report said DHS has made some progress in management integration, but still needed a comprehensive strategy. GAO noted

that in such a strategy, DHS would integrate planning across management functions to identify critical interdependencies, interim milestones and possible efficiencies. As the Under Secretary for Management, I support the strategy proposed by the GAO. The GAO indicates some of the plans and directives already issued by DHS could be used in building the needed integration strategy. I am reviewing the DHS progress against each of the elements of the integration strategy to confirm that the effort is headed on the right track. My role is to direct this effort and to be the forcing function across the Department.

The most significant challenge we have is to continue the effort that was started with the creation of the new Department: merging 22 agencies with approximately 180,000 people and turning it into the most effective force to protect our country. This effort requires effective and efficient use of financial and human resources, enabling technology, strong processes and superb management. These are the challenges that are the focus of my efforts.

The major elements of our strategy are:

- Improving acquisition and procurement throughout the Department.
- Strengthening the requirements and investment review processes.
- Acquiring and maintaining human capital.
- Seeking efficiencies across the enterprise in operations and the use of resources.
- Making the key management systems, such as financial and information technology, world class.

Our approach has a common thread through all of these areas. That is to ensure that there is a comprehensive and integrated strategy with specific and measurable goals, and that these goals support the activities and priorities of the Department. On a practical level, we will ensure the success of this strategy by having a team with the right knowledge, skills and abilities to support these programs, the overall transformation and integration efforts. Our progress will be measured against metrics and milestones.

Acquisition and Procurement

The Department of Homeland Security is just beginning or is in the midst of many crucial acquisitions that are vital to the success of DHS. That is why Chief Procurement Officer Elaine Duke and I are working to strengthen acquisition and procurement by institutionalizing solid processes. To this end we are:

- Strengthening the requirements and investment review processes by improving the Joint Requirements Council (JRC) and Investment Review Board (IRB) process.
- Reviewing the major programs and investments to ensure that the requirements are clear, cost estimates are valid, the technology risk is

properly assessed, schedules are realistic, the contract vehicles are proper, and the efforts are well managed.

- Building the capability to manage complex efforts by ensuring that program offices are properly structured and staffed with the right people, and the right skills, to ensure efficient and effective program management and oversight; and aggressively hiring where we have known shortages.

To date, the Department's focus has been on procurement. Procurement, however, is only one element of acquisition management. Acquisition also includes understanding operational and life-cycle requirements, such as formulating concepts of operations, developing sound business strategies, exercising prudent financial management, assessing trade-offs, and managing program risks. Best practice acquisition management is executed by teams of professionals who understand and are able to manage the entire life-cycle of a major program effort. DHS has a shortage of people that are experienced in program management, including its related functional areas (e.g. acquisition logistics, cost analysis). I will focus on this area as one of my major priorities by identifying needed skills and processes and considering expedited delivery of training in key disciplines for those individuals involved in the management of the Department's major programs.

We have established a department-wide real property asset management plan with performance metrics to govern investment decisions regarding our buildings, structures and land. We are expanding this approach to all tangible assets through the investment review process with an Asset Management and Services Board with representation by the component chief administrative officers.

Contracts

DHS' \$12 billion procurement budget provides for the development, fielding and support of significant homeland security capabilities. For example, US Coast Guard contracts are providing aircraft and ships from the Integrated Deepwater System (IDS) and search and rescue capability from the Rescue 21 program. Transportation Security Administration (TSA) contracts are providing additional capabilities via the Electronic Baggage Screening Program (EBSP) and Transportation Worker Identification Credentialing (TWIC) program. Consistent with the SBI Strategy, U.S. Customs and Border Protection (CBP) is developing and fielding the capabilities at and between our nation's ports of entry to gain effective control of our borders.

Our model for using contractors has been to address immediate staffing shortfalls. Because the Department has launched a number of new large scale initiatives, our acquisition workforce requires skill sets and experience that are very different from an ordinary acquisition program. Prior to DHS' establishment in 2003, the Department's components did not have major acquisitions like the USCG's Deepwater program, which require large mature and experienced

acquisition support services such as those that exist in the Department of Defense for major weapons systems and ship-building. To reduce our reliance on contractors, for fiscal year 2007 and 2008 we are focusing on developing a mature acquisition workforce through targeted recruiting and advanced training programs. Our goal is to build our *own* pipeline of people from within the Department and we've begun to do this.

Also, it is worth noting that DHS has exceeded the Administration's goal for small business prime contracts as well as our own goal of 30 percent. I am happy to report that in fiscal year 2006, 34.6% of the procurement dollars went to small business prime contractors. Of that 34.6%, 12.1% went to small, minority owned businesses.

Office of Personnel Management (OPM) Federal Human Capital Survey (FHCS)

DHS did very poorly on the OPM Federal Human Capital survey. Through the survey results, managers and line employees alike delivered a clear message that the leadership has heard loud and clear. Leadership teams across DHS are committed to identifying the underlying reasons for DHS employee dissatisfaction and are seeking ways to address them directly.

As initial steps toward improving employee satisfaction both at the headquarters and within the operating components, we have already identified the need for better communication throughout the workforce, continued emphasis of performance management training at the individual supervisor and employee level and implemented improved recognition of good performance. Although the general results of the survey were disappointing we are encouraged by the fact that DHS employees have passion for our mission. 89% percent of employees report that they believe the work they do is important, and 80% percent like the work that they do. This is a strong foundation to build upon for improvement.

We will continue to evaluate the detailed results of the survey, analyze the practices of Departments that are recognized for their high performance, and use this information to develop additional steps that will lead to DHS' employee satisfaction. This summer, we will conduct another survey of our workforce to ensure that our efforts are on track with addressing key employee concerns.

Additionally, the leadership team in each operating component and headquarters unit will discuss details of the survey with our workforce in order to gather employee suggestions and recommendations that will inform the way forward.

Human Capital

We are aggressively moving towards building a world-class organization by continuing to hire and retain a talented and diverse workforce. There has been

considerable publicity about the Department's initial efforts to implement the Max HR personnel management system, mostly resulting from recent court decisions regarding the labor relations portion of the system. In consideration of the recent court decision on collective bargaining, we are considering next steps in this area.

In the meantime, our Chief Human Capital Officer Marta Brito Pérez and I are broadening our efforts to encompass a wider range of human resource effectiveness with an initial focus on performance management. A performance-based management system compensates and rewards employees based on merit, that is, their performance and contribution toward the achievement of the Department's mission. Moreover, a performance-based management system requires work on everyone's part, as staff members at all levels of the Department to collaborate and define requirements, establish targets towards desired results, and agree on management methods for measuring and evaluating success. Based on the results of the OPM survey this is the area we need to focus on first.

Building a performance based, results oriented culture at DHS is very important. It will foster an environment of open communication and feedback between the supervisor and employee.

To date, we have implemented the new performance management program to over 14,000 employees, trained over 13,000 supervisors to ensure they develop the skills needed to administer the new program, and implemented a new automated system to facilitate the new performance management process. We will continue to expand coverage of the new performance management program as it will allow us to work seamlessly across components with the goal of aligning the work we do with the overall strategy, vision and values of the Department.

In addition to establishing a performance-based management program, we will soon be deploying a "performance-based" pay pilot in the Intelligence & Analysis component for non-bargaining unit employees. We chose this component because we are competing with the private sector and other government agencies for the same talent and it will give us experience and employee feedback before we proceed with a wider implementation.

Other efforts underway are captured in a recently developed two year Human Capital Operational Plan. Key goals in the human capital area include:

- Developing career paths to broaden career opportunities for employees.
- Implementing an automated recruiting system to improve our hiring efficiency.
- Providing learning and development programs for DHS employees at all levels.

- Promoting a leadership environment that encourages and supports cross-developmental opportunities.

In addition, we will be improving our hiring processes by educating our hiring managers and human resource officials on the flexibilities that are currently available as well as implementing an enterprise E-recruitment system. We have established a Department-wide branding initiative and will implement proactive recruitment strategies to fill 979 mission support vacancies that cross component lines in areas such as information technology, acquisition, and human resources.

We are well on our way to achieving our hiring targets in our frontline mission critical occupations as well. In ICE, we have already filled over 50% of the 1,477 authorized positions for this fiscal year. As the President committed to last year, we are looking to have 17,819 Border Patrol Agents by the end of FY08 and 18,319 by the end of 2008.

Our recruitment strategies will be designed to ensure that DHS reflects our Nation's diversity. The percent of Hispanic females and males in the DHS workforce is 4.59 and 12.11 respectively Hispanic males are employed at twice their rate in the National Civilian Labor Force. The percent of African-American females is 7.63, and for males is 6.86, which also exceeds CLF percentages. However, we must do better in ensuring our leadership ranks reflect the Nation's diversity. The Secretary, Deputy Secretary, and I are committed to ensuring that the talent pool for Senior Executive Service positions, in particular, is representative of our Nation as a whole.

Financial Management

The Department has many substantial challenges to overcome in its effort to improve its financial management processes. Chief Financial Office David Norquist and I are working to make measurable, demonstrable progress in the following areas:

- To improve systems and processes eventually leading to sustainable clean audit opinions.
- To provide assurance about our internal controls over financial reporting via a sound internal controls program.
- To provide greater visibility into DHS' financial activity through timely accurate and useful financial related data.
- To provide efficient financial management services.

Success in these areas rests upon a framework of people, policies, processes, systems and assurance. We have efforts underway in each of these areas which include: aggressive hiring and development programs; the "Internal Controls over Financial Reporting (ICOFR) Playbook" - a corrective action plan that addresses identified audit weaknesses; the development of a comprehensive set of financial

management policies which represent the best practices of the Federal Government; and a plan to continue the migration and reduction in the number of our financial management systems.

Of particular importance are internal controls. Sound internal controls are essential to effectively meeting the Department's mission. DHS must have a process in place by which it can test whether our internal controls are well designed and operating effectively on a continuous basis. This means that management must move away from reliance on what outside auditors determine is wrong, and be able to independently prevent and address issues before they become problems.

Additionally, we are working to ensure that the Department's grant programs have the necessary internal controls in place, are adhered to, and that funds to State and Local first responders are monitored to achieve success with measurable outcomes.

Information Technology

The Department has established and institutionalized Department-wide business processes and systems for managing information. The DHS Chief Information Officer (CIO) Scott Charbo, heads the CIO Council, whose membership includes the CIOs from all of the DHS components. The council works to standardize business practices where it makes sense across the Department in order to improve information sharing. These efforts will improve our IT operations and reduce costs by eliminating duplicative IT systems. At this time, more than 60% of information management investments are managed through earned value principles.

Moreover, the DHS CIO has established program management offices (PMOs) to oversee selected major investments. In addition, DHS has awarded the EAGLE and FirstSource contracting agreements, the largest contracting vehicles in the Federal Government for the procurement of IT and program management services, which should result in more streamlined and cost-effective procurements.

- The Department's Enterprise Architecture Board (EAB) reviews investments at various stages in the IRP and CPIC cycles.
- The EAB has published the DHS Enterprise Architecture Version 2.0 to be consistent with best business practices. The Homeland Security Enterprise Architecture 2006 was rated "green" by OMB and rated 5th of 27 in the Federal Government for maturity by GAO. The enterprise architecture informs the creation of DHS strategic plans and all investment reviews.
- Consolidation of major networks and systems continues, reducing seven wide-area networks and creating one common e-mail operation.

- The first 24,000 square feet of the primary data center has been opened. The next 40,000 square feet is under construction and due to open in July. We have migrated systems and more are scheduled to move. The RFP for the second DHS data center has been released.

The Chief Information Officer is working to unify and improve DHS' IT security that is essential to accomplishing our mission. The DHS CIO and Chief Financial Officer (CFO) are working through the Internal Controls Assessment Project to bring information security policy and actions to the Federal Information Security Management Act (FISMA) standards. We are executing a plan to fix identified FISMA deficiencies.

- When we held our first IT security conference (Fall 2005), certification & accreditation (C&A) completion was approximately 22%. We have since increased C&A completion to 95% (Fall 2006), which reflects a 73% increase.
- A baseline list of systems has been integrated into our budget and procurement process.
- Security controls testing increased from 54% to 87% of DHS systems.
- Annual DHS-wide IT security awareness stands at 88% with training for certain specialized job functions at 97%.
- Key policies and procedures have been revised to assure protection of personal identifiable information.

Consolidated Headquarters

DHS' mission demands an integrated approach, yet the Department's legacy facilities are dispersed in more than sixty locations with 7.1 million Gross Square Feet (GSQF) of office space throughout the National Capital Region (NCR). This dispersal adversely impacts critical communication, coordination, and cooperation across the Department. Consolidating executive leadership in a *secure* setting of no less than 4.5 million GSQF of office space for policy, management, operational coordination, and command and control capabilities at the St. Elizabeths campus is vital to the long-term success of the Department. It will ensure a unity of effort and command for the Secretary as well as build a culture and a spirit which are essential to having a happy and productive workforce.

Without federal construction at St. Elizabeths, DHS will continue to be housed in more than 50 locations in the National Capital Region (NCR). If the project is not funded, the cost to continue housing DHS in leased space is approximately \$5.1 billion based on a net present value (NPV) analysis. The St. Elizabeths development NPV is \$4.1 billion (\$3 billion program investment), a \$1 billion dollar NPV difference providing an equivalent annual cost advantage of \$63,953,000.

Moreover, Congress' approval of this project would reverse the current situation where DHS is currently located in 70 percent commercially leased space and 30 percent government owned space.

Consolidating our facilities will increase efficiency and communication, as well as help foster a "one-DHS" culture to optimize prevention and response capabilities across the Department. I request that Congress support this effort by authorizing and appropriating the funding for DHS' consolidation at St. Elizabeths West Campus.

Authority of the Under Secretary for Management

Throughout the process that ultimately led to my Senate confirmation, the question has been raised as to whether the Under Secretary for Management has sufficient authority to do the job. My answer is an unqualified, yes. I have sufficient authority to direct the type of sustained leadership and overarching management integration and transformation strategy that is needed Department-wide. Under section 701 of the 2002 Homeland Security Act, and internal Departmental directives and delegations, there is a very clear mandate of management authority for the USM. I also have the full support of the Secretary and Deputy Secretary. The Secretary has advised me that if there is any authority that I need that I don't have to do my job, he will provide me that authority. In addition to the statute, I operate with the Department's leadership fully knowing the job I am chartered to do, and that I operate with the full authority of the Secretary to get it done.

Conclusion:

Secretary Chertoff has expressed that one of his key goals for DHS is to strengthen DHS core management, policy and operational integration. I think DHS has come a long way since its inception in management and we will continue to improve by institutionalizing management processes and procedures over the next few years. I know from my 2 months on the job that we have major challenges ahead but I look forward to them with energy and enthusiasm. Thank you for your leadership and your continued support of the Department of Homeland Security and its management programs. I look forward to working together in shaping the future and success of DHS. Thank you for this opportunity to be here today and I am happy to answer any questions that you may have.