

June 2007

DEPARTMENT OF
HOMELAND
SECURITY

Progress and
Challenges in
Implementing the
Department's
Acquisition Oversight
Plan





Highlights of [GAO-07-900](#), a report to congressional committees

Why GAO Did This Study

The Department of Homeland Security (DHS), the third largest department in federal procurement spending in fiscal year 2006, has faced ongoing cost, schedule, and performance problems with major acquisitions and procurement of services. In December 2005, DHS established an acquisition oversight program to provide insight into and improve components' acquisition programs.

In 2006, GAO reported that DHS faced challenges in implementing its program. Congress mandated that DHS develop an oversight plan and tasked GAO with analyzing the plan. GAO (1) evaluated actions DHS and its components have taken to implement the acquisition oversight plan and (2) identified implementation challenges. GAO also identified opportunities for strengthening oversight conducted through the plan.

GAO reviewed relevant DHS documents and GAO and DHS Inspector General reports and interviewed officials in the office of the Chief Procurement Officer (CPO) and nine DHS components.

What GAO Recommends

GAO is recommending that the CPO reevaluate the approach to the acquisition planning reviews and that DHS enhance internal controls to strengthen the oversight plan through periodic external reviews and knowledge sharing. DHS concurred with GAO's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-07-900.

To view the full product, including the scope and methodology, click on the link above. For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

DEPARTMENT OF HOMELAND SECURITY

Progress and Challenges in Implementing the Department's Acquisition Oversight Plan

What GAO Found

The CPO has taken several actions to implement DHS's acquisition oversight plan—which generally incorporates basic principles of an effective and accountable acquisition function. The plan monitors acquisition performance through four recurring reviews: self-assessment, operational status, on-site, and acquisition planning. Each component has completed the first self-assessment, which has helped components identify and prioritize acquisition weaknesses. In addition, each component has submitted an initial operational status report to the CPO and on-site reviews are being conducted. Despite this progress, the acquisition planning reviews are not sufficient to determine if components adequately plan their acquisitions—in part because a required review has not been implemented and the CPO lacks visibility into components' planning activities.

DHS faces two key challenges in implementing its acquisition oversight plan. First, the CPO has had limited oversight resources to implement plan reviews. However, recent increases in staff have begun to address this challenge. Second, the CPO lacks sufficient authority to ensure components comply with the plan—despite being held accountable for departmentwide management and oversight of the acquisition function. GAO has previously recommended that DHS provide the CPO with sufficient enforcement authority to enable effective acquisition oversight.

In addition to these challenges, GAO identified two opportunities to strengthen internal controls for overseeing the plan's implementation and for increasing knowledge sharing. Specifically, independent evaluations of DHS's oversight program could help ensure that the plan maintains its effectiveness over time. Sharing knowledge and lessons learned could provide DHS's acquisition workforce with the information needed to improve their acquisition processes and better achieve DHS's mission.

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Abbreviations

AAP	Advanced Acquisition Planning
CPO	Chief Procurement Officer
DHS	Department of Homeland Security
FEMA	Federal Emergency Management Agency
FLETC	Federal Law Enforcement Training Center
GCR	Gulf Coast Recovery
HCA	Head of Contracting Activity
OPO	Office of Procurement Operations

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United States Government Accountability Office
Washington, DC 20548

June 13, 2007

The Honorable Robert C. Byrd
Chairman
The Honorable Thad Cochran
Ranking Member
Subcommittee on Homeland Security
Committee on Appropriations
United States Senate

The Honorable David E. Price
Chairman
The Honorable Harold Rogers
Ranking Member
Subcommittee on Homeland Security
Committee on Appropriations
House of Representatives

Since it was established, the Department of Homeland Security (DHS) has been responsible for integrating 22 federal agencies with disparate missions into one department. In fiscal year 2006, DHS obligated \$15.6 billion for goods and services, making it the third largest department in federal procurement spending. DHS components have experienced ongoing cost, schedule, and performance problems with major acquisitions as well as procurement of services. Since January 2003, GAO has designated the implementation and transformation of DHS a high-risk area, stating the need for management capacity and oversight mechanisms.¹

In December 2005, DHS established an acquisition oversight program in addition to existing oversight mechanisms, such as the investment review process. The program is designed to provide the Chief Procurement Officer (CPO) comprehensive insight into each component's acquisition programs and disseminate successful acquisition management approaches throughout DHS.² In 2006, we reported that DHS faced challenges in implementing this program, due to unclear accountability for acquisition

¹GAO, *High-Risk Series: An Update*, [GAO-03-119](#) (Washington D.C.: January 2003).

²DHS Management Directive 0784, *Acquisition Oversight Program*.

outcomes and inadequate staffing to conduct departmentwide oversight.³ Subsequent to our report, Congress, in a conference report accompanying the DHS fiscal year 2007 Appropriations bill, directed DHS to submit a plan to the Appropriations Committees by January 2007 identifying necessary oversight resources and how improvements in the performance of its procurement functions will be achieved.⁴ GAO was required to assess the plan.

In April 2007, we briefed your Committees on our analysis and findings. This report expands on that briefing. Specifically, we (1) evaluated the actions DHS and its components have taken to implement the acquisition oversight plan through May 2007 and (2) identified the challenges DHS faces in implementing the plan. We also identified opportunities for strengthening oversight conducted through the plan.

To conduct our work, we reviewed relevant GAO and DHS Office of the Inspector General reports and DHS documents, such as the oversight plan, completed reviews, and guidance to components. We interviewed officials in the office of the CPO and nine DHS components. Appendix I presents our scope and methodology in more detail. We conducted our work from February 2007 to June 2007 in accordance with generally accepted government auditing standards.

Results in Brief

The CPO, responsible for providing oversight reviews to verify the integrity of component acquisition processes, has taken several actions to implement DHS's acquisition oversight plan. The plan generally incorporates basic principles of an effective and accountable acquisition function and includes mechanisms to monitor acquisition performance through four recurring reviews: self-assessment, operational status, on-site, and acquisition planning. Each of the 9 components with procurement offices has completed the first self-assessment, which have helped components identify and prioritize acquisition weaknesses. In addition, each component has submitted initial operational status reports to the CPO, which are currently under review. CPO-led teams are also conducting on-site reviews of components. However, the CPO has not

³GAO, *Interagency Contracting: Improved Guidance, Planning, and Oversight Would Enable the Department of Homeland Security to Address Risks*, [GAO-06-996](#) (Washington, D.C.: Sept. 27, 2006).

⁴H.R. Rep. No. 109-699, at 118 (2006).

developed sufficient mechanisms to verify that components complete key elements of acquisition planning reviews. For example, most components have not conducted an annual review of their acquisition planning processes—though required to do so since December 2005—and the CPO has yet to check whether components have fulfilled this requirement.

DHS faces challenges in implementing its acquisition oversight plan. First, the CPO has limited oversight resources to implement the plan, but has made progress in increasing staff to authorized levels. Specifically, when implementation of the plan began in 2006, only two personnel were assigned acquisition oversight as their primary duty. The CPO received funding for eight additional oversight positions and as of June 2007, seven of the additional positions had been filled. Second, the CPO, who is held accountable for departmentwide management and oversight of the acquisition function, lacks sufficient authority to ensure components take corrective actions based on oversight review recommendations. We have previously recommended that the Secretary of Homeland Security provide the CPO with sufficient enforcement authority to enable effective acquisition oversight.

In addition to these challenges, we identified two opportunities based on federal standards to strengthen internal controls for overseeing the plan's implementation and for increasing knowledge sharing. Specifically, periodic assessments of the oversight program by the DHS Inspector General or an external auditor could help ensure that the plan maintains its effectiveness over time. Sharing knowledge and lessons learned from the oversight plan reviews through memorandums and regular meetings could provide DHS's acquisition workforce with information needed to improve their acquisition processes and better achieve DHS's mission.

To improve oversight provided in the plan, we are recommending that the CPO reevaluate its approach to the acquisition planning reviews and determine whether the oversight mechanisms are sufficient to improve component acquisition planning. In addition, we are recommending that DHS enhance internal controls to strengthen the effectiveness of the oversight plan through periodic external reviews and knowledge sharing. In written comments on a draft of this report, DHS concurred with our recommendations. In addition, DHS commented on planned actions regarding acquisition authority including revising a management directive and designating the Chief Acquisition Officer for the department. DHS's comments are included in their entirety in appendix II.

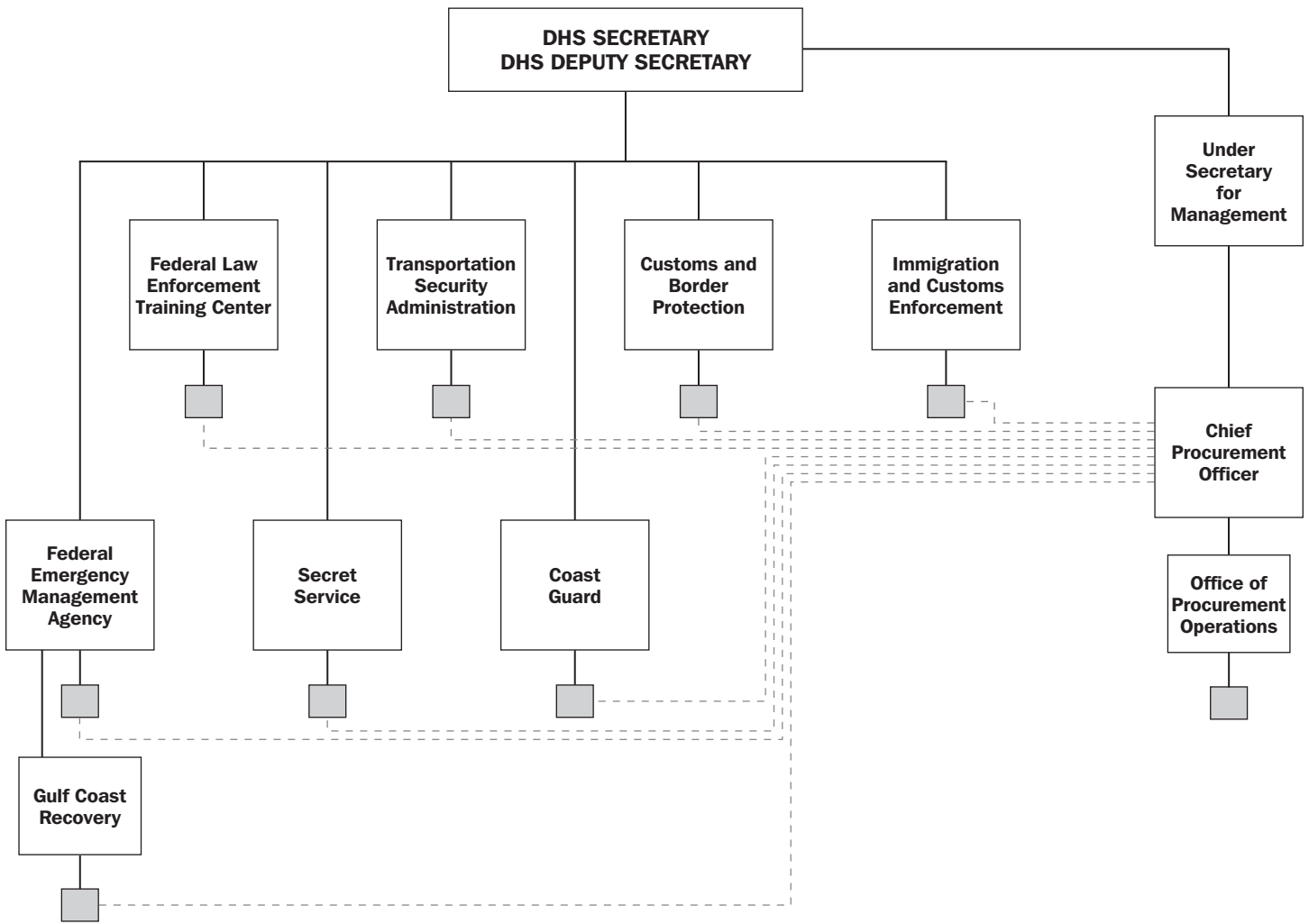
Background

In 2003, the Department of Homeland Security was created and tasked with integrating numerous agencies and offices with varying missions from the General Services Administration; the Federal Bureau of Investigation; and the Departments of Agriculture, Defense, Energy, Health and Human Services, Justice, Transportation, and Treasury; as well as the Coast Guard and the Secret Service.

Eight DHS components have internal procurement offices with a Head of Contracting Activity (HCA) who reports directly to the component head and is accountable to the CPO.⁵ The Office of Procurement Operations (OPO) also has an HCA who provides contracting support to all other components and reports directly to the CPO. The HCA for each component has overall responsibility for the day-to-day management of the component's acquisition function. Figure 1 shows the organizational relationship between the HCAs and the CPO.

⁵These components joined DHS with their own internal procurement offices.

Figure 1: DHS Components with HCAs and Lines of Reporting



Head of contracting activity for a DHS component
 — Direct line of reporting
 - - - Indirect line of reporting

Source: DHS (data); GAO (analysis and presentation).

Note: The Office of Procurement Operations provides contracting support to multiple DHS components, not shown in this figure, which do not have their own acquisition staff. During our review, Gulf Coast Recovery (GCR) had its own HCA. CPO officials told us that as of May 2007 FEMA's HCA subsumed responsibility for GCR contracting efforts.

Plan Implementation Is Under Way, but Acquisition Planning Oversight May Not Be Sufficient

We reported in September 2006 that DHS planned to fully implement its acquisition oversight program during fiscal year 2007.⁶ The plan is composed of four recurring reviews: self-assessment, operational status, on-site, and acquisition planning. The CPO has issued an acquisition oversight program guidebook, provided training on self-assessment and operational status reviews, and began implementation of the four reviews in the plan (see table 1).

Table 1: Four Oversight Plan Reviews

Description	Frequency	Status
Self-assessment		
HCA for each component assesses the component's staff, processes, and programs.	Annually	Components completed first assessment as of March 2007
Operational status reviews		
The component assesses the status of the acquisition function and submits a quarterly narrative and data on performance metrics to the CPO, and the CPO holds a quarterly meeting with each individual HCA to discuss the results. The HCA has 30 days to provide the CPO with an action plan in response to the review and is responsible to ensure that action items are completed.	Quarterly	Components have submitted their reports as of May 2007 and the CPO review is under way
On-site reviews		
A matrixed DHS team led by the CPO reviews each component's compliance with acquisition regulations, contract administration, use of good business judgment, and verification of procurement data. The head of the component is responsible for ensuring that the findings of the reviews are acted upon and closed out in a timely manner.	Minimum of once every 3 years (rotating) unless compelling reasons necessitate more frequent reviews	Office of Procurement Operations review began in March 2007; Federal Law Enforcement Training Center (FLETC) review to start in June 2007
Acquisition planning reviews		
This review has three elements: (1) Individual Acquisition Plans-The CPO reviews component's acquisition plans that exceed a contract value of \$50 million for most components. ^a	Ongoing	CPO review of acquisition plans under way
(2) Acquisition Planning Review-Component HCAs review programs and assess acquisition planning process.	Annually	Not implemented as planned
(3) Advanced Acquisition Planning (AAP) database-Components are required to enter information on all acquisitions over \$100,000 into the database.	Quarterly	Components enter information into the database

Source: GAO analysis of DHS data.

^aThe CPO reviews acquisitions that exceed \$5 million for Secret Service and FLETC.

⁶GAO-06-996.

The acquisition oversight plan generally incorporates basic principles of an effective and accountable acquisition function and includes mechanisms to monitor acquisition performance. Specifically, the plan incorporates DHS policy, internal controls, and elements of an effective acquisition function: organizational alignment and leadership, policies and processes, human capital, knowledge and information management, and financial accountability.⁷ While it is too early to assess the plan's overall effectiveness in improving acquisition performance, initial implementation of the first self-assessment has helped most components prioritize actions to address identified weaknesses. In addition, the CPO has helped several components implement organizational and process changes that may improve acquisition performance over time. For example, one component, with the assistance of the CPO, elevated its acquisition office to a level equivalent to its financial office.

However, the acquisition planning reviews are not sufficient to determine if components' adequately plan their acquisitions. Federal acquisition regulations and DHS directives require agencies to perform acquisition planning in part to ensure good value, including cost and quality. Component HCAs are responsible to ensure that acquisition plans are completed in a timely manner, include an efficient and effective acquisition strategy and the resulting contract action or actions support the component's mission. Inadequate procurement planning can lead to higher costs, schedule delays, and systems that do not meet mission objectives. Several recent reviews have identified problems in DHS's acquisition planning. In 2006, we reported that DHS often opted for speed and convenience in lieu of planning and analysis when selecting a contracting method and may not have obtained a good value for millions of dollars in spending.⁸ As part of a 2006 special review of Federal Emergency Management Agency's (FEMA) contracts, DHS's CPO found significant problems with the requirements process and acquisition strategy and recommended in part that FEMA better plan acquisitions.⁹

⁷GAO, *Framework for Assessing the Acquisition Function at Federal Agencies*, GAO-05-218G (Washington D.C.: September 2005).

⁸GAO-06-996.

⁹As part of the oversight plan, the CPO conducts special on-site reviews in response to issues that need immediate attention. At the request of the Office of Management and Budget's Office of Federal Procurement Policy, the CPO reviewed several FEMA programs in 2006, focusing on the Hurricane Katrina response. The CPO is currently conducting a follow-up review of FEMA to determine whether corrective actions have been taken.

For example, the CPO reported that FEMA’s total cost for its temporary housing program could have been significantly reduced if FEMA had appropriately planned to acquire temporary homes before the fiscal year 2005 hurricane season. A 2006 internal review of the Office of Procurement Operation’s contracts similarly found little evidence that acquisition planning occurred in compliance with regulations. While a key goal of the oversight program is to improve acquisition planning, we found potential problems with each of the three elements of the acquisition planning reviews, as shown in table 2.

Table 2: Potential Problems with Acquisition Planning Reviews

Purpose	Potential Problems
CPO reviews certain individual acquisition plans	
The CPO reviews certain acquisition plans to ensure that each complies with regulations and policies and also provides recommendations and guidance.	<p>The CPO’s review is advisory because the component HCA is responsible to ensure that the plan complies with regulations and that the resulting acquisition meets the component’s mission requirements in an efficient and effective manner.</p> <p>The HCA is not required to incorporate the CPO’s comments into the plan. Instead, the HCA must document in the contract file how the comments were addressed.</p> <p>As a result, the CPO has little assurance that review comments are included in the final versions of the acquisition plans.</p>
HCAs review their component’s acquisition planning process each year	
Annual reviews are intended to ensure the efficiency and effectiveness of the components’ acquisition planning process.	<p>The CPO does not monitor whether HCAs complete the annual acquisition planning reviews.</p> <p>Most component HCAs were not aware of the requirement to complete an annual acquisition planning review and had not done so.</p> <p>As a result, HCAs and the CPO may not identify and address poor acquisition planning processes or opportunities to strengthen processes.</p>
HCAs update the AAP database	
HCAs are to provide data into the database to publicize contracting opportunities and to assist components in managing schedules for planned acquisitions.	<p>The CPO has not established an effective mechanism to monitor the database:</p> <p>In reviewing individual acquisition plans, the CPO has not been able to establish a process that allows them to check that required information is entered into the database.</p> <p>During the first on-site review at the Office of Procurement Operations, CPO officials indicated they could not verify the accuracy and completeness of Office of Procurement Operations’ information in the database—as it had intended—because the database does not retain historical data for comparing the database to documents.</p> <p>As a result, the CPO’s visibility into the components’ planning activities is limited.</p>

Source: GAO analysis of DHS data and interviews with DHS officials.

The CPO Faces Challenges in Implementing Reviews and Corrective Actions

DHS faces two challenges in achieving the goals of its acquisition oversight plan. First, the CPO has had limited resources to implement the plan reviews. When implementation of the plan began in 2006, only two personnel were assigned acquisition oversight as their primary duty. The CPO received funding for eight additional oversight positions. However, officials told us that they have struggled to find qualified individuals. As of June 2007, seven positions had been filled. As part of the Department's fiscal year 2008 appropriation request, the CPO is seeking two additional staff, for a total of 12 oversight positions. The CPO will also continue to rely on resources from components to implement the plan, such as providing staff for on-site reviews.

Second, while the CPO can make recommendations based on oversight reviews, the component head ultimately determines what, if any, action will be taken. DHS's organization relies on cooperation and collaboration between the CPO and components to accomplish departmentwide acquisition goals. However, to the extent that the CPO and components disagree on needed actions, the CPO lacks the authority to require compliance with recommendations. We have previously reported that the DHS system of dual accountability results in unclear working relationships between the CPO and component heads. DHS policy also leaves unclear what enforcement authority the CPO has to ensure that acquisition initiatives are carried out. In turn, we recommended that the Secretary of Homeland Security provide the CPO with sufficient enforcement authority to effectively oversee the Department's acquisitions—a recommendation that has yet to be implemented.¹⁰ CPO officials believe that there are other mechanisms to influence component actions, such as providing input into HCA hiring decisions and performance appraisals.

External Reviews and Knowledge Sharing Could Improve Acquisition Oversight

Making the most of opportunities to strengthen its acquisition oversight program—along with overcoming implementation challenges—could position the agency to achieve better acquisition outcomes. We identified two such opportunities: periodic external assessments of the oversight program and sharing knowledge gained from the oversight plan reviews across the department.

¹⁰GAO, *Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, [GAO-05-179](#) (Washington, D.C.: Mar. 29, 2005).

Federal internal control standards call for periodic external assessments of programs to help ensure their effectiveness.¹¹ An independent evaluation of DHS's acquisition oversight program by the Inspector General or an external auditor could help strengthen the oversight conducted through the plan and better ensure that the program is fully implemented and maintaining its effectiveness over time. In particular, an external assessment with results communicated to appropriate officials can help maintain the strength of the oversight program by alerting DHS to acquisition concerns that require oversight, as well as monitoring the plan's implementation. For example, the plan initially called for components to complete the self-assessment by surveying their acquisition staff; however, the level of staff input for the first self-assessments was left to the discretion of the HCAs. Specifically, CPO officials advised HCAs to complete the questions themselves, delegate the completion to one or more staff members, or select a few key people from outside their organization to participate. While evolution of the plan and its implementation is to be expected and can result in improvements, periodic external assessments of the plan could provide a mechanism for monitoring changes to ensure they do not diminish oversight.

Federal internal control standards also call for effective communication to enable managers to carry out their responsibilities and better achieve components' missions.¹² The CPO has been assigned responsibility for ensuring the integrity of the oversight process—in part by providing lessons learned for acquisition program management and execution. While the CPO intends to share knowledge with components by posting lessons learned from operational status reviews to DHS's intranet, according to CPO officials, the Web site is currently limited to providing guidance and training materials and does not include a formal mechanism to share lessons learned among components. In addition to the Web site, other opportunities may exist for sharing knowledge. For example, CPO officials indicated that the CPO meets monthly with component HCAs to discuss acquisition issues. The monthly meetings could provide an opportunity to share and discuss lessons learned from oversight reviews. Finally, knowledge could be regularly shared with component acquisition staff through internal memorandums or reports on the results of oversight reviews.

¹¹See GAO, *Internal Control: Standards for Internal Control in the Federal Government*, GAO/AIMD-00-21.3.1 (Washington D.C.: November 1999).

¹²GAO/AIMD-00-21.3.1.

Conclusion

Integrating 22 federal agencies while implementing acquisition processes needed to support DHS's national security mission is a herculean effort. The CPO's oversight plan generally incorporates basic principles of an effective acquisition function, but absent clear authority, the CPO's recommendations for improved acquisition performance are, in effect, advisory. Additional actions are needed to achieve the plan's objectives and opportunities exist to strengthen oversight through enhanced internal controls. Until DHS improves its approach for overseeing acquisition planning, the department will continue to be at risk of failing to identify and address recurring problems that have led to poor acquisition outcomes.

Recommendations for Executive Action

To improve oversight of component acquisition planning processes and the overall effectiveness of the acquisition oversight plan, we recommend that the Secretary of Homeland Security direct the Chief Procurement Officer to take the following three actions:

- Reevaluate the approach to oversight of acquisition planning reviews and determine whether the mechanisms under the plan are sufficient to monitor component actions and improve component acquisition planning efforts.
- Request a periodic external assessment of the oversight plan implementation and ensure findings are communicated to and addressed by appropriate officials.
- Develop additional opportunities to share lessons learned from oversight reviews with DHS components.

Agency Comments and Our Evaluation

We provided a draft of this report to DHS for review and comment. In written comments, DHS generally agreed with our facts and conclusions and concurred with all of our recommendations and provided information on what actions would be taken to address them.

Regarding the recommendation on acquisition planning, DHS stated that during on-site reviews they will verify that CPO comments on acquisition plans have been sufficiently addressed. DHS is also developing training for component HCAs and other personnel to emphasize that CPO comments related to compliance with applicable laws and regulations must be incorporated into acquisition plans. The CPO will also annually require an acquisition planning review as part of the oversight plan's operational status reviews. Additionally, DHS intends to change the advanced acquisition planning database so that historical data are available for

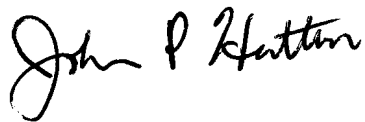
review. With regard to the recommendation for periodic external assessment of the oversight plan, DHS stated they plan to explore opportunities to establish a periodic external review of the oversight program. However, the first priority of the acquisition oversight office is to complete initial component on-site reviews. For the recommendation to develop additional opportunities to share lessons learned from oversight reviews, DHS stated it intends to share consolidated information from operational status and on-site reviews in regular meetings with component HCA staff. In addition, the CPO plans to explore further opportunities for sharing oversight results with the entire DHS acquisition community.

DHS also responded to a 2005 GAO recommendation on the issue of the CPO lacking authority over the component HCAs. DHS commented that it is in the process of modifying its acquisition lines of business management directive to ensure that no DHS contracting organization is exempt. In addition, DHS stated that the Under Secretary for Management has authority as the Chief Acquisition Officer to monitor acquisition performance, establish clear lines of authority for making acquisition decisions, and manage the direction of acquisition policy for the department, and that these authorities also devolve to the CPO. Modifying the management directive to ensure no DHS contracting organization is exempt is a positive step. However, until DHS formally designates the Chief Acquisition Officer, and modifies applicable management directives to support this designation, DHS's existing policy of dual accountability between the component heads and the CPO leaves unclear the CPO's authority to enforce corrective actions to achieve the department's acquisition goals, which was the basis of our earlier recommendation.

DHS's letter is reprinted in appendix II. DHS also provided technical comments which were incorporated as appropriate.

We are sending copies of this report to interested congressional committees and the Secretary of Homeland Security. We will also make copies available to others upon request. In addition, the report will be available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staff have questions regarding this report, please contact me at (202) 512-4841 or huttonj@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Principal contributors to this report were Amelia Shachoy, Assistant Director; William Russell; Tatiana Winger; Heddi Nieuwsma; Lily Chin; Karen Sloan; and Sylvia Schatz.



John Hutton, Director
Acquisition and Sourcing Management

Appendix I: Scope and Methodology

To determine actions taken by DHS to implement the acquisition oversight plan and challenges DHS faces, we reviewed prior GAO and DHS Office of the Inspector General reports pertaining to acquisition oversight as well as relevant DHS documents, such as the oversight plan, documents of completed reviews and guidance to components, including training materials. We interviewed officials in the CPO's office and the nine DHS components with acquisition offices. We compared efforts undertaken to implement the plan by DHS officials against established program policies, the fiscal year 2007 implementation schedule, and other guidance materials. We reviewed four component self-assessments that were provided to us and also reviewed areas in which the CPO provided assistance to components based on self-assessment results. We also reviewed Standards for Internal Control in the Federal Government.

We conducted our work from February 2007 to June 2007 in accordance with generally accepted government auditing standards.

Appendix II: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

June 12, 2007

Mr. John Hutton, Director
Acquisition and Sourcing Management
Government Accountability Office
Washington, D.C.

Dear Mr. Hutton:

Re: Draft report GAO-07-900, "Department of Homeland Security: Progress and Challenges in Implementing the Department's Acquisition Oversight Plan."

GAO notes "The acquisition oversight plan generally incorporates basic principles of an effective and accountable acquisition function and includes mechanisms to monitor acquisition performance. Specifically, the plan incorporates DHS policy, internal controls, and elements of an effective acquisition function: organizational alignment and leadership, policies and processes, human capital, knowledge and information management, and financial accountability." GAO also acknowledges that the CPO has helped several components reengineer processes that may improve acquisition performance over time.

Attached are comments on the specific recommendations but we also wanted to address the issue of the Chief Procurement Officer's (CPO) authority over the Heads of Contracting Activities (HCA) at the DHS Components. The report states that "the CPO lacks sufficient authority to ensure components comply with the [oversight] plan" and restates an earlier GAO recommendation in GAO audit 05-179, Homeland Security Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization, that "the Secretary of Homeland Security provides the CPO with sufficient enforcement authority to effectively oversee the Department's acquisition and manage risks"—a recommendation that has yet to be implemented. We respectfully do not agree with this recommendation. CPO has sufficient authority, including the ability to revoke or restrict the HCAs contracting authority, and the ability to concur in selection and performance of HCAs. Nevertheless, we concur with a prior GAO recommendation regarding a weakness in our current Acquisition Line of Business Management Directive and are in the process of modifying it to ensure that no DHS contracting organization is exempt from the directive.

In testimony June 7, 2007, before the US Senate Committee on Homeland Security and Governmental Affairs Committee Subcommittee on Oversight of Government Management, the Federal Workforce and the District of Columbia, Under Secretary for Management Paul A. Schneider cited the Services Acquisition Reform Act which was enacted as part of Title XIV of the National Defense Authorization Act for Fiscal Year 2004 (Pub. L. 108-136, Nov. 24, 2003) (41

www.dhs.gov

U.S.C. 414(a)), as the authority for the Under Secretary for Management and the Chief Procurement Officer for managing and directing the procurement function at the Department.

As the Chief Acquisition Officer, the Under Secretary's authorities include in part:

- Monitoring the performance of acquisition activities and acquisition programs of the Department, evaluating the performance of those programs on the basis of applicable performance measurements and advising the Secretary regarding the appropriate business strategy to achieve the mission of the Department.
- Making acquisitions consistent with applicable laws and establishing clear lines of authority, accountability and responsibility for acquisition decision making within the Department.
- Managing the direction of acquisition policy for the Department including implementation of the unique acquisition policies, regulation and standards of the Department.

These authorities also devolve to the Chief Procurement Officer who reports to the Under Secretary.

The following is the Departmental response to the recommendations contained in the report.

Recommendation 1. Reevaluate the approach to oversight of acquisition planning reviews and determine whether the mechanism under the plan is sufficient to monitor component actions and improve component acquisition planning efforts.

Concur. DHS will take several steps to address this recommendation. First, DHS will include a review of acquisition plans as part of future on-site reviews to ensure that Office of the Chief Procurement Officer (OCPO) comments and recommendations on acquisition plans have been sufficiently addressed in the final acquisition plans. It is noted that if during the CPO review of an Acquisition Plan there are instances of a failure to comply with specific statutory or regulatory requirements, those are highlighted as mandatory comments that must be incorporated before proceeding, as opposed to the reviewers opinions on improving the plan as presented. Second, the CPO will develop a training module for presentation to Component HCAs and other relevant component personnel to emphasize this requirement and modify the Operational Assessment to include an annual reporting requirement on the Acquisition Planning review. Finally, the Advanced Acquisition Planning (AAP) database is a Web based reporting tool that satisfies the requirement for advanced acquisition planning as set forth in FAR Part 7 and is also a database from which the Small Business forecast is drawn. Upon discovery of the limited data availability on the Website hosting this database, CPO directed that the database be modified to address the data availability and archiving issue to ensure that full year data is available at any time and that archived data is available and easily accessed.

Recommendation 2. Request a periodic external assessment of the oversight plan implementation and ensure findings are communicated to and addressed by appropriate officials.

Concur. The first priority of the Acquisition Oversight office is to complete the initial comprehensive on-site reviews of each component. Plans, activities and schedules to accomplish that by the 4th Quarter of FY 08 are in place. In the coming months the Acquisition Oversight office will explore opportunities for establishing a periodic third party review of the DHS Oversight program. This third party will likely be an outside agency such as the Federal Acquisition Institute or the Defense Acquisition University or another entity with a sufficient knowledge base in Federal Acquisition to be able to provide meaningful, constructive criticism of the program.

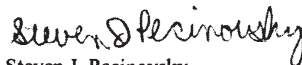
Recommendation 3. Develop additional opportunities to share lessons learned from oversight reviews with DHS components.

Concur. Steps are being taken in two specific areas to address this effort. First, the quarterly Operational Assessments, which are a common collection of acquisition and contracting related data, are being reviewed independently with each Head of Contracting Activity by the Acquisition Oversight office to ensure a common understanding of the information requested and consistent responses so that data can be consolidated and compared across components. The Oversight office is receiving positive feedback from the component HCAs interviewed to date that the data collection has already shown benefits to the HCAs by highlighting information that had otherwise been overlooked in their own assessments. The goal of this effort is to be able to consolidate the information in order to identify any outliers from a particular component in order for the CPO to specifically address them with the HCA.

In addition, these reports, aggregated over a fiscal year will be used by the CPO to establish specific performance goals that the CPO sets for all of the HCAs in the Department. Second, the results of the comprehensive on-site reviews will be similarly aggregated to provide the CPO with an overarching view of the state of the acquisition and procurement function in the Department. As analyses are completed this will become a routine agenda item for the DHS CAO council, made up of the collective HCAs from all components which meets every month. The CPO will explore the recommendation that other analyses, reports or the results of reviews be shared across the entire DHS Acquisition community, bearing in mind that many of the reports will be component or program specific.

We thank you again for the opportunity to review this most important report and provide comments.

Sincerely,



Steven J. Pecinovsky
Director
Departmental GAO/OIG Liaison Office

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