



**TESTIMONY OF
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U.S. DEPARTMENT OF HOMELAND SECURITY
UNDER SECRETARY FOR MANAGEMENT
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
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Thank you Mr. Chairman, Ranking Member Voinovich and members of the Subcommittee. It's a pleasure to appear before you again.

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

Acquisition and Procurement

Secretary Chertoff has expressed that his key goals for DHS are:

- Protect our Nation from dangerous people
- Protect the Nation from dangerous goods
- Protect and harden our critical infrastructure
- Strengthen our emergency preparedness and response
- Strengthen DHS core management, policy and operational integration

Achieving these goals places heavy reliance on the ability of the Department to have a strong acquisition and procurement capability.

The Department of Homeland Security is in the midst of many crucial acquisitions that are vital to the success of DHS. That is why we 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, technology risks are properly assessed, schedules are realistic, 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 skills to ensure efficient and effective program management and oversight, and to aggressively hire where we have known shortages.
- Examining best practice metrics in use by other departments with the intent to start implementation this year.
- Expanding the DHS headquarters to provide leadership in all of the acquisition functions by hiring in each of the appropriate career fields.

To date, the Department has focused on procurement. Procurement, however, is only one element of acquisition management. Procurement is the actual transaction for goods or services and plays only a part in the overall acquisition process.

Acquisition is the process that starts with identifying a mission need, developing requirements and budget to meet that need, contracting with industry to deliver the products and services to fulfill the need, and sustaining the delivered system through its life. Acquisition includes managing operational and life-cycle requirements: from formulating concepts of operations, developing sound business strategies, and exercising prudent financial management to assessing trade-offs and managing program risks. Procurement or contracting teams act as business deal partners to the program office in the acquisition process.

Going forward, I will continue to focus on acquisition management as one of my major priorities and expedite training in key disciplines for those who manage the Department's major programs. By having more skilled employees and improved asset management tools, acquisition management will provide the Department with the infrastructure and resources it needs to complete its mission and secure the Homeland. In particular, DHS' \$15.7 billion procurement budget provides for the development, fielding and support of significant homeland security capabilities. These new capabilities are critical for the Department to better deliver large and complex initiatives.

Key Processes

During my tenure as the Under Secretary for Management and together with the Under Secretary for Science and Technology, we instituted a new process for making Science and Technology investments by ensuring the technology being pursued fills a defined operational need or mission gap.

To be successful institutionally, Acquisition requires the synchronization of science and technology with four major processes: requirements, budgeting, basic acquisition and procurement. This is essential in order to consistently produce acceptable capabilities within allocated resources. The difficulty occurs because these processes are usually executed independently, where different calendars and schedules drive their independent execution.

The urgency and complexity of DHS' mission will continue to demand rapid refinement of our major processes. One of the biggest challenges we have is to continue to build our capability in the operational components and at the Department-wide level, while the ongoing day to day business continues to move at a fast pace. That dictates a measured approach in implementation.

We have also instituted a new process for FY 09-13 planning which involves the entire Department. The objective is to identify the major issues and programs and those that cut across the entire department. The goal is to have adequate time to properly support the development of the FY 09 budget.

We have established the framework for a more responsive Investment Review process.

U.S. Coast Guard Deepwater Program

The major lessons learned from the several reviews of the program that were conducted are the following:

- The underlying assumption that government and industry were equal partners was not valid. The basic principle was flawed.
- The Coast Guard did not have the range and depth of personnel to manage complex acquisitions like Deepwater.
- The Deepwater concept though innovative in theory was probably not practical given the nature of the Coast Guard mission and the hands-on nature of the service.
- The program did not execute the originally envisioned plan and while some of the reasons could be attributed to 9/11 requirements changes, this alone was not the cause.

- The program was operated as a stand alone effort in the Coast Guard, yet many of the key elements like Logistics and C4ISR were in fact structured to be the future basis for the Coast Guard infrastructure in these key areas.

As a result of this overview, the U.S. Coast Guard Deepwater Program has been restructured. We have formalized a collaborative partnership with the Navy in order to identify best practices, common systems, technologies and processes for improved interoperability. The role of the Coast Guard in managing this large scale effort has changed to one of more hands-on control.

As a result of increased Coast Guard control, examples of acquisition related Deepwater Program improvements include:

- Competition is being injected across the product lines;
- A uniform Coast Guard approach to logistics support is being implemented to ensure better operational logistics performance;
- A service-wide C4I architecture is being pursued that is directed by the Coast Guard that focuses on fielding infrastructure and then adding functionality on a spiral basis;
- Contracts for National Security Cutters 1 and 2 are being updated and outstanding contractual issues are being addressed to establish a clear baseline for the remainder of the ships in the class;
- Current resources are being augmented with hiring at all levels to increase the professional talent of the acquisition workforce; and
- The Commandant is implementing his “Blueprint for Acquisition” which addresses major organizational and process changes to significantly improve the performance of Coast Guard Acquisition.

The major challenge the Coast Guard now faces in executing the “Blueprint for Acquisition” is hiring the experienced talent that it needs to manage complex acquisitions and to establish Acquisition as a valued career field with appropriate career paths for both military and civilians. This will require several years to fully mature.

SBI*net*

I am frequently asked if SBI*net* will turn into a “Deepwater problem”. The answer is unequivocally no.

This program is managed by one of the most experienced Program Managers in government. SBI*net*, the Department’s multi-year plan is to secure our borders and reduce illegal immigration by upgrading technology used in controlling the border,

including improved communications assets, expanded use of manned and unmanned aerial vehicles and state of the art detection technology.

The program's approach to securing our borders is comprehensive and includes risk mitigation factors. For example, the contract that was awarded to Boeing in September of 2006 has a base period of three years with three one-year option periods.

As such, there are two risk-mitigating factors to consider with regard to the Boeing contract. First, it allows DHS to execute the acquisition into discrete, workable phases, implemented through task and delivery orders. This approach provides the greatest amount of flexibility to respond to evolving requirements.

Second, the contract with Boeing is not exclusive, which means DHS reserves the right to compete and use other contract vehicles for the goods and services required for the *SBI_{net}* Program. Through this practice we are ensuring that tax dollars are spent wisely.

This phased, modular and scaleable methodology has been successful and a major accomplishment for DHS. Project 28 will demonstrate *SBI_{net}* system capabilities by deploying sensor towers, unattended ground systems and upgrades to existing Border Patrol vehicles and communication systems. Upon completion of Project 28, which is set for June 2007, the Army will conduct an independent test and evaluation and provide an independent assessment of *SBI_{net}*'s interim operating capabilities. Because this is a modular and scalable architecture, we will be in a position to make important tradeoffs on performance, risk and total system costs very early – all in less than one year after the contract was awarded. In my opinion, this is a model for spiral acquisition and risk reduction.

The Use of Contractors

The Government Accountability Office (GAO) and the Congress have indicated concerns that DHS relies extensively on outside agencies for contracting support. To date, our model for using contractors on projects such as Deepwater and *SBI_{net}* 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 Coast Guard's Deepwater Program, i.e. programs that 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.

However, through the Department's strategy, human resource recruitment efforts, employee training, and improved acquisition management, we will reduce our reliance on contractors. We will develop a mature acquisition workforce that will enable us to build our own "pipeline" of people, create a career-path from within the Department, and

reduce our inefficiencies in areas of oversight and project management. This will not happen overnight, but will require several years to fully mature.

Acquisition Workforce

Best practice acquisition management is executed by an integrated team of acquisition professionals who manage the entire life-cycle of a major program effort. However, because major acquisitions are somewhat new to the Department, DHS currently has a serious shortage of people who are experienced in program management, including its related functional areas such as acquisition logistics, earned value management, test and evaluation, cost estimating and systems engineering.

Although the Department received funding in the FY 2007 budget to hire additional acquisition personnel, obtaining qualified acquisition specialists in a timely manner is challenging. Competition for qualified and seasoned procurement personnel is intense across the Federal Government and the private sector. To date, DHS has initiated aggressive staffing solutions to resolve these personnel shortages and has centralized recruiting activities to better manage similar needs across the Department. Recent Washington, DC newspaper ads resulted in over 1,000 responses. A May career exposition at the Ronald Reagan Building resulted in over 300 job-seekers inquiring about career opportunities throughout the Department.

As part of the President's FY 2008 budget, we plan to initiate our Acquisition Intern Program. We will start with 66 new entry level positions in the contracting field, expand to the other career fields in FY 2009 and grow to 300 positions by FY 2010. This program is modeled after highly successful Department of Defense (DOD) programs and is especially critical for contracting. Unlike engineering, IT or finance, contracting is a field that is essentially learned. That is why the DOD and others have relied on intern programs to develop the leadership pipeline for this profession and why it is perhaps the most critical of our programs for strengthening the acquisition workforce.

Two weeks ago, I signed a partnership agreement with the Under Secretary of Defense (Acquisition, Technology and Logistics) and the President of Defense Acquisition University to leverage existing DOD training and development opportunities and use their capabilities and talent pool to help develop our workforce on a long term partnership basis. This partnership, in conjunction with our existing relationship with the Federal Acquisition Institute will improve our human capital management.

Acquisition Organization

Given how DHS was formed and its current maturity, it is not surprising that we do not have a consistent organization structure throughout the Department for example:

- The U.S. Coast Guard's "Blueprint for Acquisition Reform" will ultimately centralize all acquisitions similar to that of a DOD "Systems Command" like structure.

- SBI net comes under the SBI Program Director who is a direct report to the head of Customs and Border Protection (CBP). All other CBP programs are dispersed throughout the organization and report up through different levels.
- The Domestic Nuclear Detection Office (DNDO) is a stand alone program office that has 'cradle to grave' life cycle management responsibility for efforts under its purview and reports directly to the Secretary.
- Transportation Security Administration (TSA) programs are executed throughout the organization and report to different levels up to and including the Agency Head.

While this varied structure may not be the best one for the long term, I think it is more important to focus on acquisition processes and the individual program efforts rather than trying to develop a more perfect organizational structure at this time.

Acquisition Authorities

The two positions with authorities related to procurement and acquisition are the Chief Procurement Officer and the Under Secretary for Management. In accordance with 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 U.S.C. 414(a)), I am the Chief Acquisition Officer (CAO) of DHS, as that law requires the CAO to be a non-career employee. The Chief Procurement Officer, Ms. Elaine Duke, who is here with me today is a career civil servant and serves as the Chief Procurement Officer and Senior Procurement Executive of the Department.

The Chief Procurement Officer has authority to exercise whatever oversight she determines to be proper over the execution of the procurement and contracting functions across the Department which includes: management, administration, and oversight of Department-wide acquisition, financial assistance, strategic sourcing, and competitive sourcing programs.

As the CAO, my 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.

There have been several recommendations made by the Office of the Inspector General and the GAO to strengthen these authorities.

In my early assessment of the Office of Management, I recognized that our Chief Information Officer, Scott Charbo, did not have the requisite authority over each of the DHS IT components and that the documented concerns of the GAO with respect to authority of the business chiefs was valid in this case. The Secretary agreed with my assessment and shortly thereafter issued a Management Directive to provide the CIO with such authority. I am currently examining the authorities of the Chief Procurement Officer and if I determine similar action to that which I took for the CIO is required, I will ask the Secretary for such authority.

In the case of the CAO authorities, the major difference between the responsibility of the DHS CAO and the Under Secretary of Defense (Acquisition, Technology and Logistics), is that the Defense Acquisition Executive has specific authority granted by Title 10 USC Section 133 to direct the Service Secretaries in Acquisition matters. I think it is important to recognize that this major change took place as a result of the Goldwater – Nichols legislation. It was inculcated several years later by the reorganization of the Department of Defense. The Defense Management Review established a top down organization structure to enable the reassignment of authorities to be successfully executed.

I think the Department is still in its developing stages and I strongly agree with the Secretary that as a result of his second stage review there would be no more major reorganizations during his administration. If I think I need any additional authorities, I will ask him.

Information Technology

Many of the DHS investment programs have a significant information technology aspect to it which we have strengthened. Our IT efforts are as follows:

- The Department's Enterprise Architecture Board (EAB) reviews investments at various stages in the IRP and CPIC cycles.
- The EAB published the Homeland Security Enterprise Architecture Version 2007 to ensure best business practices and consistency.
- OMB gave an overall rating of "yellow" on the Homeland Security Enterprise Architecture 2007. However, we received a green for Completion and for Use. We are working to improve our reporting of savings.

- The enterprise architecture assists in the creation of DHS strategic plans and alignment of all investments to mission needs.
- Consolidation of major networks and systems continues the reduction of seven wide-area networks and creation of one common e-mail platform.
- The first 24,000 square feet of a Department-wide primary data center has been opened in order to consolidate multiple disparate data centers into a more secure and cost effective environment. An additional 40,000 square feet is under construction and due to open in July.
- The contract for a second data center is currently in the source selection phase.

Conclusion

As the Department enters into its next stage of development to transform into an effective, integrated organization, it is important to keep in mind that this process is a marathon, not a sprint. My immediate focus is to ensure the success of our major efforts, that we are properly structured, and have developed and implemented sustainable, long-term processes which will build our capabilities. To do so, we need to get correct systems in place. This takes time, but we are building for the future.

Thank you for your leadership and 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 with energy and enthusiasm.

Thank you for this opportunity to be here today, and I would be pleased to respond to any questions that you may have.