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DEPARTMENT OF
HOMELAND
SECURITY

A Comprehensive
and Sustained
Approach Needed to
Achieve Management
Integration



G A O

Accountability * Integrity * Reliability



Highlights of [GAO-05-139](#), a report to congressional requesters

DEPARTMENT OF HOMELAND SECURITY

A Comprehensive and Sustained Approach Needed to Achieve Management Integration

Why GAO Did This Study

The creation of the Department of Homeland Security (DHS) represents one of the largest reorganizations of government agencies and operations in recent history. Significant management challenges exist for DHS as it merges the multiple management systems and processes from its 22 originating agencies in functional areas such as human capital and information technology. GAO was asked to identify opportunities for DHS to improve its management integration.

What GAO Recommends

GAO recommends that the Secretary of DHS: (1) develop an overarching management integration strategy, and (2) provide its Business Transformation Office (BTO) with the authority and responsibility to serve as a dedicated integration team and help develop and implement the strategy. GAO also suggests that Congress monitor (1) the progress of DHS's management integration, for example, by requiring the department to periodically report the status of its efforts; and (2) whether senior leadership has the authority to elevate, integrate, and institutionalize its management integration and reassess whether to create a new Chief Operating Officer (COO) or Chief Management Officer (CMO) position to more effectively drive this integration. DHS generally agreed with the report's recommendations.

www.gao.gov/cgi-bin/getrpt?GAO-05-139.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Eileen R. Larence at (202) 512-6510 or larencee@gao.gov.

What GAO Found

GAO found that while DHS has made some progress in its management integration efforts, it has the opportunity to better leverage this progress by implementing a comprehensive and sustained approach to its overall integration efforts. GAO assessed DHS's integration efforts to date against three of nine key practices consistently found to be at the center of successful mergers and transformations: setting implementation goals and a time line to build momentum and show progress, dedicating an implementation team to manage the transformation, and ensuring top leadership drives it. While there are other practices critical to successful mergers and transformations—including using the performance management system to define responsibility and assure accountability for change—GAO selected these three key practices because they are significant to building the infrastructure needed for DHS at this early juncture in its management integration efforts.

Establishing implementation goals and a time line is critical to ensuring success and could be contained in an overall integration plan for a merger or transformation. DHS has issued guidance and plans to assist its integration efforts, on a function-by-function basis (information technology and human capital, for example); but it does not have a comprehensive strategy, with overall goals and a time line, to guide the management integration departmentwide.

GAO's research shows that it is important to dedicate a strong and stable implementation team for the day-to-day management of the transformation. DHS has established a Business Transformation Office (BTO), reporting to the Under Secretary for Management, to help monitor and look for interdependencies among the individual functional integration efforts. However, the role of the BTO could be strengthened so that it has the requisite responsibility and authority to help the Under Secretary set priorities and make strategic decisions for the integration, as well as implement the integration strategy.

The current responsibilities of the Under Secretary contain some of the characteristics of a COO/CMO. GAO has reported that such a position could help elevate, integrate, and institutionalize DHS's management initiatives. Recent DHS actions, such as management directives clarifying roles for the integration, can provide the Under Secretary additional support. However, it is still too early to tell whether the Under Secretary will have sufficient authority to direct, and make trade-off decisions for the integration, and institutionalize it departmentwide. The Congress should continue to monitor whether it needs to provide additional leadership authorities to the Under Secretary, or create a new position that more fully captures the roles and responsibilities of a COO/CMO.

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Abbreviations

BTO	Business Transformation Office
BTS	Border & Transportation Security Directorate
CAO	Chief Administrative Officer
CBP	Customs & Border Protection
CFO	Chief Financial Officer
CHCO	Chief Human Capital Officer
CIO	Chief Information Officer
CIS	Citizenship and Immigration Services
CMO	Chief Management Officer
COO	Chief Operating Officer
CPO	Chief Procurement Officer
DHS	Department of Homeland Security
EPR	Emergency Preparedness & Response Directorate
FPS	Federal Protective Service
ICE	Immigration & Customs Enforcement
IG	Inspector General
INS	Immigration & Naturalization Service (legacy)
IT	Information Technology
OMB	Office of Management and Budget

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United States Government Accountability Office
Washington, D.C. 20548

March 16, 2005

The Honorable Tom Davis
Chairman
Committee on Government Reform
House of Representatives

The Honorable Jon C. Porter
Chairman
Subcommittee on the Federal Workforce and Agency Organization
Committee on Government Reform
House of Representatives

The Honorable Jo Ann Davis
House of Representatives

The creation of the Department of Homeland Security (DHS) represents one of the largest reorganizations and consolidations of government agencies, personnel, programs, and operations in recent history. As DHS's Under Secretary for Management has stated, the implementation of the department is at once a full-scale government divestiture, merger, acquisition, and start-up. DHS faces significant management and organizational transformation challenges as it works to protect the nation from terrorism and simultaneously establish itself. It must integrate approximately 180,000 employees from 22 originating agencies,¹ consolidate multiple management systems and processes, and transform into a more effective organization with robust planning, management, and operations. For these reasons, in January 2005, we continued to designate the implementation and transformation of the department as high risk.² DHS's Inspector General also reported, in December 2004, that integrating DHS's many separate components into a single, effective, efficient and economical department remains one of its biggest challenges.³ Furthermore, DHS must continue to meet these daunting challenges while transitioning to new leadership.

¹ DHS was initially created with 22 originating agencies, and the Plum Island Animal Disease Center was transferred into DHS in June 2003.

² GAO, *High-Risk Series: An Update*, GAO-05-207 (Washington, D.C.: January 2005).

³ DHS, *Major Management Challenges Facing the Department of Homeland Security*, OIG-05-06 (Washington, D.C.: Dec. 1, 2004).

DHS has an overall vision to become a fully integrated and unified department, adhering to the former Secretary's high-level vision of "One DHS, One Fight." While the protection of the homeland is the primary mission of the department, critical to meeting this challenge is the integration of DHS's varied management processes, systems, and people—in areas such as information technology, financial management, procurement, and human capital—as well as in its administrative services. The integration of these various functions is being executed through DHS's management integration initiative. The success of this initiative is important since it provides critical support for the total integration of the department, including its operations and programs, to ultimately meet its mission of protecting the homeland. This report focuses on the progress DHS has made on this functional or management integration.

Specifically, we sought to identify opportunities for DHS to improve these management integration efforts. To address our objective, we assessed DHS's efforts to date against selected key practices we have reported are consistently found to be at the center of successful mergers and organizational transformations. These practices were identified to assist DHS in its consolidation before the department was created and were based on useful practices and lessons learned from major private and public sector organizational mergers, acquisitions, and transformations.⁴ We selected three of these nine practices as criteria for this review because they are significant to building the infrastructure needed to manage any merger or transformation and are particularly important to DHS at this early juncture in its management integration efforts:

- *Setting implementation goals and a time line to build momentum and show progress from day one.* A merger or transformation is a substantial commitment that could take years before it is completed, and therefore must be carefully and closely managed. As a result, it is essential to establish and track implementation goals and use a time line to pinpoint performance shortfalls and gaps and suggest midcourse corrections.

⁴ GAO, *Highlights of a GAO Forum, Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, [GAO-03-293SP](#) (Washington, D.C.: Nov. 14, 2002) and GAO, *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, [GAO-03-669](#) (Washington, D.C.: July 2, 2003).

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- *Dedicating an implementation team to manage the transformation process.* Dedicating a strong and stable implementation team with the responsibility for the transformation's day-to-day management is important to ensuring that it receives the focused attention needed to be successful.
 - *Ensuring top leadership drives the transformation.* Sustained and consistent leadership can help provide the long-term attention required to effectively address significant management challenges and transformational needs.

We focused our review primarily on the management integration activities of DHS's Management Directorate because the Homeland Security Act of 2002 establishes that the Under Secretary for Management is responsible for the transition and reorganization process for the department.⁵ We did not include an assessment of the mission or program integration efforts of DHS in this review primarily because GAO has additional work under way on these efforts. To address our objective, we reviewed key transition, management integration, and planning and policy documents, and met with the chiefs of staff or directors of operations for the five directorates⁶ in DHS, as well as the U.S. Secret Service, the U.S. Coast Guard, the Bureau of Citizenship and Immigration Services, and other DHS offices. Within the Management Directorate, we reviewed documents from and met with the Under Secretary for Management, the Chief Financial Officer, the Chief Procurement Officer, the Chief Human Capital Officer, the Chief Information Officer, and the Chief Administrative Officer. We also examined reports from GAO, DHS's Inspector General, and others that addressed the integration of departmentwide management functions, such as the development of an integrated departmental financial management system, information technology, and others. A more detailed discussion of our scope and methodology is in appendix I.

We conducted our work from April 2004 through February 2005 in accordance with generally accepted government auditing standards.

⁵ Pub. L. No. 107-296, § 701(a)(9).

⁶ The Homeland Security Act established five directorates within DHS for each of the following areas: (1) management, (2) science and technology, (3) information analysis and infrastructure protection, (4) border and transportation security, and (5) emergency preparedness and response. The U.S. Secret Service and the U.S. Coast Guard were also transferred to DHS, but are not within a directorate.

Results in Brief

Recently, DHS has made some progress in addressing its departmentwide management integration through the issuance of guidance and plans to assist the integration of each individual management function within the department, as well as the establishment of a Business Transformation Office (BTO), which it began in October 2004. However, DHS has the opportunity to better leverage these initial efforts by implementing a more comprehensive and sustained approach departmentwide. In particular, more closely adhering to the following three select key practices that have consistently been found to be at the center of successful mergers, acquisitions, and transformations would help DHS establish the management infrastructure needed to integrate the total department and achieve its critical mission of protecting the homeland:

Setting Implementation Goals and a Time Line: DHS Has Issued Some Guidance and Plans to Help Its Management Integration Efforts, But Needs an Overarching Strategy to Integrate Across Management Functions and to Identify Critical Interdependencies, Interim Milestones, and Possible Efficiencies

DHS has issued some guidance and plans to assist each management function, such as information technology or human capital, in its own consolidation and integration, but does not have a comprehensive strategy, with overall goals and a time line, to guide the management integration across functions and departmentwide. Such a strategy is important because the pace and type of changes implemented in one function can be critical to successful change in another function. For example, integrating the disparate financial management systems DHS inherited depends on the integration of its many information technology systems. But DHS does not have a master blueprint with implementation goals, time lines, and interim milestones that identifies and manages these critical interdependencies and possible efficiencies across functions. DHS has the opportunity to build the individual functional plans into such a comprehensive strategy.

Dedicating an Implementation Team: DHS's Business Transformation Office Could Be Strengthened to Serve as a Dedicated Team to Help Set Priorities and Make Strategic Decisions for Management Integration and to Implement the Comprehensive Integration Strategy

In October 2004, DHS established a BTO within its Management Directorate to help monitor and look for interdependencies among its discrete management integration efforts. The establishment of this office

could help DHS further coordinate its integration efforts. However, the BTO is not responsible for leading and managing the coordination and integration that must occur across functions for DHS to achieve its critical mission. DHS could strengthen the role of the BTO by giving it more than a monitoring role, but also the responsibility and authority it needs to help the Under Secretary for Management create and implement the overarching management integration strategy, help set priorities, and make strategic decisions that will drive DHS's integration across the department.

Ensuring Top Leadership Drives the Transformation: Continued Monitoring Is Needed to Ensure Senior DHS Leadership Elevates, Integrates, and Institutionalizes Its Management Initiatives

As it is currently structured, the roles and responsibilities of the Under Secretary for Management contain some of the characteristics of a Chief Operating Officer (COO) or Chief Management Officer (CMO), such as elevating, integrating, and institutionalizing responsibility for key functional management initiatives. However, the use of clearly-defined, results-oriented performance agreements and setting a term appointment of not less than 5 years, are other important mechanisms to help ensure accountability and sustainability for these initiatives. In October 2004, DHS issued management directives to clarify accountability for the integration of the functions across the department. For example, the financial management directive established that the department's Chief Financial Officer (CFO) is accountable for consolidating and integrating financial systems across the department, but must work with the multiple CFOs who directly report to their respective agency and component heads in the other four DHS directorates to do so. The directives and the recent establishment of the BTO could strengthen the role and responsibilities of the Undersecretary for Management in DHS's management integration efforts. But it is still too early to tell whether these recent initiatives will provide the Under Secretary with sufficient authority to direct, and make trade-off decisions for the management integration initiatives and the institutionalization of them across the department. The Congress should continue to closely monitor whether additional leadership authorities are needed for the Under Secretary, or whether a revised organizational arrangement is needed to fully capture the roles and responsibilities of a COO/CMO position, including a performance agreement and term limit.

In order to provide a comprehensive approach to its management integration efforts, we recommend that the Secretary of DHS direct the Under Secretary for Management, working with others, to (1) develop an

overarching management integration strategy for the department, with implementation goals and a time line; and (2) provide DHS's recently established BTO in its Management Directorate, with the appropriate authority and responsibility to help set priorities and make strategic decisions for the department's management integration efforts, as well as serve as a dedicated implementation team. One of BTO's responsibilities should be to help develop and implement the overarching management integration strategy. In addition, the Congress may wish to continue to monitor the progress of DHS's management integration, for example, by requiring the department to periodically report on the status of its efforts, to determine whether DHS has (1) implemented a departmentwide integration strategy; and (2) provided the BTO with sufficient authority to serve as a dedicated implementation team to lead and sustain the integration of the department. Finally, Congress may also wish to consider whether the Under Secretary for Management has the authority to elevate attention on management issues and transformational change, integrate various key management and transformation efforts, and institutionalize accountability for addressing management issues and leading transformational change, as the department's management integration moves forward. If necessary, Congress may want to reassess whether it needs to statutorily adjust existing positions, or create a new COO/CMO position, with provisions for a term limit and performance agreement, that has the necessary responsibilities and authorities to more effectively drive the integration.

In commenting on a draft of this report, DHS generally agreed with the report's recommendations. DHS also provided some additional information on the planned responsibilities and role of the BTO. For example, the department commented that the BTO is establishing an integrated project plan/integration strategy and anticipates it will be released by June 2005.

Background

The creation of DHS is an historic opportunity for the federal government to fundamentally transform how the nation will protect itself from terrorism and other threats. Not since the creation of the Department of Defense in 1947 has the federal government undertaken an organizational merger of this magnitude. Enacted on November 25, 2002, the Homeland Security Act established DHS by merging 22 disparate agencies and organizations with multiple missions, values, and cultures. On March 1, 2003, DHS officially began operations as a new department. DHS is now the third largest federal government agency with an anticipated budget of \$40.7 billion for fiscal year 2005 and an estimated 180,000 employees.

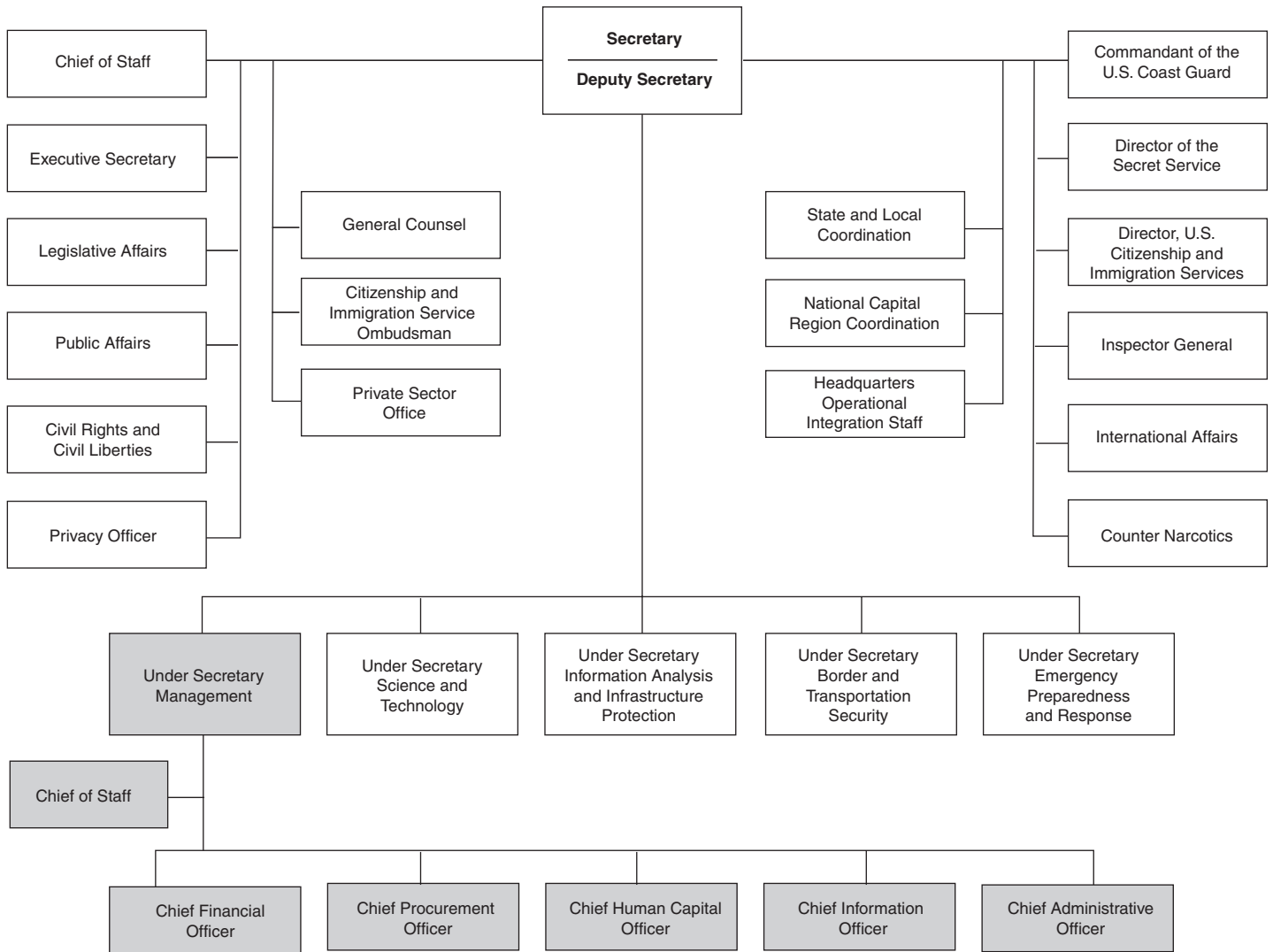
In accordance with section 1502 of the Homeland Security Act, the President provided a DHS reorganization plan to appropriate congressional committees specifying the agencies that would integrate into DHS, along with an overall organizational structure, but the plan did not specify how the integration of these agencies and employees would occur.⁷ Section 701 of the Homeland Security Act gave the Under Secretary for Management at DHS the responsibility for the management and administration of the department, including the transition and reorganization process, among other things.⁸ As seen in figure 1, the Chief Financial Officer (CFO), the Chief Information Officer (CIO), the Chief Human Capital Officer (CHCO), the Chief Procurement Officer (CPO), and the Chief Administrative Officer (CAO) are all housed within the Management Directorate.⁹ Figure 1 shows the organizational structure of the department, as of December 2004.

⁷ The White House, *Department of Homeland Security Reorganization Plan* (Washington, D.C.: Nov. 25, 2002).

⁸ Other responsibilities of the Under Secretary for Management under section 701 include financial management, procurement, human resources and personnel, information technology and communications systems, facilities and property management, security, performance measurements, grants and other assistance management programs, internal audits, and maintenance of immigration statistics.

⁹ In addition to reporting to the Under Secretary for Management, the CFO is also to report to the DHS Secretary on matters of financial management. See 31 U.S.C. 902(a)(1); Department of Homeland Security Financial Accountability Act of 2004, Pub. L. No.108-330, § 3(a), (e).

Figure 1: DHS Organizational Structure, as of December 2004



Source: GAO.

Selected Key Mergers and Transformation Practices Can Help Guide DHS in Taking a Comprehensive and Sustained Approach to its Management Integration Efforts

DHS would have the comprehensive and sustained approach to its management integration efforts that it needs over the long term to successfully transform the agency, if it more closely adhered to three selected key practices that we have found consistently at the center of successful mergers, acquisitions, and transformations. Otherwise, the department runs the risk of not establishing and maintaining the management infrastructure needed to steer the integration of the department and ultimately to help meet its critical mission of protecting the homeland.

We identified these key practices through a forum the Comptroller General convened in September 2002, as DHS was being created, to help DHS merge its various originating components into a unified department.¹⁰ The forum was designed to identify and discuss useful practices and lessons learned from major private and public sector organizational mergers, acquisitions, and transformations. In July 2003, we further identified implementation steps for the nine key practices raised at the forum.¹¹ These key practices and implementation steps are shown in figure 2.

¹⁰ See [GAO-03-293SP](#).

¹¹ See [GAO-03-669](#).

Figure 2: Key Practices and Implementation Steps for Mergers and Organizational Transformations

Practice	Implementation steps
Ensure top leadership drives the transformation.	<ul style="list-style-type: none"> • Define and articulate a succinct and compelling reason for change. • Balance continued delivery of services with merger and transformation activities.
Establish a coherent mission and integrated strategic goals to guide the transformation.	<ul style="list-style-type: none"> • Adopt leading practices for results-oriented strategic planning and reporting.
Focus on a key set of principles and priorities at the outset of the transformation.	<ul style="list-style-type: none"> • Embed core values in every aspect of the organization to reinforce the new culture.
Set implementation goals and a time line to build momentum and show progress from day one.	<ul style="list-style-type: none"> • Make public implementation goals and time line. • Seek and monitor employee attitudes and take appropriate follow-up actions. • Identify cultural features of merging organizations to increase understanding of former work environments. • Attract and retain key talent. • Establish an organizationwide knowledge and skills inventory to allow knowledge exchange among merging organizations.
Dedicate an implementation team to manage the transformation process.	<ul style="list-style-type: none"> • Establish networks to support implementation team. • Select high-performing team members.
Use the performance management system to define the responsibility and assure accountability for change.	<ul style="list-style-type: none"> • Adopt leading practices to implement effective performance management systems with adequate safeguards.
Establish a communication strategy to create shared expectations and report related progress.	<ul style="list-style-type: none"> • Communicate early and often to build trust. • Ensure consistency of message. • Encourage two-way communication. • Provide information to meet specific needs of employees.
Involve employees to obtain their ideas and gain ownership for the transformation.	<ul style="list-style-type: none"> • Use employee teams. • Involve employees in planning and sharing performance information. • Incorporate employee feedback into new policies and procedures. • Delegate authority to appropriate organizational levels.
Build a world-class organization.	<ul style="list-style-type: none"> • Adopt leading practices to build a world-class organization.

Source: GAO.

To assess DHS’s progress to date in integrating its management functions, we determined that three of the nine practices were especially important to ensure the agency has the management infrastructure it needs this early in the process to manage and sustain its integration: (1) an overarching integration strategy, with implementation goals and a time line that links its various individual management integration initiatives; (2) a dedicated implementation team with the responsibility and authority to drive the department’s management integration; and (3) committed and sustained leadership. DHS has opportunities to more fully implement each of these practices and increase its ability to successfully integrate.

DHS Has Issued Some Guidance and Plans to Help Its Management Integration Efforts, But Needs an Overarching Strategy to Integrate Across Management Functions and to Identify Critical Interdependencies, Interim Milestones, and Possible Efficiencies

We have reported that a merger or transformation is a substantial commitment that could take years before it is completed, and therefore must be carefully and closely managed and monitored to achieve success. Establishing implementation goals and a time line is critical to ensuring success, as well as pinpointing performance shortfalls and gaps and suggesting midcourse corrections. Such goals and time lines could be contained in an overall integration plan for a merger or transformation effort. It is important to note that such a plan typically goes beyond what is contained in an agency strategic plan, and provides more specific operational and tactical information to manage a sustained effort. For example, as required by the Government Performance and Results Act of 1993, a strategic plan generally contains the high-level goals and mission for an agency based on its statutory requirements, while an integration strategy would provide the activities and time lines needed, along with assigned responsibilities, for accomplishing the goals of an organizational merger or transformation.¹² Finally, another element essential to executing a merger or transformation is to make the implementation goals and time lines public, so that employees, customers, and stakeholders are aware of what is to be accomplished and when.

Our prior work shows that DHS needed to carefully plan and manage its integration, and a study commissioned by DHS underscored that the department should use an overall integration strategy to help accomplish this. For example, prior to the establishment of the department, we identified a number of management challenges that DHS might face as it moved forward in its integration, such as the establishment of a comprehensive planning and management focus and the need for a results-oriented approach to ensure accountability and sustainability.¹³ In December 2002, we recommended that careful and thorough transition planning would be critical to the successful creation of DHS and that the importance of the transition efforts to implement the new homeland

¹² GAO, *Executive Guide: Effectively Implementing the Government Performance and Results Act*, [GAO/GGD-96-118](#) (Washington, D.C.: June 1996).

¹³ GAO, *Homeland Security: Proposal for Cabinet Agency Has Merit, But Implementation Will Be Pivotal to Success*, [GAO-02-886T](#) (Washington, D.C.: June 25, 2002); GAO, *Homeland Security: Critical Design and Implementation Issues*, [GAO-02-957T](#) (Washington, D.C.: July 17, 2002); See [GAO-03-102](#).

security could not be overemphasized.¹⁴ Specifically, we recommended to OMB that in developing an effective transition plan for DHS, it should ensure that the plan incorporates the key practices we identified as being found at the center of successful mergers and transformations. In July 2004, we reported on the merger of the Federal Protective Service (FPS) into DHS and recommended that FPS develop an overall transformation strategy for how it will carry out its expanding mission, as well as meet other challenges it faces.¹⁵ DHS agreed with our recommendation. Moreover, in early 2003, DHS recognized the challenges it faced and commissioned a comprehensive management study to help the department create an operating structure that integrates the department's components and to facilitate a DHS-wide integration plan linked to core missions and capabilities, among other things.¹⁶ This management study also recommended that DHS develop a comprehensive integration plan with major milestones defined, encompassing all of the department's integration initiatives including functional management and mission integration activities.

Early on, the department made some progress in consolidating the processes and systems of each individual function in areas such as information technology, financial management, procurement, and human capital. For example, according to DHS's performance and accountability report for fiscal year 2004 and updated information provided by DHS officials, the department has accomplished the following activities as part of its integration efforts:

- reduced the number of financial management service centers from 19 to 8,
- consolidated acquisition support for 22 legacy agencies within 8 major procurement programs,

¹⁴ GAO, *Homeland Security: Management Challenges Facing Federal Leadership*, [GAO-03-260](#) (Washington, D.C.: Dec. 20, 2002).

¹⁵ GAO, *Homeland Security: Transformation Strategy Needed to Address Challenges Facing the Federal Protective Service*, [GAO-04-537](#) (Washington, D.C.: July 14, 2004).

¹⁶ Booz | Allen | Hamilton, *Department of Homeland Security Management Study*, (Washington, D.C.: July 8, 2003).

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- reduced the number of its payroll systems from 8 to 2, and expects to be using one single payroll system by the beginning of fiscal year 2006,
 - consolidated 22 different human resource offices to 7,
 - consolidated 271 processes associated with administrative services down to 103,
 - consolidated bank card programs from 27 to 3, and
 - realigned more than 6,000 support services employees (both government and contractor) from the legacy U.S. Customs Service and the legacy Immigration and Naturalization Service (INS) to support the 68,000 employees of the U.S. Customs and Border Protection (CBP), Immigration and Customs Enforcement (ICE), and Citizenship and Immigration Services (CIS) organizations.

In addition to improving the effectiveness of the department, according to DHS, these consolidation activities are aimed at realizing the efficiencies and economies of scale envisioned by the President and the Congress in creating DHS, by eliminating overlap and redundancies in these processes, systems, and services. The DHS IG reported in December 2004 that while DHS has made notable progress in integrating its many separate components in one department, structural and resource problems continue to inhibit progress in certain support functions.¹⁷ For example, while the department is trying to create integrated and streamlined support service functions, most of the critical support personnel are distributed throughout the various components and are not directly accountable to the management chiefs. We have also identified areas of concern with some of these efforts and have made a number of recommendations to make these support functions more effective and efficient. (See app. II for a list of GAO reports on these individual consolidation efforts.) For example, we reported that DHS intends to acquire and deploy an integrated financial enterprise solution and reports that it has reduced the number of its legacy

¹⁷ Also see DHS, Office of Inspector General, *Major Management Challenges Facing the Department of Homeland Security*, OIG-05-06 (Washington, D.C.: December 2004); DHS, Office of Inspector General, *Review of the Status of Department of Homeland Security Efforts to Address Its Major Management Challenges*, OIG-04-21 (Washington, D.C.: March 2004).

financial systems.¹⁸ While DHS has established an office within the Management Directorate to manage its financial enterprise solution project, we concluded that the acquisition is in the early stages and continued focus and follow through will be necessary for it to be successful.

DHS has issued some guidance to help each management function integrate its portion of the disparate processes and functions inherited when the 22 organizations merged into DHS. According to DHS officials, the following plans and documents were helping to provide overall guidance for these functional integration efforts.

- *Strategic Plan:* According to several senior DHS officials, the CFO, CIO, and the staff officer to the Deputy Secretary, the agency's strategic plan, issued in February 2004, was the primary guidance being used for DHS's management integration. The DHS strategic plan describes the department's vision, mission, core values, and guiding principles to achieve its mission of protecting the homeland.¹⁹ In addition, one of its seven strategic goals, organizational excellence, acknowledges the need to integrate the systems, processes, and services the department inherited to improve efficiency and effectiveness.
- *Draft Paper on the 21st Century Department:* In April 2004, the Under Secretary for Management also developed a draft 21st century paper to provide more details as to how DHS would achieve its strategic goal of organizational excellence. The draft paper summarizes DHS's plans for its management integration within three primary areas: (1) human capital, (2) information technology, and (3) business transformation, including the support areas of procurement and acquisition, administrative services, and financial management and budgeting.²⁰ The draft paper describes key integration initiatives it will take within each key area with short-term milestones, dates, and possible obstacles. For example, the paper discusses DHS plans to implement the

¹⁸ GAO, *Financial Management: Department of Homeland Security Faces Significant Financial Management Challenges*, [GAO-04-774](#) (Washington, D.C.: July 19, 2004).

¹⁹ Department of Homeland Security (DHS), *Securing Our Homeland, U.S. Department of Homeland Security Strategic Plan* (Washington, D.C.: February 2004).

²⁰ DHS, Management Directorate, *21st Century Department DRAFT "Themes and Owners" Paper*, April 5, 2004.

Maximizing Results, Rewarding Excellence (MAX^{HR}) initiative, the department's new human resources management system, and the Electronically Managing Enterprise Resources for Government Efficiency and Effectiveness (eMerge²) initiative. The latter uses a consolidated departmentwide solution approach to integrate DHS's financial and administrative systems, including accounting, acquisition, budgeting, and procurement.

- *Management Directives:* At the request of the Secretary and the Deputy Secretary, in October 2004, each of the five DHS management chiefs issued a management directive that, among other things, provides standard definitions of each of their respective roles and responsibilities, as well as a general description of how other directorates and agencies will support them. Specifically, the directives discuss the concept of dual accountability for both mission accomplishment and functional integration as the shared responsibility of the heads of DHS's individual agencies or components and the management chiefs. Each directive also discusses how the management chief, along with the heads of the directorates, agencies and others, will annually recommend and establish integration milestones for the consolidation of the chief's function and the development of performance metrics for the respective function.

While the documents and plans discussed above are being used to help DHS generally guide its management integration and DHS has made some progress in addressing integration concerns within each functional management area, there still is no overarching, comprehensive plan that clearly identifies the critical links that must occur across these functions, the necessary timing to make these links occur, how these critical interrelationships will occur, and who will drive and manage them. As previously discussed, an agency's strategic plan does not serve as a tactical or operational integration strategy and does not include the more detailed blueprints, time lines, and resources needed for accomplishing the department's management integration. The department's draft paper also does not have a comprehensive linkage across all of its functional initiatives with goals, time lines, and resources needed that would comprise a departmentwide integration strategy. Nor does it lay out how the integration across these functions must be managed. For example, to successfully implement DHS's human capital system, it must coordinate this implementation with IT modernization. In addition, the majority of the various management chiefs and senior officials we interviewed did not indicate to us that this draft paper was being used as an overarching

management integration strategy. Finally, the recently issued management directives can be helpful in guiding individual functional integration efforts, as well as increasing departmentwide accountability for achieving its management integration, but the directives do not serve as a departmentwide integration strategy.

Some of the plans and directives already issued by DHS could be used as foundations for building this needed integration strategy. Such a strategy could also help to ensure that the various functional initiatives are prioritized, sequenced, and implemented in a coherent and integrated way, thereby achieving even greater efficiency and cost savings. Based on our prior work on mergers and transformations, as well as results-oriented management, such a comprehensive strategy would involve (1) looking across the initiatives within each of the stove-piped functional units and clearly identifying the critical links that must occur among these initiatives; (2) developing specific departmentwide goals and milestones that would allow DHS to track critical phases and essential activities; (3) identifying tradeoffs and setting priorities; and (4) identifying any potential efficiencies that could be achieved. The institution of a departmentwide management integration strategy could also provide the Congress, DHS's employees, and other key stakeholders with transparent information on the integration's goals, needed resources, critical links, cost savings, and status, and a way for these parties to hold DHS accountable for its management integration.

DHS's Business Transformation Office Could Be Strengthened to Serve as a Dedicated Team to Help Set Priorities and Make Strategic Decisions for Management Integration and to Implement the Comprehensive Integration Strategy

Our research shows that a dedicated team vested with necessary authority and resources to help set priorities, make timely decisions, and move quickly to implement decisions is critical for a successful transformation. In addition, the team ensures that various change initiatives are sequenced and implemented in a coherent and integrated way. Furthermore, the team monitors and reports on the progress of the integration to top leaders and across the organization, enabling those leaders to make any necessary adjustments. Other networks, including a senior executive council, functional teams, or cross-cutting teams, can be used to help the implementation team manage and coordinate the day-to-day activities of the merger or transformation. The 2003 study commissioned by DHS also recommended that the department should (1) establish a leadership team with implementation responsibility for integration across directorates and be held accountable for departmentwide performance, and (2) create a dedicated program management office responsible for the execution of both mission and management integration efforts.

The Under Secretary for Management had acknowledged the need for a dedicated program office to help guide the integration of management functions across the department, but had not created one until October 2004 when funds were appropriated. Specifically, as part of DHS's fiscal year 2005 appropriation, the conference committee allocated \$920,000 for DHS to establish a BTO, which will include a director and four additional staff that will report to the Under Secretary for Management.²¹ At the time of our review, DHS was still establishing the office within its Management Directorate and advertising for the director's position, but had not defined and filled the staff positions. According to the Acting Chief of Staff to the Under Secretary for Management, the department intends that the staff hired for the office will have expertise in program and project management, quality analysis, and performance and data analysis.

Based on our discussions with this official, and our analysis of documents describing the role of this office, the purpose of the BTO is to help monitor and look for interdependencies among the department's discrete management integration efforts. Another purpose of the BTO is to communicate the progress of the functional management initiatives across the department. For example, implementation of eMerge², the financial integration solution currently in development, will involve several management functions, such as budgeting and procurement. The office is expected to monitor the progress of each management chief's functional integration efforts relative to individual management directives described previously, as well as look for continuous improvement from the services being delivered. According to the Acting Chief of Staff to the Under Secretary for Management, the BTO is not responsible for the implementation of such individual initiatives as eMerge², or for leading and managing the coordination and integration that must occur across functions not only to make these individual initiatives work, but to achieve and sustain overall functional integration at DHS. Without creating a dedicated team to serve in this role, it will be more difficult for DHS to coordinate all integration initiatives across the department and make the tradeoffs necessary to undertake an integration of the magnitude of DHS.

As mentioned above, networks, including functional teams, can help the dedicated implementation team ensure that DHS's efforts are coordinated and integrated. DHS has recently strengthened the role of its functional

²¹ See H.R. Conf. Rep. No. 108-774 (2004), accompanying the Department of Homeland Security Appropriations Act for Fiscal Year 2005, Pub. L. No. 108-334 (Oct. 18, 2004).

councils through its management directives to help coordinate integration departmentwide. Early on, each management chief, such as the CIO, CHCO, or CFO established a functional council to address issues pertaining to the relative function. For example, the CFO established a Council that includes component or agency CFOs across DHS and addresses and coordinates departmentwide financial management issues. The other management chiefs established functional councils with similar membership drawn from their relative personnel in each component or agency. Likewise, the Under Secretary for Management has a respective Management Council that discusses issues of departmentwide importance, such as training and development programs, but this council is not dedicated full-time to managing the integration effort across the agency.

According to senior DHS officials in the Office of the Under Secretary for Management, the membership of these functional councils had primarily been serving in an information-sharing role for their particular management function across the department. The councils also have been helpful in gaining feedback and buy in from their members on function-specific issues of importance across DHS, as well as providing a way to communicate about these issues. More recently, according to its five management directives, DHS enhanced the role of its functional councils, to include more decision-making responsibilities, rather than just serving in an advisory capacity. In general, the councils are now responsible within each of their individual functional areas for: (1) establishing a strategic plan, (2) balancing priorities on how to best capitalize on the respective management function resources, (3) defining and continuously improving governance structures, processes, and performance, (4) establishing centers of excellence, boards, and working groups tied to relevant council priorities, (5) developing and executing formal communications programs for internal and external stakeholders, and (6) supporting the respective management chief in the design, planning, and implementation of an integration plan for the chief's individual functional area, among other things.

The increased authorities and responsibilities of the functional councils could help DHS further coordinate the integration of each individual function across the department, and the recent establishment of the BTO could also assist DHS in departmentwide integration issues. However, neither the functional councils or the BTO are currently serving as a dedicated team to help manage the department's management integration. The BTO is well-positioned to serve as a dedicated team, and the role of the office could be strengthened to provide it with the necessary authority and

resources to set priorities and make strategic decisions to drive the overall integration strategy. The BTO could also be responsible for leading the development and implementation of the integration strategy as thus described and communicating the progress of the integration to top leaders and DHS stakeholders. Such a dedicated team, as led by a senior leader described below, can provide the focused, day-to-day management needed for successful integration.

Continued Monitoring Is Needed to Ensure Senior DHS Leadership Elevates, Integrates, and Institutionalizes Its Management Initiatives

We have reported that top leadership clearly and personally involved in the merger or transformation represents stability and provides an identifiable source for employees to rally around during the tumultuous times created by such dramatic reorganizations and transformations as DHS's merger. Leadership must set the direction, pace, and tone for the transformation and could provide sustained attention over the long term. As we have previously reported, as DHS and other agencies, such as the Department of Defense, embark on large-scale organizational change initiatives to address 21st century challenges, such as national security concerns—there is a compelling need to elevate, integrate, and institutionalize responsibility for key functional management initiatives to help ensure their success.²² We have reported that creation of a COO or CMO for DHS could help to elevate attention on management issues and transformational change, integrate various key management and transformation efforts, and institutionalize accountability for addressing these issues and leading this change.²³ For example, such an official could provide a single point of contact to manage the integration of functions that operate within their own vertical “stovepipes,” such as information technology, human capital, or financial management, in a comprehensive and ongoing manner. Another potentially important mechanism for such a position is to use clearly-defined, results-oriented performance agreements accompanied by appropriate incentives, rewards, and accountability. To help ensure accountability over the long term, setting a term appointment of not less than 5 years can help

²² GAO, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges*, [GAO-03-192SP](#) (Washington, D.C.: Oct. 4, 2002); GAO, *Department of Defense: Further Actions Are Needed to Effectively Address Business Management Problems and Overcome Key Business Transformation Challenges*, [GAO-05-140T](#) (Washington, D.C.: Nov. 18, 2004).

²³ GAO, *The Chief Operating Officer Concept and Its Potential Use as a Strategy to Improve Management at the Department of Homeland Security*, [GAO-04-876R](#) (Washington, D.C.: June 28, 2004).

provide the continuing focused attention essential to successfully completing multiyear transformations, which can extend beyond the tenure of political leaders.

The role of the Under Secretary for Management does contain some of the characteristics of a COO/CMO as we have described, such as integrating key management and transformation efforts by providing a single point of contact as the chief integrator of management functions across DHS. Congress anticipated the difficulty of establishing DHS by creating a Management Directorate as one of the five major organizational units of the new department and vesting responsibilities for the transition and reorganization of the department within the Office of the Under Secretary for Management. According to section 701 of the Homeland Security Act, the Under Secretary is responsible for the management and administration of the Department in such functional areas as budget, accounting, finance, procurement, human resources and personnel, information technology, and communications systems. In addition, the Under Secretary is responsible for the transition and reorganization process, to ensure an efficient and orderly transfer of functions and personnel to the Department, including the development of a transition plan. The Under Secretary also told us that she sees one of her roles as integrating the various management functions across the department.

Recent initiatives within the Department could help to strengthen the role and responsibilities of the Under Secretary for Management in leading DHS's management integration efforts. The management directives, issued in October 2004, are intended to clarify accountability for the integration of the functions across the various directorates. The directives create dual accountability relationships between the department-level functional chiefs and similar chiefs within the agencies and components in the four other directorates. For example, the department CFO within the Management Directorate is accountable for consolidating and integrating financial systems across the department and must work with the multiple CFOs for the various components within the four other directorates and agencies to do so. To help ensure this collaboration occurs, the department CFO has input to the agency and component CFOs' daily work and annual performance evaluations, according to the directive on financial management, but these CFOs still report to and take direction from their agency or component head. In addition, the recently established BTO could help provide the Under Secretary for Management with a team of resources dedicated to monitoring and assisting with the management integration.

It is still too early to tell, however, whether these initiatives will provide the Under Secretary for Management with the elevated authority necessary to integrate functions across the department and institutionalize this new structure, as envisioned for a COO, CMO, or similar position. For example, the indirect authority over component and agency chiefs who are critical to integration, and a BTO that primarily has a monitoring role, may not provide the authority the Under Secretary needs to set priorities for, and make trade-off decisions about resources and investments for integrating these functions. Likewise, without a comprehensive integration plan, the Under Secretary does not have a road map to guide and manage all the players critical to the integration.

Furthermore, without additional mechanisms in place to increase accountability and sustainability for achieving the results of the department's integration, DHS may not be successful in realizing the goals of an improved homeland security function with integrated management support. For example, as mentioned previously, at the time of our review, the then Secretary and Deputy Secretary had announced their intention to leave DHS in early 2005, raising questions about the agency's ability to provide the consistent and sustained senior leadership necessary to achieve integration over the long term. Without a senior leader with a term limit that extends beyond changes in administration, it may be difficult for DHS to successfully achieve its management integration. The Congress should continue to closely monitor whether additional leadership authorities are needed for the Under Secretary, or whether a revised organizational arrangement is needed to fully capture the roles and responsibilities of a COO/CMO position, such as elevating the position, and including a performance agreement and setting a term limit for it.

Conclusions

Though national needs suggest a rapid reorganization of homeland security functions, such dramatic transitions of agencies and programs, as well as the breadth and scope of management support functions that need to be incorporated into the new department are likely to take time to achieve. DHS is engaged in a number of individual efforts and initiatives as it works to implement its vision of an integrated, unified department. However, the momentum to create a successful homeland security function generated by the attacks of 9/11 could be lost if DHS does not work quickly to put in place some key merger and transformation practices to be more effective in taking a comprehensive and sustained approach to its management integration.

First, without a comprehensive strategy addressing all departmental management integration initiatives, DHS may not be able to establish the critical links, identify tradeoffs, set priorities, and design the efficiencies needed to succeed in integrating the functional management of the department, especially given the long-term fiscal challenges facing the federal government. Some of the guidance and plans DHS has already created could be used as a foundation for building such an integrated strategy. Second, a dedicated implementation team, like the planned BTO, vested with the responsibility and authority, can be used to more actively drive the department's integration across functions. Finally, Congress could continue to monitor DHS's management integration efforts and whether the current role of the Under Secretary for Management in driving and sustaining these efforts over the long term is effective or needs to be enhanced by creating a senior leadership position, such as a COO/CMO. Without taking these steps, DHS may have difficulty providing a comprehensive approach and sustaining its long-term management integration efforts.

Recommendations for Executive Action

In order to build the management infrastructure needed to help support the department's integration and transformation, we are making two recommendations to the Secretary of Homeland Security. We recommend that the Secretary direct the Under Secretary for Management, working with others, to

- develop an overarching management integration strategy for the department. Such a strategy would, among other things, (1) look across the initiatives within each of the management functional units; (2) clearly identify the critical links that must occur among these initiatives; (3) identify tradeoffs and set priorities; (4) set implementation goals and a time line to monitor the progress of these initiatives to ensure the necessary links occur when needed; and (5) identify potential efficiencies, and ensure that they are achieved. The department should also use this strategy to clearly communicate a consistent set of goals and the progress achieved internally to all its employees, and externally to key stakeholders, such as the Congress; and
- designate the planned BTO within DHS's Management Directorate as the dedicated implementation team for the department's management integration and provide it with the requisite authority and responsibility to help set priorities and make strategic decisions to drive the

integration across all functions. The BTO would also be responsible for helping to develop and implement the overarching management integration strategy.

Matters for Congressional Consideration

To help ensure accountability and sustainability for DHS's management integration over the long term, Congress may wish to continue to monitor the following:

- the progress of DHS's management integration, for example, by requiring the department to periodically report on the status of its efforts, especially to determine whether it has:
 - implemented a departmentwide integration management strategy; and
 - provided the BTO with sufficient authority to serve as a dedicated implementation team to help set priorities and make strategic decisions to drive integration across all functions, and
- whether the Under Secretary for Management has the authority to elevate attention on management issues and transformational change, integrate various key management and transformation efforts, and institutionalize accountability for addressing these management issues and leading this change. If not, the Congress could reassess whether it needs to statutorily adjust existing positions at DHS, or create a new COO/CMO position, with provisions for a term limit and performance agreement, that has the necessary responsibilities and authorities to more effectively drive the integration.

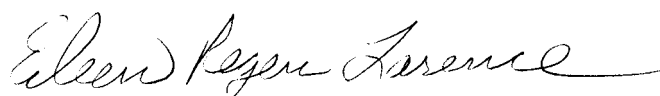
Agency Comments and Our Evaluation

In commenting on a draft of this report, DHS generally agreed with the report's recommendations. DHS also provided additional information on the planned responsibilities and role of the BTO in departmental management integration. For example, DHS stated that the BTO is the dedicated resource for providing guidance for the integration of the department's management process, such as setting project management standards and establishing standardized processes for monitoring and reporting on the progress of DHS's integration initiatives. In addition, the department commented that the BTO is establishing an integrated project plan/integration strategy and anticipates it will be released by June 2005. However, at the time of our review, agency officials told us that there was not an integration strategy in place to manage the department's integration.

Based on our work on mergers and transformation practices, we also recommended that DHS provide the BTO with the appropriate authority and responsibilities to help set priorities and make strategic decisions for the department's integration efforts. DHS agreed with our recommendation and noted that the BTO is to serve as the agent for the Under Secretary for Management whose role is to lead the transition and reorganization of the department. The agency stated that the BTO has been vested with the authorities necessary to ensure an integration strategy is in place and will be used to advise management on decisions about, and direction on, integration. We agree that the BTO is well-positioned to serve as a dedicated integration team, but continue to believe that the role of the office could be strengthened to provide it with the necessary authority and resources to set priorities and make strategic decisions to drive the overall integration strategy. DHS's more detailed written comments are reprinted in appendix II.

As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the date of this letter. At that time, we will send copies of this report to the Ranking Minority Member of the Subcommittee on the Federal Workforce and Agency Organization, House Committee on Government Reform and to others and made publicly available at no charge on GAO's Web site at <http://www.gao.gov>.

If you have further questions about this report, please contact me or Sarah Veale at (202) 512-6806 or on larencee@gao.gov or veales@gao.gov. Major contributors to this report included John W. Barkhamer, Jr., Carole Cimitile, Dewi Djunaidy, Masha Pastuhov-Pastein, and Amy W. Rosewarne.

A handwritten signature in cursive script that reads "Eileen R. Larence".

Eileen R. Larence
Director, Strategic Issues

Scope and Methodology

To identify opportunities for DHS to improve its management integration efforts, we assessed these efforts by using three of the nine key practices consistently found at the center of successful mergers, acquisitions, and transformations.¹ We selected three of these practices as criteria for this review because they are especially important to ensuring that DHS has the management infrastructure it needs at this early juncture in its efforts to sustain the integration of the department. The three selected practices are: ensuring top leadership drives the transformation, setting implementation goals and a time line to build momentum and show progress from day one, and dedicating an implementation team to manage the transformation process. We assessed the extent to which DHS is using these selected practices to support its management integration efforts, i.e., the integration of DHS's varied management processes, systems, and people—in areas such as information technology, financial management, procurement, human capital, and administrative services. We focused our review primarily on the management integration activities of DHS's Management Directorate because the Homeland Security Act of 2002 establishes that the Under Secretary for Management is responsible for the transition and reorganization process for the department. However, we limited the scope of our review to the integration of management functions at this time and did not review mission or program integration efforts of the department primarily because GAO has additional work under way on these efforts.

We reviewed and analyzed key DHS documents about the department's management integration, as well as interviewed key senior leaders in the Management Directorate and operational and program leaders from across the department. Key DHS documents that we used for our review include, but were not limited to, memoranda from the then Secretary and Deputy Secretary, the DHS Strategic Plan, various transition and integration planning and policy documents, materials from offices involved with integration efforts, and Departmental Management Directives that addressed the overall approach that each management chief was taking to the integration of its relevant management area.

We also asked key senior DHS officials to describe to us DHS's approach to its management integration, such as whether DHS had a plan for its integration and if a dedicated team was in place to manage the integration. Within the Management Directorate, we met with the Under Secretary for Management, the Chief Procurement Officer, the Chief Financial Officer,

¹ [GAO-03-669](#).

the Chief Administrative Officer, the Chief Information Officer, and the Chief Human Capital Officer. Other officials whom we interviewed included chiefs of staff and/or directors of operations for each of the five directorates, and key senior leaders from the Secret Service, the Coast Guard, the Bureau of Citizenship and Immigration Services, the Office of Public Affairs, and the Office for State and Local Government Coordination and Preparedness. We also reviewed published assessments on the organization of DHS and interviewed the authors of these publications to discuss their views on organizational change at DHS.

We also examined reports from GAO, DHS's Inspector General, and others that addressed the integration of departmentwide management functions, such as the development of an integrated departmental financial management system, and information technology, as well as reports that focused on the merger of specific agencies or initiatives within the Department, such as the Federal Protective Service.

We conducted our work from April 2004 through February 2005 in accordance with generally accepted government auditing standards.

Comments from the Department of Homeland Security

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



**Homeland
Security**

February 24, 2005

Ms. Eileen R. Larence
Acting Director, Strategic Issues
U.S. Government Accountability Office
Washington, DC 20548

Dear Ms. Larence:

RE: Draft Report GAO-05-139, Homeland Security: Comprehensive and Sustained Approach Needed to Achieve Management Integration (GAO Job Code 450303)

Thank you for the opportunity to review and comment on the subject draft report. We generally concur with the recommendations and appreciate the acknowledgement of challenges and progress made in achieving management integration. The creation of the Department of Homeland Security (DHS) is the largest reorganization of government agencies and operations in recent history and significant challenges exist in merging multiple management systems and processes from 22 legacy agencies. The Department continues to take significant strides in achieving its management integration goals.

We offer the following comments in response to the two recommendations made in the report.

Recommendations:

The Secretary direct the Under Secretary for Management, working with others, to:

- develop an overarching management integration strategy for the department. Such a strategy would, among other things, (1) look across the initiatives within each of the management functional units; (2) clearly identify the critical links that must occur among these initiatives; (3) identify tradeoffs and set priorities; (4) set implementation goals and a timeline to monitor the progress of these initiatives to ensure the necessary links occur when needed; and (5) identify potential efficiencies, and ensure that they are achieved, among other things. The department should also use this strategy to clearly communicate a consistent set of goals and the progress achieved internally to all its employees, and externally to key stakeholders, such as the Congress; and
- designate the planned Business Transformation Office (BTO) within DHS' Management Directorate as the dedicated implementation team for the department's management integration and provide it with the requisite authority

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and responsibility to help set priorities and make strategic decisions to drive the integration across all functions. The BTO would also be responsible for helping to develop and implement the overarching management integration strategy.

Response

In October of 2004, the Secretary signed functional integration management directives for each of the Management directorate functions: administrative services; finance; human capital; information technology; and procurement. Also, in Fiscal Year 2005, the Department created the Business Transformation Office. The BTO has been established as the dedicated resource for providing guidance, evaluation, and facilitation for the integration of the Department's management processes. It is authorized 5 FTEs for FY 2005.

In response to the first recommendation and significant to effectively carrying out the responsibilities of the BTO is the issuance of an integration strategy. The BTO is establishing an Integrated Project Plan/Integration Strategy and anticipates it will be released by June 2005. The Integrated Project Plan/Integration Strategy includes an Organization Plan defining roles and responsibilities and identifies key deliverables and milestones. The BTO will establish processes to ensure that information is current and readily available.

The BTO is setting project management standards based on the accepted standard methodology from the Project Management Institute's Project Management Body of Knowledge. The BTO will be leveraging technology for project management tools and will provide certified project management expertise in developing project management practices for the Under Secretary for Management (USM) to track Functional Lines of Business major initiatives.

The BTO is establishing standardized reporting processes for monitoring and reporting on the progress of initiatives in three key areas: cost; schedule; and performance. Also, the BTO will help to establish priorities and identify gaps and will be responsible for identifying and managing for the USM the interdependent activities and timelines between the Lines of Business for major initiatives. The BTO will also develop and publish a communications strategy for both internal and external communications.

Additionally, the BTO will evaluate the performance of USM functions in providing operational support services in a shared environment. The BTO will also provide organizational development support to USM offices and departmental offices, proposing process and organizational improvements in delivering support services; and will manage the Tri-bureau Shared Services Operations Board and evolve it to the next phase as a fully functioning shared services delivery model.

The BTO will not be responsible for the actual implementation of the Line of Business integration plans. The BTO will track and monitor implementation, and provide corrective action/direction when necessary; however, each Line of Business is

Appendix II
Comments from the Department of Homeland
Security

3

responsible and accountable for ensuring the plans for their functions are being appropriately implemented.

With respect to the second recommendation, the Homeland Security Act of 2002 establishes that the Under Secretary for Management is responsible for the transition and reorganization process for the department. The BTO serves as the agent for the USM and has been vested by the USM with the authorities necessary to ensure the Integrated Project Plan/Integration Strategy is in place and is used to advise management decisions and direction on integration.

We again thank you for the opportunity to provide comments on this report.

Sincerely,



Steven J. Pecinovsky
Acting Director, GAO/OIG Liaison Office
Office of the Chief Financial Officer

MMcP

Related GAO Products

High-Risk Series: An Update. [GAO-05-207](#). Washington, D.C.: January 2005. For more information on the Department of Homeland Security's major management challenges, see <http://www.gao.gov/pas/2005/dhs.htm>.

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