

**GAO**

Testimony

Before the Subcommittee on Management,  
Investigations, and Oversight, Committee  
on Homeland Security, House of  
Representatives

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For Release on Delivery  
Expected at 10:00 a.m. EDT  
Thursday, October 29, 2009

# FINANCIAL MANAGEMENT SYSTEMS

## DHS Faces Challenges to Successfully Consolidate Its Existing Disparate Systems

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Highlights of [GAO-10-210T](#), a testimony to Subcommittee on Management, Investigations, and Oversight, Committee on Homeland Security, House of Representatives

## Why GAO Did This Study

In June 2007, GAO reported that the Department of Homeland Security (DHS) had made little progress in integrating its existing financial management systems and made six recommendations focused on the need for DHS to define a departmentwide strategy and embrace disciplined processes. In June 2007, DHS announced its new financial management systems strategy, called the Transformation and Systems Consolidation (TASC) program.

GAO's testimony provides preliminary analysis of the status of its prior recommendations and whether there were additional issues identified that pose challenges to the successful implementation of the TASC program. GAO reviewed relevant documentation, such as the January 2009 Request for Proposal and its attachments, and interviewed key officials to obtain additional information.

GAO provided a draft report that this testimony is based on to DHS on September 29, 2009, for review and comment. After reviewing and considering DHS' comments, GAO plans to finalize and issue the report including providing appropriate recommendations aimed at improving the department's implementation of the TASC program.

[View GAO-10-210T or key components.](#)

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## FINANCIAL MANAGEMENT SYSTEMS

### DHS Faces Challenges to Successfully Consolidate Its Existing Disparate Systems

#### What GAO Found

GAO's preliminary analysis shows that DHS has begun to take actions to implement four of the six recommendations made in the 2007 report; however, none of these recommendations have been fully implemented. GAO recognizes that DHS cannot fully implement some of the recommendations aimed at reducing the risk in accordance with best practices until the contract for TASC is awarded. DHS has taken, but not completed, actions to (1) define its financial management strategy and plan, (2) develop a comprehensive concept of operations, (3) incorporate disciplined processes, and (4) implement key human capital practices and plans for such a systems implementation effort. DHS has not taken the necessary actions on the remaining two recommendations, to standardize business processes across the department, including applicable internal control, and to develop detailed consolidation and migration plans since DHS will not know the information necessary to develop these items until a contractor is selected. While some of the details of the department's standardization of business processes and migration plans depend on the selected new system, DHS would benefit from performing critical activities, such as identifying all of its affected current business processes so that DHS can analyze how closely the proposed system will meet the department's needs.

GAO's preliminary analysis during this review also identified two issues that pose challenges to the TASC program—DHS' significant risks related to the reliance on contractors to define and implement the new system and the lack of independence of the contractor hired to perform the verification and validation (V&V) function for TASC. DHS plans to rely on the selected contractor to complete key process documents for TASC such as detailed documentation that governs activities such as requirements management, testing, data conversion, and quality assurance. The extent of DHS' reliance on contractors to define and implement key processes needed by the TASC program, without the necessary oversight mechanisms to ensure that (1) the processes are properly defined and (2) effectively implemented, could result in system efforts plagued with serious performance and management problems. Further, GAO identified that DHS' V&V contractor was not independent with regard to the TASC program. DHS management agreed that the V&V function should be performed by an entity that is technically, managerially, and financially independent of the organization in charge of the system development and/or acquisition it is assessing. Accordingly, DHS officials indicated that they have restructured the contract to address our concerns by changing the organization that is responsible for managing the V&V function.

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Mr. Chairman and Members of the Subcommittee:

Thank you for the opportunity to discuss the Department of Homeland Security's (DHS) current effort—the Transformation and Systems Consolidation (TASC) program—to implement a consolidated departmentwide financial management system. Since DHS began operations in March 2003, it has faced the daunting task of bringing together 22 diverse agencies and developing an integrated financial management system. DHS officials have long recognized the need to integrate their financial management systems, which are used to account for over \$40 billion in annual appropriated funds. The department's prior effort, known as the Electronically Managing Enterprise Resources for Government Effectiveness and Efficiency (eMerge2) project,<sup>1</sup> was expected to integrate financial management systems departmentwide and address existing financial management weaknesses. However, DHS officials terminated the eMerge2 project in December 2005, acknowledging that this project had not been successful. In June 2007, we reported<sup>2</sup> the department had made little progress since December 2005 in integrating its existing financial management systems, and that, from an overall perspective, the decision to halt its eMerge2 project was prudent. We made six recommendations focused on the need for DHS to define a departmentwide strategy and embrace disciplined processes to reduce risk to acceptable levels.<sup>3</sup>

In June 2007, DHS officials announced its new financial management systems strategy, called the TASC program. At that time, the TASC program was described as the migration of other DHS component systems to two existing financial management systems already in use at several components. After a bid protest was filed regarding the proposed approach, the TASC request for proposal was revised to acquire an integrated commercial off-the-shelf software (COTS) system to be implemented departmentwide. In January 2009 DHS issued its TASC

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<sup>1</sup>The eMerge2 project was expected to establish the strategic direction for migration, modernization, and integration of DHS' financial, accounting, procurement, personnel, asset management, and travel systems, processes, and policies.

<sup>2</sup>GAO, *Homeland Security: Departmentwide Integrated Financial Management Systems Remain a Challenge*, [GAO-07-536](#) (Washington, D.C.: June 21, 2007); and GAO, *Homeland Security: Transforming Departmentwide Financial Management Systems Remains a Challenge*, [GAO-07-1041T](#) (Washington, D.C.: June 28, 2007).

<sup>3</sup>The use of the term "acceptable levels" acknowledges the fact that any systems acquisition has risks and can suffer the adverse consequences associated with defects.

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request for proposal for the provision of an integrated financial, acquisition, and asset management commercial off-the-shelf software (COTS) system already in use at a federal agency to be implemented departmentwide. DHS is currently evaluating the proposals received and expects to award a contract in January 2010.

Today, our testimony will focus on our preliminary observations related to our audit of (1) DHS' implementation of the six recommendations we made in June 2007, and (2) two issues that have surfaced that pose challenges to the TASC program. We have discussed the preliminary observations included in this testimony with DHS officials. To address these objectives, we reviewed the January 2009 request for proposal and its attachments, such as the Statement of Objectives and Solution Process Overview, to understand DHS' plans for implementing the TASC program. We also reviewed other available planning documents, such as the Acquisition Plan and the draft concept of operations, and determined the status of these plans and others to see if DHS had fully implemented our recommendations. We interviewed key officials from DHS' Office of the Chief Financial Officer and its Resource Management Transformation Office (RMTO), including its Director and Deputy Director for elaboration and to provide additional perspectives to the information contained in these documents. We also reviewed the Statement of Work for an independent verification and validation (IV&V) contractor and confirmed key information about this contract with the Director of RMTO.

We recently provided our draft report, including recommendations, on the results of our audit to the Secretary of Homeland Security for review and comment. We plan to incorporate DHS' comments as appropriate and issue our final report as a follow-up to this testimony. We conducted this performance audit from March through October 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

Bid protests and related litigation have resulted in changes to DHS' approach for the TASC program and have contributed to a significant delay in awarding a contract. The initial TASC approach was to migrate its component systems to two financial management systems—Oracle Federal Financials and SAP—that were already in use by several DHS

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components.<sup>4</sup> Figure 1 shows the key events that have occurred affecting the TASC program. One of these key events was the filing of a bid protest regarding DHS' initial TASC approach to migrate its components to two financial management systems already in use. DHS subsequently issued its January 2009 TASC request for proposal for the provision of an integrated financial, acquisition, and asset management COTS system already in use at a federal agency to be implemented departmentwide. A second bid protest was filed over this January 2009 request for proposal and the U.S. Court of Federal Claims dismissed the protestor's complaint, allowing DHS to proceed with this request for proposal. However, the protestor filed an appeal of this dismissal in July 2009. DHS responded to the July 2009 appeal in September 2009 and DHS officials indicated that the protestor responded to DHS' response in October 2009.

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<sup>4</sup>Oracle Federal Financials was already in use within the U.S. Coast Guard, the Transportation Security Administration, and the Domestic Nuclear Detection Office. SAP was already in use within the U.S. Customs and Border Protection.

**Figure 1: Key Events Affecting the TASC Program**

2007	A	8/07	DHS issued a request for proposal for managing the migration of DHS' five different financial management software solutions to a shared system baseline (Oracle or SAP systems).
	S		
	O	10/07	DHS canceled the request for proposal because no offerors had submitted proposals.
2008	N	11/07	DHS issued a new, revised request for proposal with the same purpose as the 8/07 proposal.
	D		
	J	1/08	A financial services company, who was a potential offeror to DHS' 2007 request for proposal, filed a bid protest with the U.S. Court of Federal Claims. <sup>a</sup>
	F		
	M	3/08	The Court enjoined DHS from proceeding with the November 2007 request for proposal until DHS conducted a "competitive procurement," in accordance with the law. <sup>b</sup>
	A		
	M		
	J		
	J		
	A		
	S	9/08	DHS issued a notice concerning a new request for proposal to be issued shortly.
2009	O	10/08	DHS issued a draft of a new request for proposal for public comment.
	N	11/08	The original protestor filed a motion with the Court to enforce the March 2008 injunction. <sup>c</sup>
	D		
	J	1/09	DHS issued a new TASC request for proposal for provision of "an integrated financial management, asset management and acquisition management systems solution and performance of TASC support services." <sup>d</sup>
	F	2/09	The original protestor filed a new bid protest with the Court, alleging that DHS violated the March 2008 injunction by proceeding with the January 2009 request for proposal.
	M		
	A	4/09	The Court dismissed the bid protestor's complaint, which allowed DHS to proceed with its TASC request for proposal.
	M		
	J		
	J	7/09	The original protestor filed an appeal of the Court's April 2009 judgment.
A			
S	9/09	DHS' response to the July 2009 appeal.	
O	10/09	The protestor's response to DHS' September 2009 response.	

Source: DHS.

<sup>a</sup>The offeror alleged that DHS had conducted an improper sole source procurement.

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## DHS Has Made Limited Progress in Implementing Our Prior Recommendations

<sup>b</sup>Under 28 U.S.C. § 1491(b), the U.S. Court of Federal Claims has jurisdiction to render judgments and award relief to an interested party objecting to a request for proposal issued by federal agencies. The U.S. Court of Federal Claims issued an order enjoining DHS from proceeding with this procurement until DHS conducted a competitive procurement, in accordance with the Competition in Contracting Act (41 U.S.C. § 253), which generally requires executive agencies to procure property and services through the use of competitive procedures that allow for full and open competition.

<sup>c</sup>The potential offeror filed a motion with the U.S. Court of Federal Claims alleging that DHS had violated the Court's March 2008 injunction against proceeding with the original request for proposal.

<sup>d</sup>Unlike the first two TASC request for proposals, this request was issued to the public in anticipation of a new contract. The first two requests for proposals were issued only to awardees of existing indefinite delivery, indefinite quantity contracts with the expectation of awarding a task order under one of the existing contracts.

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In June 2007, we made six recommendations<sup>5</sup> to DHS to help the department reduce the risks associated with acquiring and implementing a departmentwide financial management system. Our preliminary analysis indicates that DHS has begun to take actions toward the implementation of four of the recommendations, as shown in table 1. However, all six recommendations remain open. We do recognize that DHS cannot fully implement all of our recommendations until a contract is awarded because of its selected acquisition approach.

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<sup>5</sup>[GAO-07-536](#).

**Table 1: DHS' Progress toward Addressing GAO's Recommendations**

Recommendation	Completed	Not Completed	
		Some actions taken	No action taken
Clearly define and document a departmentwide financial management strategy and plan to move forward with its financial management system integration efforts.		√	
Develop a comprehensive concept of operations document.		√	
Utilize and implement these specific disciplined processes to minimize project risk: (1) requirements management, (2) testing, (3) data conversion and system interfaces, (4) risk management, (5) configuration management, (6) project management, and (7) quality assurance.		√	
Reengineer business processes and standardize them across the department, including applicable internal control.			√
Develop a detailed plan for migrating and consolidating various DHS components to an internal shared services approach if this approach is sustained.			√
Carefully consider key human capital practices as DHS moves forward with its financial management transformation efforts so that the right people with the right skills are in place at the right time.		√	

Source: GAO analysis of DHS information.

## DHS Faces Significant Challenges To Implement Its Financial Management Strategy and Plan

DHS has developed certain elements for its financial management strategy and plan for moving forward with its financial system integration efforts but it faces significant challenges in completing and implementing its strategy. DHS has defined its vision for the TASC program, which is to consolidate and integrate departmentwide mission-essential financial, acquisition, and asset management systems, by providing a seamless, real-time, web-based system to execute mission-critical end-to-end integrated business processes. DHS has also established several major program goals for TASC which include, but are not limited to:

- creating and refining end-to-end standard business processes and a standard line of accounting,
- supporting timely, complete, and accurate financial management and reporting,
- enabling DHS to acquire goods and services of the best value that ensure that the department's mission and program goals are met, and
- enabling consolidated asset management across all components.

DHS officials stated that this system acquisition is expected to take a COTS-based system already configured and being used at a federal agency as a starting point for its efforts. This approach is different than other



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financial management system implementation efforts reviewed by GAO where an agency acquired a COTS product and then performed the actions necessary to configure the product to meet the agency's specific requirements.<sup>6</sup>

Our review found that the strategy being taken by DHS does not contain the elements needed to evaluate whether the acquired system will provide the needed functionality or meet users' needs. For example, it does not require DHS to (1) perform an analysis of the current processes to define the user requirements to be considered when evaluating the various systems, (2) perform a gap analysis<sup>7</sup> before the system is selected<sup>8</sup> and (3) assess the extent to which the COTS-based system used at another agency has been customized for the respective federal entities. Studies have shown that when an effective gap analysis was not performed, program offices and contractors later discovered that the selected system lacked essential capabilities. Furthermore, adding these capabilities required expensive custom development, and resulted in cost and schedule overruns that could have been avoided.<sup>9</sup> Without a comprehensive strategy and plan that considers these issues, DHS risks implementing a financial management system that will be unnecessarily costly to maintain.

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## DHS Has Recently Developed a Concept of Operations for the TASC Program

The January 2009 request for proposal states that the selected contractor will be required to provide a concept of operations for TASC. This concept of operations is expected to provide an operational view of the new system from the end users' perspective and outline the business processes as well as the functional and technical architecture for their proposed systems. On October 21, 2009, DHS provided us with a concept of operations for the TASC program that we have not had the opportunity to

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<sup>6</sup>GAO, *Business Modernization: Improvements Needed in Management of NASA's Integrated Financial Management Program*, GAO-03-507 (Washington, D.C.: April 30, 2003); and GAO, *DOD Business Systems Modernization: Navy ERP Adherence to Best Business Practices Critical to Avoid Past Failures*, GAO-05-858 (Washington, D.C.: Sept. 29, 2005).

<sup>7</sup>A gap analysis is an evaluation performed to identify the gaps between needs and system capabilities.

<sup>8</sup>Software Engineering Institute, *Rules of Thumb for the Use of COTS Products*, CMU/SEI-2002-TR-032 (Pittsburgh, PA: December 2002).

<sup>9</sup>U.S. Department of Defense, *Commercial Item Acquisition: Considerations and Lessons Learned* (Washington, D.C.: June 26, 2000).

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fully evaluate to assess whether it comprehensively describes the new system's operations and characteristics. According to DHS officials, this concept of operations document was prepared in accordance with the Institute of Electrical and Electronics Engineers (IEEE) standards.<sup>10</sup> However, it is unclear how the DHS-prepared concept of operations document will relate to the selected contractor's concept of operations document called for in the request for proposal.

According to the IEEE standards, a concept of operations is a user-oriented document that describes the characteristics of a proposed system from the users' viewpoint. A concept of operations document also describes the operations that must be performed, who must perform them, and where and how the operations will be carried out. The concept of operations for TASC should, among other things:

- define how DHS' day-to-day financial management operations are and will be carried out to meet mission needs;
- clarify which component and departmentwide systems are considered financial management systems;
- include a transition strategy that is useful for developing an understanding of how and when changes will occur;
- develop an approach for obtaining reliable information on the costs of its financial management systems investments; and
- link DHS' concept of operations for the TASC program to its enterprise architecture.

A completed concept of operations prior to issuance of the request for proposal would have benefited the vendors in developing their proposals so that they could identify and propose systems that more closely align with DHS' vision and specific needs.

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<sup>10</sup>*IEEE Guide for Information Technology – System Definition – Concept of Operations (ConOps) Document*, Standard 1362-1998.

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## DHS Has Not Fully Incorporated Disciplined Processes into the TASC Program

While DHS has draft risk management, project management, and configuration management plans, DHS officials told us that other key plans relating to disciplined processes generally considered to be best practices will not be completed until after the TASC contract is awarded. These other plans include the requirements management,<sup>11</sup> data conversion and system interfaces,<sup>12</sup> quality assurance, and testing plans.<sup>13</sup> Offerors were instructed in the latest request for proposal to describe their testing, risk management, and quality assurance approaches as well as component migration and training approaches. The approaches proposed by the selected contractor will become the basis for the preparation of these plans. While we recognize that the actual development and implementation of these plans cannot be completed until the TASC contractor and system have been selected, it will be critical for DHS to ensure that these plans are completed and effectively implemented prior to moving forward with the implementation of the new system.

Disciplined processes represent best practices in systems development and implementation efforts that have been shown to reduce the risks associated with software development and acquisition efforts to acceptable levels and are fundamental to successful system implementations. The key to having a disciplined system development effort is to have disciplined processes in multiple areas, including project planning and management, requirements management, configuration management, risk management, quality assurance, and testing. Effective processes should be implemented in each of these areas throughout the project life cycle because change is constant. Effectively implementing the disciplined processes necessary to reduce project risks to acceptable levels is hard to achieve because a project must effectively implement several best practices, and inadequate implementation of any one may significantly reduce or even eliminate the positive benefits of the others.

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<sup>11</sup>According to the Software Engineering Institute, requirements management is a process that establishes a common understanding between the customer and the software project manager regarding the customer's business needs that will be addressed by a project. A critical part of this process is to ensure that the requirements development portion of the effort documents, at a sufficient level of detail, the problems that need to be solved and the objectives that need to be achieved.

<sup>12</sup>Data conversion is defined as the modification of existing data to enable it to operate with similar functional capability in a different environment.

<sup>13</sup>Testing is the process of executing a program with the intent of finding errors.

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**DHS Has Not Yet Identified All Business Processes Needing Reengineering and Standardization Across the Department**

Although, DHS has identified nine end-to-end business processes<sup>14</sup> that will be addressed as part of the TASC program, the department has not yet identified all of its existing business processes that will be reengineered and standardized as part of the TASC program. It is important for DHS to identify all of its business processes so that the department can analyze the offerors' proposed systems to assess how closely each of these systems aligns with DHS' business processes. Such an analysis would position DHS to determine whether a proposed system would work well in its future environment or whether the department should consider modifying its business processes. Without this analysis, DHS will find it challenging to assess the difficulties of implementing the selected system to meet DHS' unique needs.

For the nine processes identified, DHS has not yet begun the process of reengineering and standardizing those processes. DHS has asked offerors to describe their proposed approaches for the standardization of these nine processes to be included in the TASC system. According to an attachment to the TASC request for proposal, there will be additional unique business processes or sub-processes, beyond the nine standard business processes identified, within DHS and its components that also need to be supported by the TASC system. For DHS' implementation of the TASC program, reengineering and standardizing these unique business processes and sub-processes will be critical because the department was created from 22 agencies with disparate processes. A standardized process that addresses, for example, the procurement processes at the U.S. Coast Guard, Federal Emergency Management Agency (FEMA), and the Secret Service, as well as the other DHS components, is essential when implementing the TASC system and will be useful for training and the portability of staff.

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**DHS Has Not Yet Developed Plans for Migrating the New System to its DHS Components**

Although DHS officials have stated that they plan to migrate the new system first to its smaller components and have recently provided a high-level potential approach it might use, DHS has not outlined a conceptual approach or plan for accomplishing this goal throughout the department. Instead, DHS has requested that TASC offerors describe their migration approaches for each of the department's components.

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<sup>14</sup>These nine processes are Request to Procure, Procure to Pay, Acquire to Dispose, Bill to Collect, Record to Report, Budget Formulation to Execution, Grants Management, Business Intelligence Reporting, and Reimbursable Management.

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While the actual migration approach will depend on the selected system and events that occur during the TASC program implementation, critical activities include (1) developing specific criteria requiring component agencies to migrate to the new system rather than attempting to maintain legacy business systems; (2) defining and instilling new values, norms, and behaviors within component agencies that support new ways of doing work and overcoming resistance to change; (3) building consensus among customers and stakeholders on specific changes designed to better meet their needs; and (4) planning, testing, and implementing all aspects of the migration of the new system. For example, a critical part of a migration plan for the new system would describe how DHS will ensure that the data currently in legacy systems is fully prepared to be migrated to the new system.

An important element of a migration plan is the prioritizing of the conversion of the old systems to the new systems. For example, a FEMA official stated that the component has not replaced its outdated financial management system because it is waiting for the implementation of the TASC program. However, in the interim, FEMA's auditors are repeatedly reporting weaknesses in its financial systems and reporting, an important factor to be considered by DHS when preparing its migration plan. Because of the known weaknesses at DHS components, it will important for DHS to prioritize its migration of components to the new system and address known weaknesses prior to migration where possible. Absent a comprehensive migration strategy, components within DHS may seek other financial management systems to address their existing weaknesses. This could result in additional disparate financial management systems instead of the integrated financial management system that DHS needs.

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### DHS Has Begun Hiring, But Has Not Developed a Human Capital Plan for the TASC Program

While DHS' RMTO has begun recruiting and hiring employees and contractors to help with the TASC program, the department has not identified the gaps in needed skills for the acquisition and implementation of the new system. DHS officials have said that the department is unable to determine the adequate staff levels necessary for the full implementation of the TASC program because the integrated system is not yet known; however, as of May 2009, the department had budgeted 72 full-time equivalents (FTE)<sup>15</sup> for fiscal year 2010. The 72 FTEs include 38

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<sup>15</sup>According to OMB guidance, an FTE or work year generally includes 260 compensable days or 2,080 hours. These hours include straight-time hours only and exclude overtime and holiday hours.

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government employees and 34 contract employees, (excluding an IV&V contractor). DHS officials told us that this level of FTEs may be sufficient for the first deployments of the new system.

According to RMTO officials, as of August 2009, RMTO had 21 full-time federal employees with expertise in project management, financial business processes, change management, acquisition management, business intelligence, accounting services, and systems engineering. In addition, RMTO officials stated that there are seven contract workers supporting various aspects of the TASC program. RMTO also utilizes the services of the Office of the Chief Financial Officer and component staff. According to RMTO officials, some of DHS' larger components, such as Immigration and Customs Enforcement have dedicated staff to work on the TASC program.

Many of the department's past and current difficulties in financial management and reporting can be attributed to the original stand-up of a large, new, and complex executive branch agency without adequate organizational expertise in financial management and accounting. Having sufficient human resources with the requisite training and experience to successfully implement a financial management system is a critical success factor for the TASC program.

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## Planned TASC Implementation Efforts Pose Unnecessary Risks

While updating the status of the six prior recommendations, we identified two issues that pose unnecessary risks to the success of the TASC program. These risks are DHS' significant reliance on contractors to define and implement the new system and the lack of independence of DHS' V&V function<sup>16</sup> for the TASC program.

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<sup>16</sup>Institute of Electrical and Electronics Engineers Standard 1012-2004—Standard for Software Verification and Validation (June 8, 2005) states that the verification and validation processes for projects are used to determine whether (1) the products of a given activity conform to the requirements of that activity and (2) the software satisfies its intended use and user needs. This determination may include analyzing, evaluating, reviewing, inspecting, assessing, and testing software products and processes. The verification and validation processes should assess the software in the context of the system, including the operational environment, hardware, interfacing software, operators, and users.

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## Significant Reliance Placed on Contractors to Define and Implement the TASC Program

The department plans to have the selected contractor prepare a number of key documents including plans needed to carry out disciplined processes, define additional business processes to be standardized, and propose a migration approach. However, DHS has not developed the necessary contractor oversight mechanisms to ensure that its significant reliance on contractors for the TASC program does not result in an unfavorable outcome.

Work with other systems acquisition and implementation efforts have shown that placing too much reliance on contractors can result in systems efforts plagued with serious performance and management problems. For example, DHS' Office of Inspector General (OIG) recently reported<sup>17</sup> that the U.S. Customs and Border Protection (CBP) had not established adequate controls and effective oversight of contract workers responsible for providing Secure Border Initiative (SBI) program support services. Given the department's aggressive SBI program schedule and shortages of program managers and acquisition specialists, CBP relied on contractors to fill the staffing needs and get the program underway. However, CBP had not clearly distinguished between roles and responsibilities that were appropriate for contractors and those that must be performed by government employees. CBP also had not provided an adequate number of contracting officer's technical representatives (COTR) to oversee support services contractors' performance. As a result, according to the OIG report, contractors were performing functions that should have been performed by government workers. According to the OIG, this heavy reliance on contractors increased the risk of CBP relinquishing its responsibilities for SBI program decisions to support contractors, while remaining responsible and accountable for program outcomes.

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## Verification and Validation (V&V) Review Function for the TASC Program Was Not Independent

DHS' V&V contractor was not an independent reviewer because RMTO was responsible for overseeing the contractor's work and authorizing payment of the V&V invoices. On October 21, 2009, DHS officials indicated that they have restructured the V&V contract to address our concerns by changing the reporting relationship and the organization that is responsible for managing the V&V contract. Under the previous arrangement, the V&V contractor was reporting on work of the RMTO, the

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<sup>17</sup>Department of Homeland Security, Office of Inspector General, *Better Oversight Needed of Support Services Contractors in Secure Border Initiative Programs*, OIG-09-80 (Washington, D.C.: June 17, 2009).

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program manager for the TASC program and the RMTO Director was serving as the COTR<sup>18</sup> for the V&V contract. As part of the COTR's responsibilities, RMTO approved the V&V contractor's invoices for payment. The independence of the V&V contractor is a key component to a reliable verification and validation function.

Use of the V&V function is a recognized best practice for large and complex system development and acquisition projects, such as the TASC program. The purpose of the V&V function is to provide management with objective insight into the program's processes and associated work products. For example, the V&V contractor would review system strategy documents that provide the foundation for the system development and operations. According to industry best practices, the V&V activity should be independent of the project and report directly to senior management to provide added assurance that reported results on the project's status are unbiased.<sup>19</sup> An effective V&V review process should provide an objective assessment to DHS management of the overall status of the project, including a discussion of any existing or potential revisions to the project with respect to cost, schedule, and performance. The V&V reports should identify to senior management the issues or weaknesses that increase the risks associated with the project or portfolio so that they can be promptly addressed. DHS management has correctly recognized the importance of such a function and advised us that they have taken prompt steps so that the V&V function is now being overseen by officials in DHS' Office of the Chief Information Officer. It is important that V&V is technically, managerially, and financially independent of the organization in charge of the system development and/or acquisition it is assessing.

In conclusion, Mr. Chairman, six years after the department was established, DHS has yet to implement a departmentwide, integrated financial management system. DHS has started, but not completed implementation of the six recommendations we made in June 2007, aimed at helping the department to reduce risk to acceptable levels, while acquiring and implementing an integrated departmentwide financial management system. The open recommendations from our prior report

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<sup>18</sup>COTRs are responsible for monitoring the contractor's progress in fulfilling the technical requirements specified in the contract. COTRs often approve invoices submitted by contractors for payment.

<sup>19</sup>To provide this objective evidence, V&V contractors analyze, evaluate, review, inspect, assess, and test software products and processes.



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continue to be vital to the success of the TASC program. In addition, as DHS moves toward acquiring and implementing a departmentwide financial management system, it has selected a path whereby it is relying heavily on contractors to define and implement the TASC program. Therefore, adequate DHS oversight of key elements of the system acquisition and implementation will be critical to reducing risk. Given the approach that DHS has selected, it will be paramount that DHS develop oversight mechanisms to minimize risks associated with contractor-developed documents such as the migration plans, and plans associated with a disciplined development effort including requirements management plans, quality assurance plans, and testing plans. DHS faces a monumental challenge in consolidating and modernizing its financial management systems. Failure to minimize the risks associated with this challenge could lead to acquiring a system that does not meet cost, schedule, and performance goals.

To that end, our draft report includes specific recommendations, including a number of actions that, if effectively implemented, should mitigate the risks associated with DHS' heavy reliance on contractors for acquiring and implementing an integrated departmentwide financial management system. In addition, we also recommended that DHS designate a COTR for the IV&V contractor that is not in RMTTO, but at a higher level of departmental management, in order to achieve the independence needed for the V&V function. As discussed earlier, DHS officials advised us that they have already taken steps to address this recommendation and we look forward to DHS expeditiously addressing our other recommendations too.

Mr. Chairman, this completes our prepared statement. We would be happy to respond to any questions you or other Members of the Subcommittee may have at this time.

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## GAO Contacts

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