

Department of Homeland Security **Office of Inspector General**

Adherence to Acquisition Management
Policies Will Help Reduce Risks to the
Technology Integration Program






OFFICE OF INSPECTOR GENERAL
Department of Homeland Security

Washington, DC 20528 / www.oig.dhs.gov

September 11, 2012

MEMORANDUM FOR: Chris Cummiskey
Deputy Under Secretary for Management

FROM: 
Frank Deffer
Assistant Inspector General
Information Technology Audits

SUBJECT: Re-issuance of Audit Report OIG-12-107, *Adherence to Acquisition Management Policies Will Help Reduce Risks to the Technology Integration Program*

I am writing to inform you that the Department of Homeland Security (DHS) Office of Inspector General (OIG) has recalled the subject report and is now re-issuing it to modify the statement of compliance with generally accepted government auditing standards (GAGAS). We took these actions because it recently came to our attention that a family member of a senior OIG official was employed by an entity associated with this audit.

To ensure that this impairment to our independence in appearance did not affect our findings and conclusions, we thoroughly re-reviewed our work on this audit, as well as the results. Through this re-review, we verified that the impairment did not affect our results; our evidence is sound and fully supports our findings and conclusions. Therefore, we are re-issuing this report and re-posting it on our website. The report is unchanged except for the statement of compliance with GAGAS found on page 13 of Appendix A – Objectives, Scope, and Methodology.

We remain committed to assisting the Department in improving its effectiveness and efficiency to better carry out its mission, and we appreciate your support of our work. Please do not hesitate to call me at (202) 254-4100 if you have any questions or concerns.

Attachment



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Abbreviations

ARRA	<i>American Recovery and Reinvestment Act</i>
CPIC	Capital Planning and Investment Control
DHS	Department of Homeland Security
FY	fiscal year
GSA	General Services Administration
HMD	Headquarters Management and Development
HQ	headquarters
IT	information technology
OCAO	Office of Chief Administrative Officer
OCIO	Office of Chief Information Officer
OMB	Office of Management and Budget
TIP	Technology Integration Program
USCG	United States Coast Guard



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Executive Summary

The Department of Homeland Security (DHS) is planning to consolidate its headquarters in the National Capital Region at the St. Elizabeths Campus in Washington, DC. We conducted an audit of the DHS program, known as the Technology Integration Program, to develop and implement an information technology infrastructure at its planned headquarters campus at St. Elizabeths. Our audit objectives were to assess the progress that DHS is making in implementing the Technology Integration Program and to identify areas where DHS needs to improve program management.

DHS is making progress toward the implementation of an information technology infrastructure at the St. Elizabeths campus. Specifically, DHS is partnering with the General Services Administration by using its interagency information technology contracting vehicles. Further, the General Services Administration awarded a task order on behalf of DHS to acquire information technology resources for the Technology Integration Program.

DHS can reduce project risk by adhering to DHS and Office of Management and Budget acquisition policies in implementing the Technology Integration Program. Specifically, DHS needs to designate the Technology Integration Program as a major acquisition program as required by DHS' acquisition guidance. In addition, DHS needs to follow the reporting requirements outlined in the capital planning and investment control guidance and adhere to the DHS acquisition review process. Finally, DHS needs to prepare a risk management plan for the Technology Integration Program. Taking these steps will help reduce the risk that the Technology Integration Program will not meet its cost and performance goals.

We recommend that the Chief Administrative Officer, in coordination with the Chief Information Officer (1) report the Technology Integration Program as a major acquisition and include it on the DHS Major Acquisition Oversight List, (2) prepare the required Office of Management and Budget Exhibit 300 and include Technology Integration Program cost and funding in the Department's Exhibit 53 for applicable reporting periods, and (3) establish a risk management plan for the Technology Integration Program.



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Background

In August 2005, DHS approved the information technology (IT) concept for DHS facilities at the St. Elizabeths headquarters (HQ) campus. This concept later became known as the Technology Integration Program (TIP). TIP focuses on developing and implementing an integrated IT infrastructure for the consolidated DHS HQ at St. Elizabeths. The TIP mission is to create a physically and logically diverse and redundant campus infrastructure that will support everything on and within the perimeter fence of the St. Elizabeths site.

TIP consists of three phases of development to transition 14,000 DHS employees onto the St. Elizabeths campus. The United States Coast Guard (USCG) is scheduled to be the first component to move onto the campus. Table 1 shows the DHS personnel transition schedule by phase.

Table 1. DHS St. Elizabeths Campus Personnel Transition Schedule

Phase	Component	Estimated Completion Fiscal Year (FY)
1A	USCG HQ	2013
1B	USCG Command Center/Shared Use Spaces	2013
2A	DHS HQ, Mission Support Components, and DHS Operations Centers	2017
2B	Federal Emergency Management Agency and DHS Amenity Spaces	2018
3	Remaining DHS Components	2021

In 2009, DHS initiated the DHS Headquarters Consolidation Program to consolidate component operating locations by increasing cross-collaboration and lowering operational costs. The DHS Headquarters Consolidation Program will increase efficiency, enhance communications, and foster a “One DHS” culture that will optimize Department-wide prevention, response, and recovery capabilities. DHS partnered with the General Services Administration (GSA) to develop planning-level requirements for a single secure location for all of DHS and its component HQ functions throughout the National Capital Region. GSA determined that the St. Elizabeths site was the only location that could meet DHS requirements to house 14,000 employees on one campus. The St. Elizabeths site development will be the largest project in the National Capital Region since the construction of the Pentagon. The DHS Headquarters Consolidation Program is projected to cost approximately \$3.9 billion.

Under the DHS Headquarters Consolidation program, GSA, the Federal Government’s real estate agent, owns and is currently redeveloping the St. Elizabeths campus for DHS

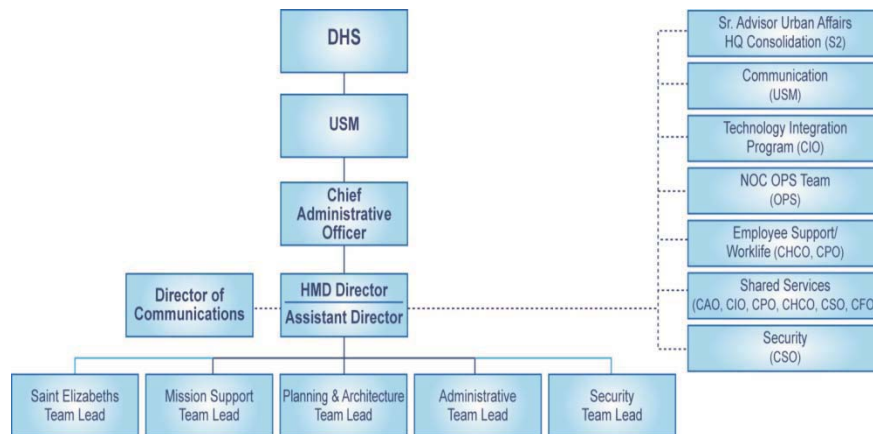


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use. DHS created a program management office to assist GSA in the coordination and monitoring of the development of the St. Elizabeths campus. DHS' Office of the Chief Administrative Officer (OCAO) Headquarters Management and Development (HMD) division was established to lead the Headquarters Consolidation Program and is responsible for program oversight to include program management, financial reporting, and TIP. OCAO/HMD is currently authorized 28 personnel, organized into five teams, to provide oversight of the DHS Headquarters Consolidation Program (see figure 1). OCAO personnel include architects; engineers; program managers; and communications, environment, finance, furniture, leases, rent, and security specialists.

Figure 1. Headquarters Consolidation Program Organization Chart



TIP funding was obtained from the Headquarters Consolidation Program, which received fiscal year (FY) appropriations and funds from the *American Recovery and Reinvestment Act of 2009* (ARRA). Additionally, in FY 2009, the USCG received appropriations for Phase 1A at St. Elizabeths that were later transferred to GSA for tenant build-out, and IT and security infrastructure. For FYs 2009 to 2012, the Department and USCG received approximately \$433 million in total funding for the entire Headquarters Consolidation Program, including the TIP infrastructure (see table 2).



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Table 2. DHS HQ Consolidation Program Annual Funding (in Millions)

Funding	FY 2009	ARRA	FY 2010	FY 2011	FY 2012	Total
Public Law	110-329	111-5	111-83	112-10	112-74	
USCG	\$97.578	\$0	\$0	\$0	\$0	\$97.578
DHS	\$2.7	\$200	\$0	\$77.4	\$55.979	\$336.079
Total Funding	\$100.278	\$200	\$0	\$77.4	\$55.979	\$433.657

Results of Audit

DHS has taken steps to plan and design an IT infrastructure at the St. Elizabeths campus. Specifically, DHS has partnered with GSA by using its interagency IT contracting vehicles. Also, GSA awarded a task order on behalf of DHS to acquire IT resources for TIP. DHS can reduce project risk by adhering to Office of Management and Budget (OMB) and DHS acquisition policies and guidance in implementing TIP. Specifically, DHS needs to designate TIP as a major acquisition program as required by its acquisition guidance. In addition, DHS needs to follow the reporting requirements outlined in the Capital Planning and Investment Control (CPIC) guidance and adhere to the DHS acquisition review process. Finally, DHS needs to prepare a risk management plan for TIP. Taking these steps will help reduce the risk that TIP will not meet its cost and performance goals.

Technology Integration Program Progress

DHS has made some progress toward the implementation of TIP at the St. Elizabeths headquarters campus. It is partnering with GSA to acquire IT services through interagency contracting vehicles. Additionally, GSA awarded a task order on behalf of DHS for the IT infrastructure.

DHS Is Partnering With GSA

Under the DHS Headquarters Consolidation Program, GSA owns and is redeveloping the St. Elizabeths campus on behalf of DHS. Although GSA is responsible for the building, DHS is responsible for the IT cost, also known as TIP. DHS and GSA entered into a partnering agreement to use interagency contracting vehicles to acquire IT resources and services for TIP. On September 20, 2010, DHS and GSA signed and formalized a Memorandum of Understanding that defines the roles and responsibilities of both agencies for project oversight, including reporting, oversight, and tracking funds for the headquarters consolidation program. As noted in the Memorandum of Understanding, GSA is the contracting agency



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responsible for delivering the TIP solution to DHS. The Government-Wide Acquisition Contracts administered by GSA on behalf of DHS for the TIP efforts are listed in table 3.

Table 3. Contracts Administered by GSA for TIP

Contractor	Responsibility
General Dynamics TIP Contractor	To develop and deliver IT requirements for engineering, implementation, and operation and maintenance of network systems that are reliable, certifiable, functional, available, and of optimal performance, in accordance with the TIP contract.
Advanced Management Strategies Group, Inc. Independent Verification and Validation Contractor	To verify and validate the products, services, and systems that will be installed during the construction and renovation of the St. Elizabeths campus IT infrastructure.
Perkins and Wills IT Bridging Contractor	To provide design documents to support the ongoing construction work in Phase 1 of the project.
CLIMS, LLC Project Management Support Contractor	To build a core support Project Management Office to assist the Information Technology Services Office, within the Office of Chief Information Officer (OCIO), to initiate and establish a cohesive and integrated program coordination team to support the DHS HQ Consolidation, which includes St. Elizabeths TIP.

GSA Awarded the Task Order for TIP

GSA awarded the TIP task order to General Dynamics in June 2011, for an estimated \$877 million. The task order was awarded to provide a total solution for a single contractor to design, procure, configure, install, test, accept, and maintain a seamless integrated infrastructure in coordination with the construction phase. The scope of the task order was to create a physically and logically diverse and redundant campus infrastructure that will support everything within the perimeter fence at St. Elizabeths. Additionally, General Dynamics was tasked to provide an integrated detailed design of how DHS IT can be linked into a common core enterprise standard platform. The TIP contractor is currently in its design phase of the program life cycle. General Dynamics is scheduled to provide DHS with its designs by late April 2012. Once DHS accepts and approves the contractor's designs, the scope of the contractor's work will be established and the program development phase will commence.



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DHS Needs To Adhere to OMB and DHS Acquisition Guidance in Implementing TIP

DHS did not follow OMB and DHS acquisition policies and guidance when implementing TIP. Specifically, it did not designate TIP as a major acquisition as required by DHS acquisition guidance. Further, DHS did not prepare reporting requirements outlined in the CPIC procedures, and did not follow the DHS acquisition review process. Finally, DHS needs to prepare a risk management plan for TIP. Better adherence to these policies will reduce the risk that TIP will not meet its cost and performance objectives.

Major Acquisition Program

DHS did not establish TIP as a major acquisition program and as a result did not include TIP on DHS' Major Acquisition Oversight List. DHS reviews its acquisition portfolio annually and develops a major acquisition oversight list. This list identifies programs that have been established in accordance with DHS Directive 102-01. All programs and projects that meet certain investment threshold criteria based on life cycle costs are included on this list. Because the life cycle costs of TIP are estimated to be \$640 million for all three phases, it should be classified as a Level 2 program (see table 4).

According to OCAO officials, TIP was not designated as a major acquisition because they considered it to be a subset of the Headquarters Consolidation Program, which was included on the Major Acquisition Oversight List as a non-IT Level 2 Program in FY 2011. OCAO removed the program from the list in December 2011, following a reduction in congressional appropriations.



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Table 4. CPIC Applicability to Investment Thresholds

Investment Level	Investment Threshold Based on Life Cycle Cost	Investment Type	Major or Nonmajor	Capital Investment Plan	Exhibit 300 Required	Exhibit 53 Required
1	≥ \$1 billion	IT	Major	X	X	X
		Non-IT	Major	X	X	
2	\$1 billion > \$300 million	IT	Major	X	X	X
		Non-IT	Major	X	X	
3	\$300 million > \$50 million	IT	Major	X	X	X
	\$50 million > \$1 million	IT	Nonmajor	X		X
	IT items under \$1 million annually	IT	Nonmajor	One		X

IT Capital Planning and Investment Control Procedures

DHS has not established IT capital planning and investment controls for TIP. Specifically, DHS needs to implement a Capital Investment Plan and an OMB Exhibit 300 Business Case, and add the TIP to the items listed on the Department’s Investment portfolio, Exhibit 53. As required by Management Directive 4200.1, DHS’ IT CPIC guidance, a capital investment plan is used as a decision-making process for ensuring that IT investments support the agency’s mission and business needs. The CPIC process integrates strategic planning, architecture, security, budgeting, procurement, and the management of IT. OCAO officials did not follow these guidelines, nor did they prepare the appropriate exhibits for TIP. According to OCAO officials, under the interagency acquisition¹ relationship with GSA, they are a customer of GSA and as a result, not required to complete this documentation.

¹ “Interagency acquisition” means the use of the Federal Supply Schedules, a multiagency contract (i.e., a task order or delivery order contract established by one agency for use by Government agencies to obtain supplies and services, consistent with the *Economy Act*, 31 U.S.C. 1535), or a Government-wide acquisition contract (i.e., a task order or delivery order contract for IT established by one agency for Government-wide use operated by an executive agent designated by OMB pursuant to 40 U.S.C. 11314(a)(2) (*Clinger-Cohen Act of 1996*)).



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However, DHS is not correct in its assertion that GSA is responsible for TIP acquisition reporting requirements, for a number of reasons:

- TIP is a DHS IT project funded from appropriations and from ARRA of 2009 monies allocated to DHS;
- TIP is not a joint IT investment between GSA and DHS;
- According to the Memorandum of Understanding between DHS and GSA for the TIP project, the cost of TIP is solely DHS' responsibility; and
- DHS is responsible for preparing documentation regarding planning, budgeting, acquisition, and management of its own capital assets.

OMB guidelines consider interagency acquisitions as major acquisitions and require that they be formally documented and reported. As part of its capital investment planning for TIP, DHS needs to prepare the required OMB Exhibit 300² and include TIP cost and funding in the Department's Exhibit 53.³ Exhibit 300s must be submitted for all major investments and multiagency collaborations in accordance with DHS and OMB guidance, and should be prepared by the program manager. The Exhibit 300 is needed and designed to coordinate OMB's collection of agency information for its reports to Congress required by the *Clinger-Cohen Act of 1996*. The Exhibit 300 also ensures that the business case for an investment is made and tied to the mission statements, long-term goals and objectives, and annual performance plans developed pursuant to the *Government Performance and Results Act*. Without these documents, DHS cannot demonstrate TIP's potential return on investment. Further, it is increasing the risk that it may not meet its stated performance goals.

² Exhibit 300 business cases are required by OMB Circular A-11. Exhibit 300 provides budget justification and reporting requirements for investments.

³ Exhibit 53s are also referred to as agency IT investment portfolios. They are required by OMB Circular A-11 and provide summary budget information for all agency major and nonmajor IT investments.

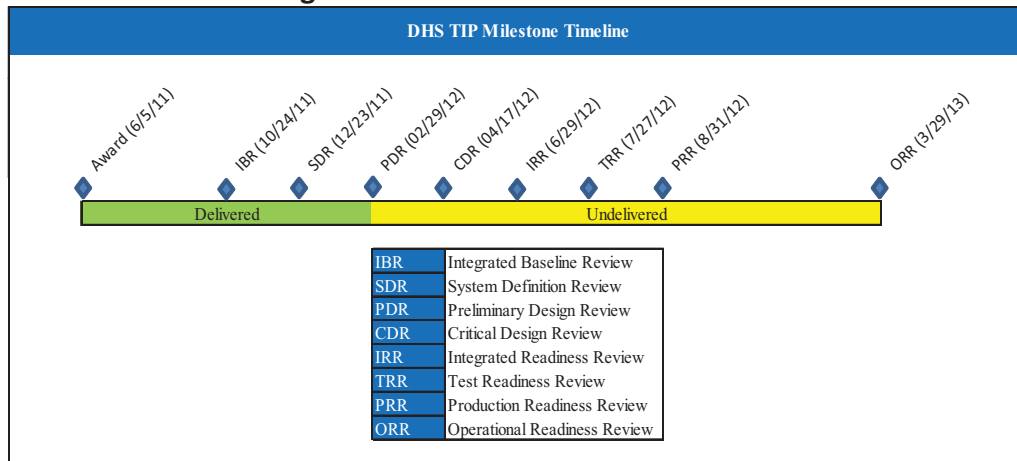


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Acquisition Review Board

The DHS Acquisition Review Board has not reviewed or approved any of the milestones for the TIP. Specifically, during our review, General Dynamics developed and presented three project milestones deliverables, and program officials expected to receive the fourth in late April 2012 (see figure 5). However, OCAO did not present any of the deliverables to the DHS Acquisition Review Board for review. Instead, OCAO HMD staff and subject matter experts from OCIO reviewed the deliverables and provided their assessments to the contractor.

Figure 5. DHS TIP Milestones Timelines



Before a major acquisition is funded, it should be evaluated by the Acquisition Review Board to determine the net benefits and risks of the acquisition. The Acquisition Review Board is also responsible for providing senior leadership with information on the progress of the investment, which includes milestones for measuring the project’s progress. Additionally, the board provides an independent process to determine the capability of the project to meet specified requirements, timeliness, and quality. Without following the acquisition review process, DHS senior officials cannot exercise the governance needed to ensure that TIP will meet its funding and implementation goals.

DHS Needs To Prepare a Risk Management Plan

DHS does not have a risk management plan for TIP. Per DHS Directive # 102-01, Section V.A.2.iii.c., the Systems Engineering Life Cycle Guide (Version 2.0, September 2010), and appendix B of Acquisition



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Instruction/Guidebook # 102-01-001, the risk management plan should detail the process used to identify, document, track, mitigate, and report project risk. This plan should establish an approach to monitoring, evaluating, and managing risk throughout the life of the project. Additionally, the risk management process will identify potential risk sources; assess individual risks and impacts on performance, cost, and schedule; evaluate alternative approaches to mitigate high and moderate risks; and develop action plans to handle individual risks. By developing a risk management plan, DHS can strengthen TIP program management by predicting risk issues and taking steps to mitigate them.

Conclusion

TIP is a large and costly acquisition that is critical to the establishment of a robust IT infrastructure at the St. Elizabeths campus. Despite GSA's involvement in the consolidated headquarters building project at St. Elizabeths and in awarding and administering the IT contracts for DHS, TIP is a DHS IT project and no GSA money is involved in TIP. Without the proper reporting processes, DHS has little guarantee that TIP is properly progressing, or that its strategic goals will be reached. Additionally, DHS may not know if it has properly planned, budgeted, or managed all appropriations and ARRA funds appropriately for TIP. Finally, DHS may not have a full understanding of any potential risks, and may not have had an opportunity to evaluate or mitigate them.

Recommendations

We recommend that the Chief Administrative Officer, in coordination with the Chief Information Officer:

Recommendation #1:

Report TIP as a major acquisition and include it on the DHS Major Acquisition Oversight List.

Recommendation #2:

Prepare the required OMB Exhibit 300 and include TIP cost and funding in the Department's Exhibit 53 for applicable reporting periods.



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Recommendation #3:

Establish a risk management plan for TIP.

Management Comments and OIG Analysis

We obtained written comments on a draft of this report from the Deputy Under Secretary for Management for DHS. We have included a copy of the comments in their entirety in appendix B.

Recommendation #1:

The Department concurs with recommendation 1. When the DHS Headquarters Consolidation Program was initially established, the Department did not envision or identify TIP as a separate program. The Department, however, will begin to report TIP as a separate program and include it on the Major Acquisition Oversight list.

We agree that the steps the Department has taken, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until the Department provides documentation to support that all planned corrective actions are completed.

Recommendation #2:

The Department concurs with Recommendation 2. In accordance with the new direction to report TIP as a separate program, the Department will prepare an OMB Exhibit 300 and adjust the Department Exhibit 53 for TIP.

We agree that the steps the Department has taken, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until the Department provides documentation to support that all planned correction actions are completed.

Recommendation #3:

The Department concurs with Recommendation 3. The Department noted that an overall programmatic risk management plan has been in place for the overall DHS Headquarters Consolidation, which included TIP. However, the Department agrees that a separate risk management plan for TIP would be beneficial for



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managing TIP, since moving forward it will be reported as a separate major acquisition program. The TIP Manager will develop this plan and ensure that it seamlessly integrates with and complements the current DHS Headquarters risk management plan.

We agree that the steps the Department has taken, and plans to take, begin to satisfy this recommendation. This recommendation will remain open until the Department provides documentation to support that all planned correction actions are completed.



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Appendix A

Objectives, Scope, and Methodology

The Department of Homeland Security (DHS) Office of Inspector General (OIG) was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*. This is one of a series of audit, inspection, and special reports prepared as part of our oversight responsibilities to promote economy, efficiency, and effectiveness within the Department.

The objective of our review was to determine the effectiveness of DHS's effort to develop and implement an IT infrastructure at the St. Elizabeths DHS HQ campus. Specifically, we determined (1) whether DHS program management was effective in planning and implementing TIP, (2) the current status of TIP, and (3) the budgetary impact of expected and unexpected project changes.

We interviewed selected personnel at DHS HQ and components facilities in the Washington, DC, area. In addition, we reviewed and evaluated DHS acquisition policies and procedures, the HMD project implementation plan, and other appropriate documentation.

We conducted this performance audit between September 2011 and April 2012 pursuant to the Inspector General Act of 1978, as amended, and according to generally accepted government auditing standards, except that we identified an impairment to our independence in appearance. Following completion of our audit, it came to our attention that a family member of a senior OIG official was employed by an entity associated with this audit. In our opinion, the impairment to our independence in appearance did not affect the findings and conclusions developed during this audit.

GAGAS requires that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives, and that the impairment to our independence in appearance did not affect this evidence or any findings and conclusions.



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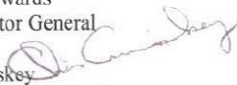
Appendix B
Management Comments to the Draft Report

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



JUL 12 2012

MEMORANDUM FOR: Charles K. Edwards
Acting Inspector General

FROM: Chris Cumiskey 
Deputy Under Secretary for Management

SUBJECT: "Adherence to Acquisition Management Policies Will Help
Reduce Risks to the Technology Integration Program"
(Project No. 11-153-ITA-MGMT)

Thank you for the opportunity to review and comment on this draft report. We appreciate the Office of Inspector General's (OIG's) work in planning and conducting its review and issuing this report.

We are pleased to note the OIG's positive recognition that the Department is making progress toward implementing an information technology infrastructure, better known as the Technology Integration Program (TIP), at the St. Elizabeth's campus. As noted in the report, this effort includes partnering with the General Services Administration to use its interagency information technology (IT) contracting vehicles when acquiring IT resources and services, which we consider a "best practice" and an example for others to follow.

The draft report contained three recommendations with which the Department concurs. Specifically, the OIG recommended that the DHS Chief Administrative Officer, in conjunction with the DHS Chief Information Officer:

Recommendation #1. Report TIP as a major acquisition and include it on the DHS Major Acquisition Oversight List.

Response. Concur. When the DHS Headquarters Consolidation Program was established, TIP was not envisioned nor identified as a separate program but was considered integral to and part of the overall larger consolidation program. Success of the DHS Headquarters Consolidation Program is still dependent on the success of TIP. DHS will, however, begin reporting TIP as a separate program and include it on the DHS Major Acquisition Oversight List. We request this recommendation be considered resolved and closed as of the date of this memorandum.

Recommendation #2. Prepare the required OMB Exhibit 300 and include TIP cost and funding in the Department's Exhibit 53 for applicable reporting periods.

Response. Concur. In accordance with the new direction to begin reporting TIP as a separate program, the TIP Manager will work with Office of the Chief Administrative Officer staff as



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well as the Office of the Chief Information Officer staff to prepare an OMB Exhibit 300 and modify the Department's Exhibit 53, as appropriate. Estimated Completion Date (ECD): September 30, 2012

Recommendation #3. Establish a risk management plan for TIP.

Response. Concur. It is important to note, however, that an overall programmatic risk management plan has been in place and functioning for the DHS Headquarters Consolidation Program, which has included TIP. This is critical to the success of the overall program. Now, in addition to that plan, we will create a specific, detailed TIP Risk Management Plan, which will support the overall program. We agree that a separate risk management plan would be beneficial for managing TIP given that moving forward it will be reported separately as a major acquisition program. The TIP Manager will develop this plan, ensuring that it seamlessly integrates with and complements the current risk management process in place for the consolidation program. The TIP plan will outline IT areas of responsibility, include stakeholder-identified risks and other concerns, and address governance and sustainment of the risk management process, plan, and register, as appropriate. ECD: September 30, 2012



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Appendix C
Major Contributors to This Report

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Appendix D
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The OIG seeks to protect the identity of each writer and caller.