

DEPARTMENT OF HOMELAND SECURITY
Office of Inspector General

**Risk Management Advisory
for the SBInet Program Initiation**



Office of Audits

OIG-07-07

November 2006



Homeland
Security

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Preface

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.

This advisory report addresses risks and challenges for the SBInet program initiation. It is based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The recommendations herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. It is our hope that this report will result in more effective, efficient, and economical operations. We express our appreciation to all of those who contributed to the preparation of this report.

A handwritten signature in cursive script that reads "Richard L. Skinner".

Richard L. Skinner
Inspector General

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Abbreviations

APB	Acquisition Program Baseline
CBP	U.S. Customs and Border Protection
CPO	Chief Procurement Officer
DHS	Department of Homeland Security
EAB	Enterprise Architecture Board
IRB	Investment Review Board
JRC	Joint Requirements Council
OBP	Office of Border Patrol
OIG	Office of Inspector General
PMO	Program Manager Office
RFP	Request for Proposal
SBI	Secure Border Initiative
SBI _{net}	Secure Border Initiative network
SOO	Statement of Objectives

*Department of Homeland Security
Office of Inspector General*

Executive Summary

The purpose of this report is to highlight certain acquisition risks associated with the SBInet program. This is the first in a series of reviews we plan to perform of the SBInet program and its contracts. We reviewed the acquisition strategy of the SBInet program and sought to determine whether lessons learned from other DHS major acquisitions were being applied. We focused our review on the two most critical risk areas for a new program: organizational capacity and operational requirements.

We analyzed prior DHS OIG and GAO reviews of other major acquisition programs within the department (See Appendix A). We then reviewed DHS' capacity for managing the program and SBInet's operational requirements. We completed our review in August 2006 and provided draft reports to department officials prior to the award of the systems integration contract in September 2006.

Although the department was actively seeking to identify and apply lessons learned from the experience of other DHS programs, it had not established, prior to awarding the contract, the organizational capacity to oversee, manage, and execute the program; or properly defined, validated, and stabilized its operational requirements.

Since our review, the status of the SBInet program has changed substantially, most notably, the award of the Boeing contract. With the selection of the solution proposed by Boeing, the department has moved rapidly to refine and stabilize requirements and implement performance management systems and processes, while continuing to build up its program management and program oversight capacity. Although the department is taking the necessary steps to mitigate many of the attendant risks associated with a performance based contract, much more work remains before adequate controls are in place to ensure effective contract oversight and implementation.

Background

In the fall of 2005, the White House and the department announced the Secure Border Initiative (SBI), a comprehensive multi-year effort to secure the borders and reduce illegal immigration, which included a U.S. Immigration and Customs Enforcement led plan to increase and improve the apprehension, detention, and removal of illegal aliens; a U.S. Citizenship and Immigration Service led plan for expanding the guest worker program and streamlining immigration benefits processes; and a U.S. Customs and Border Protection (CBP) led program to gain control of the nation's land borders. The CBP program, referred to as SBInet, is intended to improve border control operations, deploying more infrastructure and personnel with modernized technology and tactics.

The objective of SBInet is to develop solutions to manage, control, and secure the borders using a mix of proven, current, and future technology, infrastructure, personnel, response capability, and processes. SBInet is a new major acquisition program that replaces and expands upon two previous efforts to gain control of the borders: the Integrated Surveillance Intelligence System (ISIS) and the America's Shield Initiative (ASI). The department recognized that differences in the geography and conditions among sectors of the border require a different mix of technology, infrastructure, and personnel. Therefore, the department decided to award a multi-year contract to a systems integrator to manage this effort.

To select the systems integrator, the department issued a request for proposals in April 2006, asking industry to propose a unified border control strategy and provide solutions that include the full range of services, products, and management required to ensure accomplishment of the SBInet program objectives. In response, industry teams defined approaches and tasks for a national strategy, as well as a tailored implementation plan for a Border Patrol sector.

In September 2006, the department awarded an indefinite delivery, indefinite quantity contract, leaving the work tasks and deliverables largely undefined until the government negotiates a specific delivery task order. The program office plans to negotiate separate task orders for each of the Border Patrol's 20 sectors spanning the northern and southern borders. The contract base period is only three years with three 1-year options; however, early plans were for a long-term arrangement. Also, the value of the contract was anticipated to be greater. The FY 2007 budget request for SBInet included \$100 million for border security technology and over \$1.1 billion was appropriated

for tactical infrastructure at the border in FY 2007. However, early forecasts and estimates of the program's value range from \$8 billion to \$30 billion.

Results of Review

The department embarked on this multi-billion dollar acquisition project without having laid the foundation to oversee and assess contractor performance and control cost and schedule. While the department had not established the organizational capacity to oversee, manage, and execute the program; or properly defined, validated, and stabilized its operational requirements prior to awarding the contract, the department was taking steps to mitigate many of the attendant risks. The department identified actions, pending the selection of the systems integration contractor and their proposed solution for securing the border, to refine requirements and build capacity. The program office was actively seeking to identify and apply lessons learned from the experience of other DHS programs.

Since our review, the department has developed a corrective action plan, which is responsive to concerns raised in this report. Additionally, the program office has continued to develop its program management plans with the systems integrator.

Organizational Capacity for Management and Oversight

The department does not have the capacity needed to effectively plan, oversee, and execute the SBInet program; administer its contracts; and control costs and schedule. The department's acquisition management capacity lacks the appropriate work force, business processes, and management controls for planning and executing a new start major acquisition program such as SBInet.

Without a pre-existing professional acquisition workforce, CBP has had to create staffing plans, locate workspace, and establish business processes, while simultaneously initiating one of the largest acquisition programs in the department. For example, in mid-July, the program office moved into reconfigured offices from a temporary work site in CBP headquarters. Also, during our review, the program office identified and began implementing a management information system with the document control and workflow processes needed to support program management operations and administer the contract; however, full implementation was deferred until after contract award.

Staffing has been a critical shortfall for the program office. The associated organizational structure was in flux and key positions were still being identified and filled. For example, four individuals have filled the Program Management Office (PMO) Director position during the brief course of our review. The program office recently performed the work breakdown analysis needed to define and stabilize the structure and restructured the organization to reflect this analysis. While the emerging organizational structure proposed 252 positions, it is unclear whether that organization would be up to the challenge of the tasks ahead. At the time of review, the specific challenges included:

- Ensuring the program office can handle its workload. As of August 29, 2006, only 69 of 252 positions were filled. Some of the positions were filled with personnel from the Offices of Border Patrol, Field Operations, and CBP Air and Marine; in some instances the personnel were detailed from field offices. The workload demands on the program office will balloon with necessary but deferred tasks¹ and control implementation due after award. Further, the success of the pilot sectors will increase pressure to rapidly deploy SBInet capabilities to the remaining sectors of the border, raising the question of how the program office could handle accelerating the program.²
- Ensuring organizational roles and functions are assigned appropriately for employees and contractors. While contractors are appropriate for support services, only federal employees should perform inherently governmental functions.³ The emerging organizational structure identified 65% of the 252 positions as contractors and only 27 of the 69 filled positions were government employees. At this decision-intensive stage of the program, when courses of action are being set, this indicates the extent of reliance on service contractors will be excessive for the management control environment.

¹ The deferred or impending tasks include: negotiating the contract and multiple delivery tasks orders; developing the deferred acquisition program baseline, plans, budgets, and cost estimates; and analyzing the winning proposal and approach to identify deficiencies and how the government can best meet those missing requirements.

² The corrective action plan submitted by CBP (Appendix C) indicates the staffing plan that has been approved is for 270 positions, as described on p.18.

³ OMB Policy Letter 92-1 and Circular A-76 describe inherently governmental functions as those so intimately related to the public interest as to mandate performance by government employees, and provide guidelines for ensuring that accountability is not undermined by the use of contractor services.

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- Ensuring access to requisite knowledge and skills. In hiring and staff development, the program office will need to ensure the workforce has the appropriate qualifications and necessary training in acquisition management, as well as the right skill mix. At issue is whether the emerging organizational structure will adequately provide for the mix of business and technical disciplines needed for the effective use of integrated product teams, which are required by OMB capital budgeting regulations.⁴
 - Mitigating workforce turnover and fluctuations. As a stopgap measure, CBP is detailing agents and other staff on temporary assignment to identify and perform acquisition management tasks for which they are not experienced or trained. Many of the positions were filled with Office of Border Patrol and U.S. Customs and Border Protection Air and Marine agents detailed from distant field offices. The program office had no clear plan for replacing the detailees and transferring their institutional knowledge. Without turnover procedures and documentation of decisions and deliberations, new personnel will be at a disadvantage in managing implementation.

While CBP is taking steps to meet these challenges, the department needs to take steps to ensure effective investment review and oversight. The department has yet to establish robust investment oversight processes integrated into planning, programming, budgeting, and execution systems. The department's existing processes were sidelined in the urgent pursuit of SBInet's aggressive schedule. The department's Investment Review Board and Joint Requirements Council provide for deliberative processes to obtain the counsel of functional stakeholders. However, for SBInet, these prescribed processes were bypassed and key decisions about the scope of the program and the acquisition strategy were made without rigorous review and analysis or transparency. The program office stated its intention to present program plans and the appropriate program documentation for Joint Requirements Council review within 60 days of award and the Investment Review Board within 90 days, in order to ensure the program is on the right track, and to bolster support for revising its FY 2008 budget estimates.

⁴ OMB Circular A-11 requires use of Integrated Product Teams (IPTs). IPTs bring a variety of functional disciplines to the task, ensuring full consideration of perspectives in making program decisions, so that the potential impacts are identified and trade-offs understood. At issue for SBInet is whether the appropriate mix of technical and business disciplines, such as engineers, logisticians, contracting officers, and cost analysts will be available to staff the IPTs.

Operational Requirements & Performance Management

Until the department fully defines, validates, and stabilizes the operational requirements underlying the SBInet program, the program's objectives are at risk and effective cost and schedule control are precluded.

The department deferred fully defining operational requirements until after award of the systems integration contract. In selecting the systems integrator, the department used a broad statement of objectives as part of its acquisition strategy in order to allow industry to be creative in its solutions and, consequently, deferred setting contract requirements, including performance metrics, until delivery task order negotiations.

While this approach added risk to the program during the competition for a system integrator, the program office took steps to mitigate this risk. The risk stemmed from the vagueness of the statement of objectives. While the SBInet statement of objectives is an appropriate algorithm⁵ for encouraging the systems engineering desired, success in accomplishing this macro algorithm cannot be practically measured. By not setting measurable performance goals and thresholds, the government was at increased risk that offerors would rely on unproven technologies and high-risk technical solutions that would delay implementation or be unaffordable.

To mitigate this risk, the solicitation asked for solutions that used commercial-off-the-shelf and government-off-the-shelf solutions, even as the department publicly encouraged use of high-risk, developmental items, such as unmanned aerial vehicles. Also, the department required submission of quality assurance plans as part of the proposals to mitigate this risk. However, it remained to be seen whether the offerors would propose quality assurance plans adequate to meet the department's needs, or how the department would timely set operational requirements as criteria for gauging program success or timely establish a system and processes for gauging the contractor's performance. To control this risk, the department needs to refine, validate and set stable operational requirements for SBInet, enabling the program office to define and set contract requirements in task order

⁵ The macro algorithm is to "detect entries, identify and classify, respond, resolve" which is essential to basic command center operations and common to any systems designed to target action. The SBInet system is to detect entries when they occur; identify what the entry is; classify its level of threat (who are they, what are they doing, how many, etc.); effectively and efficiently respond to the entry; and bring the situation to the appropriate law enforcement resolution (apprehension, interdiction, transport to interdiction processing point, etc.).

negotiations, including the performance metrics needed to ensure accomplishment of the program's objectives.

The department needs to define and document the underlying operational requirements, translating mission needs, describing shortcomings with the status quo systems and tactics, setting thresholds and objectives for key performance parameters including affordability, and prioritizing among competing needs and conflicting goals. Without doing so, the department will not have set a common understanding of what the program office is to accomplish or provide the guidance program managers need for balancing competing objectives and making trade-offs in cost, schedule, and performance objectives through the life of the program. Furthermore, until operational requirements are fully defined and validated, providing firm support and validated assumptions for the program's cost estimates, the credibility of budget estimates is undermined.

The program office took steps during the competition for the systems integration contract to compensate for the lack of fully defined, validated, stabilized, and documented requirements. While the participating DHS and CBP officials had a strong sense of the underlying operational requirements they expected the SBInet program to fulfill, such an understanding was not reduced to writing and conveyed to others. However, the SBInet program office provided industry with a library of documents and videos that describe mission goals, current operations, and desired improvements over current operations. Also, the program office conducted an extensive "due diligence" process and held oral presentations and question and answer sessions with the competitors to better exchange information. Additionally, the program office developed a structure to frame analysis of the offerors' approaches. The department then modified the solicitation, requiring offers to be mapped to this structure; thereby clarifying proposed approaches, assumptions, and costs and facilitating comparisons. Eventually, this work break down analysis should facilitate comparison of the winning industry approach to the validated operational requirements.

However, until the operational requirements are validated and stabilized, the SBInet program will be vulnerable to changing direction. Changing the program's direction will likely require contract changes and equitable adjustments, involve rework of the contractor's planning, management, and systems engineering efforts, and add cost and delay.

With firm requirements, the SBInet program office can and should move quickly to implement a performance management process. A deferred, but critical, first step in establishing control of cost, schedule, and performance is the setting of an acquisition program baseline. This baseline of performance and schedule requirements and total cost estimates is needed to monitor the health of the program. The lack of an acquisition program baseline is a significant risk to the SBInet program. The department deferred setting a baseline until after contract award because of the uncertainties related to industry solutions. Without an acquisition program baseline, however, it is impossible to gauge the effectiveness of the program. An acquisition program baseline is a necessary first step in implementing earned value management. The program office plans to rectify this omission with the aforementioned Investment Review Board and Joint Requirements Council review and approvals.

Another significant risk is the SBInet program's lack of an earned value management system. This comprehensive management information and analysis system, fed by cost accounting data arrayed against work break down structures and program schedules, is essential to the department's understanding of the program status, the contractor's performance, and reliability of program budgets and cost estimates. It is essential for the program manager to know how the actual cost of the work performed compares to the budgeted cost of the work scheduled. Automated analyses of this data across the many tasks and activities being undertaken by all personnel working on the program should focus management attention where needed and trigger early corrective action. Earned value management is not only a best practice, it is an OMB capital budgeting requirement.

The department included provisions for earned value management in the solicitation and the program office is developing plans to start and implement the process. However, the system is not in place and the department does not have a successful track record implementing this valuable tool. For example, under the Deepwater program, the Coast Guard did not timely or fully implement earned value management, thus losing an understanding of how changing requirements were affecting the program and a sound basis for program cost estimates. Early, effective earned value management implementation will be key to understanding the impact that changes will have on the program, including trade-offs needed to balance progress across the many components of the program.

Recommendations

We recommend that:

Recommendation #1: The CBP Commissioner, in coordination with the DHS Chief Procurement Officer (CPO), prepare a plan of action with performance milestones for developing its capacity to manage the program, administer its contracts and agreements, and ensure effective oversight and implementation. Each should specify the actions they will take to assist the program office in accomplishing the objectives of the plan, especially with regard to resource capacity building.

Recommendation #2: The SBInet program office provide regular implementation status reports to the Commissioner and CPO on its plans for building program management and oversight capacity.

Recommendation #3: The Commissioner and CPO develop a plan of action and milestones for defining, validating, and stabilizing the program's operational requirements, translating them into contract requirements, and establishing a system of performance metrics and controls to gauge progress in meeting contract requirements and mission needs. Each should specify actions they will take in accomplishing the objectives of the plan, especially regarding resources needed to implement the plan and address ensuing contract and program cost estimate changes.

Recommendation #4: The SBInet program office provide regular implementation status reports to the Commissioner and CPO on its plan of action and milestones to stabilize requirements and establish performance metrics and controls.

Management Comments and OIG Analysis

U.S. Customs and Border Protection and the Chief Procurement Officer concurred with each of our recommendations⁶ and worked with the SBInet program office to develop a corrective action plan. CBP's response is included as Appendix C and the CPO's letter affirming CBP's response as Appendix D. The corrective action plan is responsive to the concerns raised in our risk management advisory letter.

However, CBP did not concur with the content of the advisory letter, noting that it contained outdated information and omits significant progress made by the SBInet program management office since our review. CBP's point is well taken and we acknowledge that a number of significant events, especially regarding the award of the contract, have occurred. With the award of the systems integration contract and the selection of the solution proposed by Boeing, CBP has moved rapidly to refine and stabilize requirements and implement performance management systems and processes, while continuing to build up its program management and program oversight capacity. As outlined in the corrective action plan, these activities are not just the result of the program office's plans, but a concerted DHS effort to provide support and oversight to this major new program. While these plans and initiatives are a step in the right direction, it is imperative that they are fully implemented and maintained throughout the life cycle of the program. This will require close performance monitoring on a regularly scheduled basis during program execution.

⁶ The draft report submitted to CBP and the CPO for comment included six recommendations. We have merged these six recommendations into the four presented in this report.

Appendix A

Lessons Learned From Other DHS Major Acquisitions Programs

This appendix synthesizes our observations from prior DHS OIG and GAO reviews of other DHS major acquisition programs and contracts.

A common thread among the department's other major acquisition programs is that they were initiated without first properly defining the underlying operational requirements and without having the organizational capacity to properly manage the program. Without proper foundations, many of the department's major acquisition programs have not accomplished their intended purpose, experienced cost overruns, and were missing program objectives. Such missteps characterize the department's new starts since its inception on March 3, 2003, as well as the major programs, such as Deepwater, which were transferred into the department from their legacy agencies.

The Value of Building An Internal Acquisition Management Capacity

The experiences of the department since its inception can be characterized by a sense of urgency derived from the importance of its mission. Homeland Security is an urgent and important mission, and poses more difficult challenges than the department's many legacy components previously faced.

Developing and acquiring complex systems solutions to secure ports, coasts, borders, and transportation systems is one of the most difficult challenges facing the department. However, as described in our report on procurement and program management operations, the department was created without a substantial acquisition workforce, even as it was charged with multiple complex major investments.

Across the department, such difficult work has overwhelmed the small number of contracting officers and program managers transferred to the department. Further, many of the contracting officers and program managers were not trained or experienced in developing and managing complex acquisition programs. However, the department has been slow to recognize and respond to the need to add organic systems acquisition program management capability.

Reviews of the department's other major acquisitions also show the involvement of operational managers, often pulled from the front lines. Operational managers are important stakeholders in the program and should drive setting of operational performance requirements.

Appendix A

Lessons Learned From Other DHS Major Acquisitions Programs

While operational managers' sponsorship and involvement is invaluable to ensuring proper mission-focus, managing major systems acquisition programs requires more. It also takes the collective wisdom of multiple technical and business disciplines, such as engineers, logisticians, and cost analysts. Additionally, it takes contracting officers' technical representatives and asset managers. Drawing on these different functional perspectives is a best practice and a regulatory requirement.⁷

Lacking a proper acquisition workforce, the department has experienced missteps, waste, and delays in its acquisition programs. In addition to a ready workforce, robust business processes and information systems are needed to enable program offices to move forward expeditiously on the tasks of managing their programs and contracts. Without a ready source of acquisition managers and established business processes, information systems, and controls, managers of new complex acquisitions have been unable to focus on program objectives. Instead of moving the program forward, program managers play catch-up to overcome the department's lack of an organic acquisition management capacity.

The Value of Defined, Stable Operational Requirements

The department's major acquisition experiences reinforce the need for the department to define, validate, and stabilize its operational requirements as a necessary first step. This is especially true for performance-based acquisitions. Without defined and validated operational requirements, meaningful use of measures of effectiveness and performance are precluded.

Without a foundation of well-defined, validated operational requirements, acquisition programs flounder and often result in wasted effort and the inefficient use of resources. Strong definition of operational requirements appropriately focuses and stabilizes the direction of program plans.

⁷ OMB Circular A-11 requires use of Integrated Product Teams (IPTs). IPTs bring a variety of functional disciplines to the task, ensuring full consideration of perspectives in making program decisions, so that the potential impacts are identified and trade-offs understood.

Appendix A

Lessons Learned From Other DHS Major Acquisitions Programs

Stability is key, as changing program plans alter the conditions and the terms of contracts and agreements and force the rework of management and systems engineering tasks. As contract changes and rework drive-up costs, the reliability of program cost estimates and budgets is undermined.

In our previous review of department procurement operations, we reported that approving programs without adequately defined technical requirements increases the risk of cost overruns and has adverse schedule consequences.⁸ Specifically, contracts expedited to quickly improve the nation's security in response to rigid deadlines have resulted in higher costs, schedule delays, and failures to accomplish adequate technical or critical mission requirements.

⁸ *Department of Homeland Security's Procurement and Program Management Operations, OIG-05-53, September 2005.*

Appendix B

Purpose, Scope, and Methodology

Purpose, Scope, and Methodology

Our objective was to determine whether the SBInet acquisition had established: (1) clear, stable, and measurable operational requirements and (2) the organizational capacity to ensure government oversight of delivery schedules and cost estimates. In addition, we determined whether lessons learned from other department major acquisition programs were applied.

We interviewed officials at the US Customs and Border Protection and Department Of Homeland Security headquarters staff in Washington, DC. In addition, we reviewed records supporting the SBInet solicitation and assessed the quality and maturity of the CBP's program management office for SBI.

To identify observations for lessons learned from other DHS major acquisition programs, we reviewed previous GAO and DHS OIG reports and congressional testimony and interviewed the review teams. We discussed comparisons with CBP officials on auditor observations of what caused schedule delays, cost overruns, and prevented the programs from achieving stated objectives.

We conducted our review between June and August 2006 under the authority of the Inspector General Act of 1978, as amended. The nature and brevity of this review precluded use of our normal audit protocols; therefore, this review was not conducted according to generally accepted government auditing standards. Had we followed such standards, other matters may have come to our attention.

Appendix C
U.S. Customs and Border Protection Response to the Draft Report

U.S. Department of Homeland Security
Washington, DC 20229



**U.S. Customs and
Border Protection**

November 6, 2006

MEMORANDUM FOR RICHARD L. SKINNER
INSPECTOR GENERAL
DEPARTMENT OF HOMELAND SECURITY

FROM: Director *Will H. Yonston*
Office of Policy and Planning

SUBJECT: Response to the Office of Inspector General's Draft Report
Entitled "Risk Management Advisory for the SBInet
Program Initiation"

Thank you for the opportunity to review and comment on the draft report entitled "Risk Management Advisory for the SBInet Program Initiation." The U.S. Customs and Border Protection (CBP) believes that the recommendations contained in this report provide useful and collaborative improvements in SBInet program management and contract execution. Attention to enhancing organizational capacity, increasing requirement definition tailored to specific task orders as the program matures, and diligent oversight of cost, schedule, and performance are essential elements of program management embraced by CBP. The method for achieving these goals is detailed in the response to each recommendation.

Although CBP agrees that the six recommendations are essential to successful program management, CBP does not concur with the overall content, tone, and balance of the report. The report contains outdated information and omits significant progress made by the SBInet Program Management Office (PMO) since the OIG's initial review.

Since August, the PMO has drafted a comprehensive Program Management Plan and Program Strategic Plan, both of which are currently in the final stages of review. A Mission Needs Statement has also been completed and approved. In addition, the results of a staffing study conducted by the Homeland Security Institute have been received and used to draft a PMO staffing plan for Fiscal Year 2007.

Further, CBP disagrees with observations that describe the SBInet approach to operational requirements and performance management. CBP is confident in the stable, top-level requirements provided in the request for proposals and believes

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that the selection of the Boeing proposal validates its approach for acquiring a low-risk technological solution. The requirements for the *SBI_{net}* solution are:

- Detect an entry when it occurs;
- Identify what the entry is;
- Classify its level of threat (who the entrant is, what the entrant is doing, how many, etc.); and
- Respond effectively and efficiently to the entry and bring the situation to the appropriate law enforcement resolution.

These requirements are enduring and fundamental to the task of securing the border at and between ports of entry.

As the report indicates, the establishment of a strong organizational capacity for management and oversight and the clear definition of operational requirements and performance management objectives are critical to program success. CBP acknowledges that effective execution of these program management elements, when combined with best practices in acquisition management, will result in a comprehensive implementation of *SBI_{net}*, complete with the appropriate levels of oversight, resource planning, and cost and performance metrics and controls.

The OIG made six recommendations in its report. CBP concurs with the recommendations. The PMO has coordinated with CBP's Office of Procurement and other internal and external offices to develop the plan of action for each recommendation and will continue to seek input, where applicable, to ensure the success of the program. The recommendations have and will continue to be addressed as part of the PMO's efforts to enhance processes for balancing quality, cost, and schedule and accountability for program commitments.

Attached is a summary of CBP's progress on and plans for addressing each of the six recommendations in the draft report. Also attached are technical comments that relate to statements that need to be clarified prior to the finalization of this report.

With regard to the classification of the draft report, CBP has not identified any information within this report that would warrant protection under the Freedom of Information Act.

If you have any questions regarding this response, please contact me or have a member of your staff contact Ms. Lynn Richardson, Program Analyst, Office of Policy and Planning, at (202) 344-2953.

Attachment

**“Risk Management Advisory for the SBInet Program Initiation”
CBP Corrective Action Plan**

Recommendation 1: The program office prepare a plan of action with performance milestones for developing its capacity to manage the program, administer its contracts and agreements, and ensure effective oversight and implementation.

CBP Response: SBInet is part of the overarching Department-wide Secure Border Initiative (SBI) program sponsored by the Secretary of the Department of Homeland Security (DHS). As U.S. Customs and Border Protection (CBP) carries out SBInet, other organizations within DHS will carry out additional elements of the program. There are specific program areas within SBI that are the responsibility of CBP, Immigration and Customs Enforcement, and Citizenship and Immigration Services. Each of these organizations has formed or will form its own Program Management Office (PMO). The Department has established a Secure Border Initiative Coordination Council to work with each agency’s PMO to ensure consistency and alignment of program elements and provide adequate departmental oversight.

The SBInet PMO is in the process of finalizing an SBInet Program Management Plan (PMP), which will serve as the overall plan for managing the SBInet Program. Included within this PMP are delineations of Program Organization and Responsibilities, explanation of the PMO’s Program and Technical Management Approach, and Key Program Management Processes.

To solidify its capacity to manage the program and administer its contracts and agreements, the PMO is employing best practices in project management and is organized in a line/matrix fashion with six line and four staff directorates reporting to the SBInet Program Manager. This organizational structure allows for the concentration of subject matter expertise into appropriate directorates, creating a ready resource pool to staff Integrated Project Teams (IPTs) to execute projects under the SBInet Program.

IPTs are cross-functional teams under the leadership of an accountable government manager that use the tenets of integrated process and product development to get the right people and skills involved in managing a project. Each SBInet IPT will be formed with the appropriate representatives from all SBInet PMO Directorates to ensure a common understanding of the activities involved and to secure input from all the entities involved.

The SBInet PMO is developing an SBInet Program Plan that describes and documents the work breakdown structure, Integrated Master Schedule, and the

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budget for the program. The PMO will establish an SBInet Process Library that will contain management processes associated with program and project management. Examples include Task Order initiation processes, deliverable review processes, design review processes and IPT Charters. An Office Management Plan will be developed to contain the administrative processes and procedures associated with managing a large office, such as new employee orientation, supply ordering, etc.

Due Date: November 30, 2006

Recommendation 2: The CBP Commissioner, Chief Procurement Officer (CPO), and Program Executive Office (PEO) each review and comment on the program office's plan of action and milestones for developing the program office's oversight capacity. Each should specify the actions they will take to assist the program office in accomplishing the objectives of the plan, especially with regard to resource capacity building.

CBP Response: The SBInet PMO, leveraging the results of the Homeland Security Institute staffing study, has worked with the CBP Commissioner to receive approval of the PMO's Fiscal Year 2007 staffing plan. The approved staffing plan includes an additional 169 staff positions (96 government and 85 contractors) bringing the total PMO staff to 270.

The CBP Commissioner has established an Executive Steering Committee (ESC), which meets quarterly to discuss program progress against SBInet goals and objectives. Within these sessions, an analysis of program resources is reviewed and solutions for filling resource gaps are developed.

The PMO is currently working with Boeing Corporation to prepare the plan of action and milestones (POA&M). It will be reviewed as recommended by the Commissioner and the CPO and recommended actions will be instituted and tracked to completion.

Due Date: November 30, 2006

Recommendation 3: The program office provide implementation status reports to the Commissioner, CPO, and PEO on its plan for building program management and oversight capability.

CBP Response: The SBInet PMO is working with Boeing Corporation to prepare the POA&M. It will be reviewed as indicated above. Once the POA&M is complete, implementation status reports will be provided to the Commissioner and CPO following their review and acceptance by the PMO.

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The PMO continues to keep the Commissioner apprised of program developments through briefings to the ESC, as well as attendance at the weekly SBI PMO meetings and ad-hoc meetings related to program and acquisition management. The last ESC meeting occurred on October 18, 2006. At this session members of the ESC, which consists of the Deputy Commissioner and all of the Assistant Commissioners, received a comprehensive briefing of the proposed Boeing solution for SBInet.

The CPO's office actively participates in weekly SBInet PMO senior staff meetings and other meetings related to procurement issues and will continue to engage in meetings related to implementation status once they begin.

Due Date: January 15, 2007

Recommendation 4: The program office develop a plan of action and milestones for defining, validating, and stabilizing the program's operational requirements, translating them into contract requirements, and establishing a system of performance metrics and controls to gauge progress in meeting contract requirements and mission needs.

CBP Response: The SBInet PMO has developed a Mission Needs Statement that was approved on October 1, 2006, which identifies mission needs and capability gaps.

The PMO completed a comprehensive requirements workshop with CBP operational stakeholders on October 13, 2006. The resulting Operational Requirements Document (ORD) will be finalized and approved by January 19, 2007. This document will be used to derive contract requirements and establish the appropriate performance metrics for all future Task Orders.

In addition to the ORD, the PMO will work with Boeing to develop a System Engineering Management Plan, which will outline the technical management and processes to include all testing. Testing will include Operational Test and Evaluation (OTE) that will measure the performance of the installed solution per each Task Order. The OTE process will include an Independent Validation and Verification contractor that will develop and execute the operational test.

Due Date: January 31, 2007

Recommendation 5: The Commissioner, CPO, and PEO each review and comment on the program office's plan of action and milestones for setting requirements and establishing performance metrics and controls. Each should specify actions they will take to assist the program office in accomplishing the

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U.S. Customs and Border Protection Response to the Draft Report

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objectives of the plan, especially regarding resources needed to implement the plan and address ensuing contract and program cost estimate changes.

CBP Response: The POA&M currently in development will include measurable and meaningful performance metrics and controls. Additionally, the *SBI*net Program will use Earned Value Management (EVM) as a technique to integrate cost, schedule and technical accomplishments for *SBI*net Task Orders where appropriate. EVM is a common method for measuring performance, reporting and analyzing project status and comparing actual costs and accomplishments to a baseline. EVM serves as an early warning indicator for effective management decisions and corrective actions. It supports effective "what-if," tradeoff and trend analyses; helps to highlight potential risks; and provides more accurate forecasts of cost and schedule performance. Using EVM on the *SBI*net Program satisfies the acquisition requirements of Office of Management and Budget Circular A-11, Part 3 and the Government Performance Results Act.

Issues related to EVM will be addressed and resolved, as appropriate, with guidance and support from the CBP Commissioner and CPO. A status of EVM issues will be provided to the Commissioner and CPO on a monthly basis.

Due Date: December 31, 2006

Recommendation 6: The program office provide implementation status reports on its plan of action and milestones to stabilize requirements and establish performance metrics and controls to the Commissioner, CPO, and PEO.

CBP Response: Boeing will provide regular implementation status reports and reviews on the *SBI*net Task Orders. Specific requirements for reports and reviews will be detailed in individual Task Orders and may include: cost performance reports; schedule and planning reports and reviews; technical performance reports and reviews; management reports and reviews; Integrated Baseline Reviews; and project cost estimates.

Program Management Reviews (PMRs), which include the status of risks, action items and issues, key milestones, budget and deliverables, will be provided to the Commissioner and CPO monthly. The PMR will provide a forum to facilitate timely decision-making by presenting leadership with a thorough status of the program while raising issues that need management attention.

The *SBI*net PMO will lead Task Order working-level meetings with Boeing on a regular basis to discuss and resolve project-level status and issues. These reviews will focus on assessing performance, facilitating the *SBI*net Integrator's work efforts and addressing issues requiring resolution by either party.

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SBI^{net} PMO project managers will be responsible for assessing and reporting project status and the likelihood of meeting the scope, cost, schedule and technical performance objectives through weekly reports to the SBI^{net} Program Manager, PMO Directors and other project stakeholders on a weekly basis. Status reporting will begin as soon as a new project is initiated and will end upon project completion.

Due Date: December 31, 2006

Appendix D
Chief Procurement Officer Response to the Draft Report

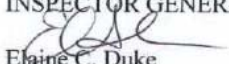
U.S. Department of Homeland Security
Washington, DC 20528



**Homeland
Security**

November 6, 2006

MEMORANDUM FOR: RICHARD L. SKINNER
INSPECTOR GENERAL

FROM: 
Elaine C. Duke
Chief Procurement Officer

SUBJECT: Response to the Office of Inspector General's Draft Report
Entitled "Risk Management Advisory for SBInet Program
Initiative" October 2006

Thank you for the opportunity to review and comment on the subject draft report. The Office of the Chief Procurement Officer concurs with the six OIG recommendations and the U.S. Custom and Border Protection's (CBP's) response to each recommendation contained in the Attachment to its November 6, 2006 Memorandum. A copy of the Memorandum is attached for your reference.

My office is committed to working with CBP to ensure successful program and acquisition management and oversight, as well as the successful accomplishment of the program objectives. We have and will continue to work with the CBP senior acquisition and program staff to address the report's recommendations.

Should you have additional questions concerning my response or need additional information, please feel free to call me at (202) 447-5300.

Attachment

Appendix E

Major Contributors to this Report

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