

Testimony of Deputy Secretary Jane Holl Lute
Senate Homeland Security and Governmental Affairs Committee, Subcommittee on Oversight of
Government Management, the Federal Workforce, and the District of Columbia.

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“Implementation, Improvement, and Sustainability: Management Matters
at the Department of Homeland Security.”

Chairman Akaka, Ranking Member Voinovich, and members of the subcommittee, thank you for this opportunity to appear before you to discuss our management integration efforts at the Department of Homeland Security. The Department has made significant progress in integrating and reforming our acquisition, financial, and human capital management, while at the same time meeting the responsibilities of our critical missions.

Secretary Napolitano has consistently stressed the need for the Department to operate as “One DHS.” We have instituted an ambitious series of management and efficiency reforms to ensure DHS has the proper management structure to succeed, can attract and retain top talent, and builds a culture of efficiency to make the Department a leaner, smarter agency better equipped to protect our nation.

The broad context for these reforms derives from a major, first of its kind effort undertaken by the Department to align its resources with a comprehensive strategy to meet the Nation’s homeland security needs. The completion of the DHS Quadrennial Homeland Security Review (QHSR) and the Bottom-Up Review (BUR) which immediately followed, in addition to the subsequent work we’ve done to shape our Fiscal Year (FY) 2012-2016 budgets, represents a very significant milestone for this young Department.

Over the past 18 months, DHS has made tremendous strides in integrating and reforming our acquisition, financial and human capital management. But we also know that success will require additional hard work and continued support and flexibility as we navigate this large management enterprise.

In collaboration with the Office of Management and Budget (OMB) and the Government Accountability Office (GAO), DHS created an initial integration strategy in 2010 that addressed several high-risk management issues identified by GAO and outlined steps to improve performance across functional operations. The seven initiatives that constitute this first integration strategy – which I will discuss today – represent long-term, cross-cutting efforts that will lead to management integration over time.

In May of this year, I directed our Under Secretary for Management to develop a comprehensive, strategic management approach that enhances *the people, structures and processes* necessary to

meet our mission goals by integrating and aligning functional areas at both the Departmental and Component levels. Ultimately, all DHS employees -- from our Border Patrol Agents and our Transportation Screening Officers on the front lines to the most senior executives -- must understand how their roles and responsibilities contribute to the Department's mission.

I would like to share the steps DHS has taken to expand and deepen management integration across the Department since our last report to the committee.

Strategic Plans and Budgeting

As the Committee knows, DHS completed the Congressionally-mandated QHSR at the beginning of this year, which established a unified, strategic framework for homeland security missions and goals. Immediately following that, DHS conducted a Bottom-Up Review (BUR) to align our programmatic activities and organizational structure to better serve those missions and goals. The third and final step of this process is the FY 2012 DHS budget and the accompanying Future Year Homeland Security Plan (FYHSP) for FY 2012-2016, which begins the next phase in strengthening DHS efforts to ensure a safe, secure, and resilient homeland.

The FY 2012 budget will represent the Department's efforts to align its budget and program structure to core homeland security missions described in the QHSR and the FYHSP will further reflect the new alignment in the outyears. Both of these documents will also continue our concerted efforts to foster a culture of efficiency and fiscal responsibility and streamline management across the Department.

Management Integration

In January 2010, DHS outlined seven initiatives that will contribute significantly to the integration of the Department's management:

- 1) Enterprise Governance
- 2) Balanced Workforce Strategy
- 3) Transformation and Systems Consolidation
- 4) DHS Headquarters Consolidation Program
- 5) Human Resources Information Technology
- 6) Data Center Migration
- 7) HSPD-12 Deployment

The goal of Management Integration is to establish a common language and business discipline to align and execute critical initiatives that meet the Department's mission. Management integration will drive decisions on efficient allocation of resources, progress against performance metrics, and effective organizational alignment to sustain continuous improvement.

The initiatives we are undertaking will allow the Department to unify strategy with operations, ensure necessary internal controls, and functionally integrate business lines across the Department and its Components.

Enterprise Governance

Too many programs at DHS are still governed as independent, discrete activities, which leads to challenges in strategically managing resources across organizational boundaries in support of missions, goals, and objectives. Our Enterprise Governance effort seeks to integrate Department-wide management of initiatives in strategic portfolios that are more effective, fiscally efficient, able to quickly adapt to changing threats, and that allow for timely and informed decision making.

This year, portfolio reviews were integrated into our enterprise governance processes for more effective acquisition management and program and budget reviews. Portfolio review information was presented to the Program and Budget Review Board and provided valuable information that will allow DHS leadership to make more informed recommendations.

Balanced Workforce

Achieving a balanced workforce within DHS is one of our highest management priorities. In March 2010, the Program Management Office under the Chief Human Capital Officer was stood up to establish an enterprise-wide integrated workforce planning approach towards balancing the Department's workforce.

In July of 2009, Components were instructed to review current contracts to determine if "inherently governmental" work was included in the work requirements. Further, we examined contracts for "scope creep" to determine if contractors assumed government-type responsibilities over time. We also held a successful Balanced Workforce Strategy Training event in July 2010 to reinforce the Department's multi-sector workforce guidance to Component and Headquarters leadership. In the very near future, an assessment tool will be deployed which will standardize the process through which balanced workforce policies are implemented. We are fully engaged in reviewing contracts to ensure DHS has the most appropriate workforce balance to accomplish our mission goals.

As of August 28, 2010, 2,074 contractor positions have been eliminated and DHS remains on track to meet its Department-wide goal of eliminating 3,500 contractor positions by the end of calendar year 2010. Further, the heightened awareness of maintaining a balanced workforce has thus far resulted in a decrease of roughly 27%, or nearly \$1 billion since 2009, in the total amount spent on professional service contracts. These figures are estimates since the validated figures, expected in late October, will include the last two weeks of the fiscal year.

Transformation and Systems Consolidation (TASC)

The Transformation and Systems Consolidation (TASC) goal is to implement a solution already operational in the Federal space that provides financial, acquisition, and asset management functionality. TASC provides the foundation for ensuring clean audit opinions, addressing system security issues, and remediating control and system weaknesses. It will also strengthen financial management and reporting capabilities, and address inefficiencies that stem from the lack of integration of critical business systems.

Based on successful migration of a large component to TASC (to be announced), DHS will assess the critical needs of other DHS components to determine appropriate next steps that are consistent with the requirements of OMB's policy. Any decisions regarding those next steps will be the responsibility of a formal Executive Steering Committee chaired by the Under Secretary for Management and will comport with the administration's policy on financial management systems.

DHS has been working closely with OMB to review TASC and demonstrate how DHS will ensure the success of TASC at a large DHS component. The Department continues to work with OMB and the newly formed Financial Systems Advisory Board to illustrate how TASC aligns with OMB's new policy and the policy's "Guiding Principles." Once awarded, TASC will focus on: (1) the agency's highest priority business needs, (2) a project path that minimizes cost and risk, (3) a deployment schedule of 18 to 24 months, (4) timely and effective change management, and (5) leveraging technology at the initiation of the deployment. The bottom-line is that we will move forward with TASC in a manner that complies with OMB's policy. This will result in a solution that will strengthen DHS's financial management and reporting capabilities and protect taxpayer dollars.

DHS Headquarters Consolidation Program

The DHS Headquarters Consolidation Program is on target, on schedule, and on budget for the St. Elizabeths campus development. Phase 1 (USCG HQ) is under construction and Phase 2a design is underway. The consolidated headquarters will improve communications, cooperation, and coordination among components in executing the Department's mission.

The DHS Headquarters Consolidation Program will consolidate DHS Headquarters facilities in the National Capital Region (NCR) from approximately 50 locations scattered throughout the NCR to 7-9 by the end of FY 2016, creating numerous operational efficiencies. Mission execution functions of executive leadership, policy, program management, and operations coordination will be consolidated at St. Elizabeths in 4.5 million square feet of office space housing 14,000 employees. Mission support functions will consolidate to 1-3 locations in the NCR. DHS is currently working with GSA on identifying appropriate lease space.

In addition to the daily operational efficiencies realized by consolidation, GSA has determined that consolidating 4.5 million square feet of DHS office space on a federal site at St. Elizabeths will save DHS over \$600 million on a 30-year present value analysis as compared to leasing an equivalent amount of space on the market without consolidation.

Human Resources Information Technology

Completion of this mission will fulfill the critical need for Department-wide Human Resources interoperability that enables executives to strategically manage the workforce in support of the Department's mission. DHS's current IT infrastructure includes hundreds of Component legacy

Human Resources Information Technology (HRIT) systems that are unnecessarily costly and complex.

The HRIT program includes five operating enterprise solutions: EmpowHR (Personnel), webTA (Time & Attendance), eOPF (Electronic Personnel Folders), NFC Corporate (Payroll/Personnel), and the Enterprise Integration Environment (EIE). The Office of the Chief Human Capital Officer (OCHCO) manages the annual distribution of \$16 billion through payroll and benefits systems for all civilian DHS employees as it simultaneously works to streamline and modernize the HRIT capabilities of the Department.

We are continuing to identify and eliminate redundant systems and deliver modern HRIT systems in support of *One DHS*. In January of this year, I mandated that no new HRIT systems could be developed or deployed without the approval of both the Chief Information Officer and Chief Human Capital Officer. This spring, the Department committed support and resources to efforts of the Office of Personnel Management to enhance USAJobs.gov, the government-wide enterprise hiring system. Last month, an HRIT Executive Steering Committee, comprised of component and headquarters HR and IT executives, was established to direct our efforts to further deploy and consolidate existing HRIT systems. I have tasked this executive steering committee with preparing recommendations by the end of this year to direct our future implementation efforts.

Data Center Consolidation

The goal of the data center consolidation initiative is to consolidate operations from 24 legacy data centers to 2 large-scale, physically secure, enterprise facilities located at NASA's Stennis Space Center in Mississippi and a leased facility in Clarksville, VA. When completed, this consolidation effort will improve security, interoperability, redundancies and long-term economic viability. Of the 24 legacy systems identified for consolidation, 5 have already been transferred and contracts have been issued to move the operations of 4 additional centers in FY 2011. If outyear funding is forthcoming, the transfer of operations for the remaining 15 legacy data centers will be completed sometime in FY 2014.

Homeland Security Presidential Directive 12, HSPD-12

HSPD-12, the Policy for a Common Identification Standard for Federal Employees and Contractors, requires the development and implementation of a mandatory, government-wide standard for secure and reliable forms of identification for federal employees and contractors. DHS has established an identification credentialing and issuance process to bring the Department into alignment with HSPD-12, and is using a centralized, managed approach to issue Personal Identity Verification (PIV) cards to DHS employees nationwide.

The DHS PIV credentialing system will facilitate more efficient and secure access to DHS facilities and IT assets. More than 112,000 PIV cards have been issued to date and DHS is on target to issue 141,000 cards by December 30, 2010. On or before September 30, 2011, all DHS employees will hold an official PIV card. The DHS PIV card system and its supporting

infrastructure will improve security and interoperability by having a single Department-wide management system to validate and authenticate identity.

A Comprehensive Strategy for Integration

As I mentioned earlier, in May of this year I initiated a more comprehensive, strategic management approach that enhances *the people, structures and processes* necessary to meet our mission goals by integrating and aligning functional areas at both the Departmental and Component levels. Our strategy to achieve cohesive integration is to establish a common language and business discipline that strategically aligns department resources to mission goals.

We have arranged this strategy around three key themes:

1) Acquisition Enhancement

- Improving upon the current Department process and procedures – particularly the “front end” requirements and the “back end” program management with improved governance across the acquisition life-cycle.

2) Financial Enhancement

- Improving our financial, asset, and acquisition systems in those components with a critical business need, and the implementation of business intelligence tools to enable near-real time decision making by Department leadership.

3) Human Capital Management Enhancement

- Making sure we have the right people in the right positions at the right time, with the proper workforce balance between DHS and contract employees.

In July and September, the top leadership from across the Department met to discuss how best to augment the original seven management integration initiatives and create more cohesive *structures and processes*. In addition, we discussed the best way to manage the assets, resources, and nearly 230,000 *people*, who are our Department’s greatest asset. I have consistently stated that we must have the right people, in the right place, at the right time, with the right resources.

Given its cross-cutting impact on all facets of Departmental operations, the next phase of management integration will focus on transforming acquisition processes and programs. Roughly half of the department’s annual budget is spent on procurement and acquisition related activities. Simply stated, acquisition management or the process we use to plan, acquire and manage our programs, is a primary nexus at which the Department’s mission is implemented.

The enhanced integration strategy has been shared with GAO and is being tested across the Department with many of the enhancement initiatives that will drive this strategy targeted for implementation in FY 2011. In sum, the enhanced strategy will drive business decisions on issues such as: efficient allocation of resources, progress against performance metrics, effective organizational alignment to sustain continuous improvement, and strategies to hire and retain the right caliber of talent to lead and deliver acquisition capability.

I'd like to take a few moments to discuss further our enhanced integration strategy.

Structure

In the years since it was first created, DHS has been challenged by not having common, clearly articulated program management expectations across the Department.

To address this issue, we recently established a common program management structure under one authority—the Under Secretary for Management. At the component level, I have enhanced the role of the Component Acquisition Executive (CAE) to serve as the central authority for program performance within a Component, similar to the Head of the Contracting Activity for procurement. When fully matured, the CAE structure will improve communications and accountability, as well as conditions for institutionalizing a common strategy for managing all facets of acquisition.

Process

To complement the enhanced organizational structure, we are working to build business intelligence into our processes through decision support tools. In the area of financial reporting within the Department we are focused on leveraging business intelligence tools effectively to extract data for management decision making. We have worked closely with both OMB and GAO to develop an incremental deployment strategy to balance risk with positive outcomes.

Secondly, we will build upon the progress resulting from our recent acquisition oversight efforts guided by our internal acquisition policy, Management Directive 102.01. This will allow us to sustain support for all acquisition programs while focusing energy on our highest risk programs. Our goal is to enhance existing processes and institutionalize the tracking of acquisition lead time and to predict acquisition and program health throughout an initiative's entire life cycle.

Finally, in addition to a decision support tool to track program performance, another key tenet of our integration strategy is to expand the use of enterprise-wide spend data to source commonly used goods and services strategically. By maturing the analysis of spend-data, DHS can better understand enterprise-wide buying habits and adjust strategies where appropriate to reduce or eliminate redundant and wasteful spending patterns.

People

The safety and security of our nation is the focus of the U.S. Department of Homeland Security workforce. Our mission couldn't be more important—and it can only be achieved through the hard work and dedication of our employees with widest wide array of backgrounds, experiences, skills and ideas. For this reason, Secretary Napolitano directed that a DHS Workforce Strategy be developed for Fiscal Years 2011-2016. This strategy serves as the foundation to ensure the continued growth of DHS employees and our collective ability to prevent and respond to the evolving threats facing America.

Under the leadership of the Chief Human Capital Officer, the strategy addresses programs and resources to support employees and advances the Department's capabilities in the areas of recruitment, retention, and employee development. This strategy supports a strategic and unified approach to building pipelines of talent while ensuring the continued development, recognition, and advancement of our current workforce. The strategy centers around four key goals: building an effective, mission-focused, diverse, and inspiring cadre of leaders; recruiting a highly qualified and diverse workforce; retaining an engaged workforce; and solidifying a unified DHS culture of mission performance, adaptability, accountability, equity, and results.

Since roughly half of the department's annual budget is spent on procurement and acquisition related activities, we will first apply the principals of the new workforce strategy to our cadre of acquisition professionals. Investing in our acquisition workforce is critical for the stewardship of nearly \$18 billion, annually. While our Federal Acquisition Certification (FAC) rates are among the highest in government, we will continue to invest in the training and education of the current acquisition workforce and support the development and career advancement of less experienced employees as well.

Conclusion

Thank you again for the opportunity to speak with you today about DHS management integration and strategic planning. It's clear that the Department has made significant progress, and is on the right track, yet we know we still have considerable work to do and we look forward to working with the committee to continue the implementation of these critical reform efforts. I look forward to your questions.