



Department of Homeland Security Office of Inspector General

Update on DHS' Procurement and Program Management Operations





**Homeland
Security**

JUN 17 2011

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 report addresses progress made toward implementing recommendations from our prior report, OIG-05-53, *Department of Homeland Security's Procurement and Program Management Operations*, issued in September 2005. The report's conclusions and suggested areas of improvement are based on interviews with employees and officials of relevant agencies and institutions, direct observations, and a review of applicable documents.

The findings herein have been developed to the best knowledge available to our office, and have been discussed in draft with those responsible for implementation. We trust 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 "Anne L. Richards".

Anne L. Richards

Assistant Inspector General for Audits

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Abbreviations

AMD	Acquisition Management Directive
APCP	Acquisition Professional Career Program
APMD	Acquisition Program Management Division
CAE	Chief Acquisition Executive
CPO	Chief Procurement Officer
DHS	Department of Homeland Security
FY	fiscal year
GAO	Government Accountability Office
HCA	Head of Contracting Activity
OCPO	Office of the Chief Procurement Officer
OIG	Office of Inspector General
PM	program manager
S&T	Science and Technology Division
USM	Under Secretary for Management

OIG

*Department of Homeland Security
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Executive Summary

In 2005, the Office of Inspector General, in coordination with the Chief Procurement Officer, assessed the Department of Homeland Security's procurement and program management operations. The report made five recommendations to address the vulnerabilities identified in the department's acquisition program. We performed this review to determine the department's progress in implementing previous recommendations.

The department has made progress in its procurement and program management operations. It has implemented all five report recommendations to enhance oversight, establish the Acquisition Program Management Division, and address procurement staff shortages and staff authority.

We have not made any additional recommendations; however, we have identified two areas for improvement: mandatory procurement ethics training and a standardized method for reporting potential procurement ethics violations.

Background

In 2003, the Government Accountability Office (GAO) placed *Implementing and Transforming the Department of Homeland Security*, which includes acquisition integration, on its High Risk list. GAO raised concerns about the Department of Homeland Security's (DHS) efforts to integrate the acquisition, procurement, and program management-related functions of 22 independent agencies into a single department. In 2011, GAO said that this area will remain on the list until DHS implements several improvements, including validating required acquisition documents at major milestones in the acquisition review process.

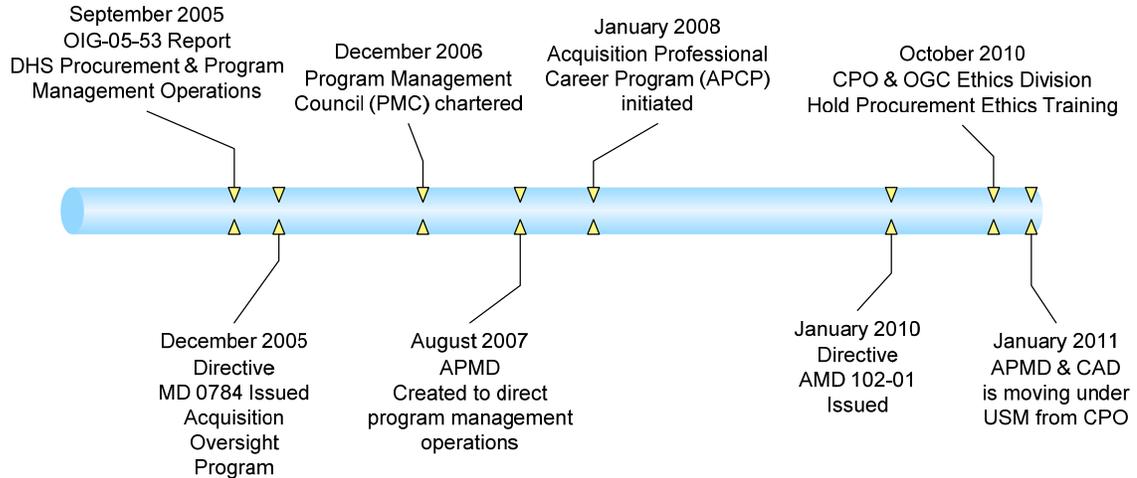
In September 2005, the Office of Inspector General (OIG) published report OIG-05-53, *Department of Homeland Security's Procurement and Program Management Operations*. Its purpose was to identify significant weaknesses that threaten the integrity of the department's procurement and program management operations. We made five recommendations to address the vulnerabilities in the department's acquisition operations. DHS concurred with all five recommendations and agreed to move ahead with expanded procurement ethics training, enhancement of oversight, and establishment of a departmental program management office, and to address procurement staff shortages and staff authority.

In fiscal year (FY) 2010, DHS awarded more than \$13 billion for more than 88,000 procurement actions. The Under Secretary for Management (USM) is responsible for the overall DHS acquisition process. The USM delegates the responsibility for effective department-wide procurement policies and procedures, including procurement integrity, to the Chief Procurement Officer (CPO). The USM also delegates the responsibility for developing and implementing the governance processes and procedures for program management over DHS' various acquisition programs to the Acquisition Program Management Division (APMD). Separation of the Office of CPO's (OCPO) procurement management responsibilities for acquiring goods and services and APMD's program management of the acquisition process provides a layered approach to DHS' acquisition oversight.

Since our 2005 report, DHS has implemented management directives and organizational changes, and developed acquisition training programs intended to identify inefficiencies in the acquisition process and prevent procurement ethics violations.

Figure 1 is an overview of the actions DHS has taken since 2005 to improve its acquisition program.

Figure 1. Milestones in DHS Procurement and Program Management



Results of the Review

The department has implemented all five of the prior report's recommendations by addressing staffing issues and developing important oversight policies and guidance. These actions have improved and standardized DHS' procurement and program management operations. During our review, we identified two additional areas for suggested improvement—mandatory procurement ethics training and standardized reporting for potential procurement ethics violations.

Implementation of Recommendations

DHS implemented the five recommendations in our prior report: two recommendations to improve procurement management, one recommendation for program management, and two recommendations for procurement ethics training and oversight.

Procurement Management

The two recommendations to improve procurement management were (1) that DHS optimize procurement organization resources

and structure across the department, and (2) that DHS provide OCPO with sufficient staff and authority.

Procurement Organization Resources and Structure

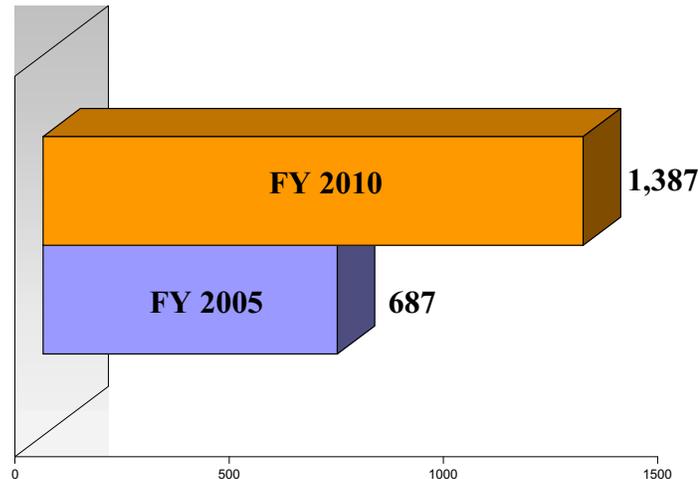
In January 2011, DHS reorganized the reporting structure of the procurement management and program management functions to provide a layered approach to acquisition oversight. OCPO leads procurement management functions. USM leads program management functions.

The 2011 acquisition structure allows components to maintain their own acquisition and procurement staff. A component Chief Acquisition Executive (CAE) is responsible for the program management of an acquisition. There are currently eight CAEs in DHS. They reside under the Chief Information Officer, Customs and Border Protection, Federal Emergency Management Agency, Immigration and Customs Enforcement, National Protection & Programs Directorate, Transportation Security Administration, United States Citizenship and Immigration Services, and the United States Coast Guard.

A component Head of Contracting Activity (HCA) is responsible for the procurement of an acquisition. There are currently nine HCAs in DHS. They reside under Customs and Border Protection, Federal Emergency Management Agency, Federal Law Enforcement Training Center, Immigration and Customs Enforcement, Office of Procurement Operations, Office of Selective Acquisitions, Transportation Security Administration, United States Coast Guard, and the United States Secret Service. The CAE and the HCA report informally to USM and OCPO, respectively. The CAE and HCA acquisition structure, shown in Figure 2, is dependent on coordination between OCPO, USM, and DHS components.

past 2 years, the APCP program has experienced a 62% growth in the number of contracting personnel participants, from 48 in 2008 to 126 in 2010. The DHS contracting workforce more than doubled from FY 2005 to the end of FY 2010 (Figure 3).

Figure 3. Procurement Staff Growth from FY 2005 to FY 2010



Based on our review, implementation of Management Directive 0784, organizational changes within OCPO, and the development of APCP demonstrate that DHS has sufficiently addressed our recommendations on procurement management staffing, oversight authority, and organizational structure and resources.

Program Management

The recommendation from our prior report to improve program management was as follows:

- Create and staff a DHS organization that will—
- a. develop program management policies and procedures;
 - b. provide independent technical support to DHS senior management and organizational component program managers on an as-required basis; and
 - c. identify and foster best practices.

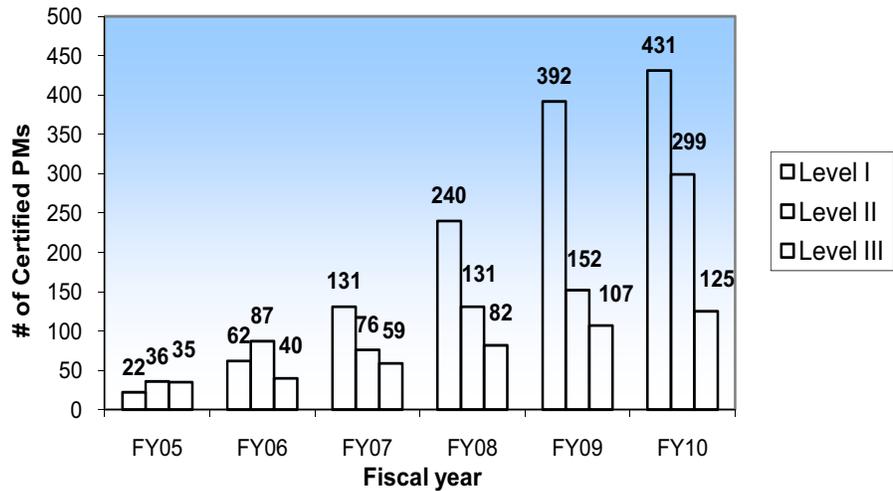
Establishing APMD and AMD 102-01

DHS created APMD in 2007, issued Acquisition Management Directive (AMD) 102-01 in 2010, and is leveraging the technical skills of the Science and Technology Division (S&T). These

actions have resolved many of the program management vulnerabilities identified in the 2005 report, including the need for more independent technical support.

APMD has primary responsibility for developing and implementing the governance processes and procedures for program management over DHS’ acquisition programs. APMD, in coordination with OCPO, issued AMD 102-01 to provide overall policy and structure for acquisition program management to ensure that major investments comply with established investment review policy standards. AMD 102-01 requires DHS acquisition programs to progress through an acquisition framework to ensure consistent and efficient acquisition management and approval from the decision authority at each phase. To ensure effective oversight of AMD 102-01 and provide the requisite oversight of DHS acquisitions, DHS has also made a concerted effort to increase the number of certified program managers (PMs) since 2005 (Figure 4).

Figure 4. Certified Program Managers from FY 2005 to FY 2010¹



¹ **Certification Levels:**

1. Level I: program life cycle cost at or above \$1 billion
2. Level II: program life cycle cost at \$300 million or more, but less than \$1 billion
3. Level III: program life cycle cost at less than \$300 million

Independent Technical Support for Acquisitions

The program management function for acquisitions receives independent technical support from the DHS S&T. S&T provides (1) technical support for testing and evaluation, (2) subject matter expertise, (3) system engineers to evaluate program life cycles, and (4) workforce recommendations to the DHS Acquisition Workforce Development Office in OCPO. The Director of DHS' Test and Evaluation and Standards Division is a sitting member of the Acquisition Review Board and provides letters of assessment on acquisition programs based on test plans, as well as recommendations for decision memorandums.

Establishing the Program Management Council

The department chartered the Program Management Council in December 2006 to provide a venue for PMs and executives to exchange information pertaining to program management, develop program management policy and requirements, and discuss methods for improving the department's program management performance. The council also develops measures and standards based on private and public sector requirements, and reviews and addresses professional development and staffing needs.

Based on our review, DHS addressed our recommendation for improving program management by creating APMD, developing AMD 102-01, leveraging technical support from S&T's Test and Evaluation and Standards Division, and chartering the Program Management Council.

Procurement Ethics

The two recommendations to improve procurement ethics were (1) require expanded procurement ethics training for senior program and procurement officials, and (2) ensure that procurement and program management oversight processes monitor departmental procurement activities for potential standards of conduct violations.

Require Expanded Procurement Ethics Training

In 2006, DHS began offering procurement ethics training to senior executive staff and political appointees on an ad hoc basis. In 2009, OCPO and the Office of General Counsel's Ethics Division

collaborated to develop a DHS ethics training tailored to acquisition professionals. In October 2010, DHS began offering this combined procurement ethics training on a voluntary basis throughout OCPO and other DHS components. The combined training satisfied the OIG recommendation to expand procurement ethics training. According to our review of ethics documentation, annual ethics training is required of contracting personnel; however, the combined procurement ethics training is not a requirement. We suggest that DHS require all personnel involved in procurement operations to take the combined procurement ethics training instead of the general ethics training on an annual basis. This would ensure that all relevant personnel receive ethics training with the benefit of an applied focus in procurement.

Procurement and Program Management Oversight

In December 2005, DHS addressed our recommendation to improve procurement and program management oversight processes by issuing Management Directive 0784. This directive enabled DHS to monitor procurement activities for potential ethics violations. AMD 102-01 also provides the capability to monitor procurement activities for potential ethics violations through a series of internal reviews. The process requires approvals over each phase of an acquisition before procuring goods or services.

Reporting Procurement Ethics Violations

During this review, we identified varying component practices in reporting potential procurement ethics violations. The combined procurement ethics training provided by OCPO and the Office of General Counsel states that all potential violations should be reported to OIG. Interviews revealed no consensus on how components handle or report potential violations. As a result, DHS has no assurance that it can capture or track potential procurement ethics violations to analyze DHS-wide trends and implement solutions. We suggest that DHS develop an integrated reporting process to capture, track, and analyze information on potential procurement ethics violations.

Continuing Efforts by DHS

In May 2010, the Deputy Secretary tasked USM to enhance the department's *Integrated Strategy for High Risk Management* to initiate a

more comprehensive, strategic approach to manage people, structures, and processes. USM's office held summits with top department and component leaders to develop strategies to improve and streamline processes and governance. As a result of those summits, in January 2011, DHS provided its strategy to GAO outlining the department's plans to enhance the enterprise-wide acquisition framework. The strategy includes five enhanced integration initiatives within acquisition management:

1. Rationalize the requirements development process (structures/processes).
2. Improve and streamline governance (structures).
3. Solidify the CAE structure (structures).
4. Enhance business intelligence (processes/systems).
5. Expand the Acquisition Corps concept and strengthen PM training (people).

The department outlined corrective action plans for each of the initiatives and said that it will track these plans on a quarterly basis. The department indicated that it intends to implement many of these initiatives in FY 2011.

This report does not contain any recommendations.

Management Comments and OIG Analysis

Management concurred with the report findings. We have incorporated the technical comments from the Office of the Chief Procurement Officer into the body of the report.

Appendix A

Purpose, Scope, and Methodology

We conducted this assessment between December 17, 2010, and February 28, 2011. We reviewed prior GAO and OIG reports from 2005 to the present, interviewed DHS procurement and project management personnel, and obtained input from the Acquisition Program Management Division, Office of the Chief Procurement Officer, and the Head of Contract Activity for each DHS component. The nature and brevity of this assessment precluded the use of our normal audit protocols. Our review was conducted under the authority of the *Inspector General Act of 1978*, as amended, and according to the *Quality Standards for Inspections and Evaluations* issued by the Council of the Inspectors General on Integrity and Efficiency.

Appendix B
Management Comments to the Draft Report

Management concurred with the report findings. We have incorporated the technical comments from the Office of the Chief Procurement Officer into the body of the report.

Appendix C
Major Contributors to this Report

Paul Wood, Director
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Appendix D
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