STATEMENT OF

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COMMITTEE ON HOMELAND SECURITY

AND THE

SUBCOMMITTEE ON CRIMINAL JUSTICE, DRUG POLICY, AND HUMAN RESOURCES
COMMITTEE ON GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

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Good afternoon Chairman Lungren, Chairman Souder, and Members of the Subcommittees. Thank you for inviting me to testify before the joint committee hearing today on "Expanding the Border Fence."

The Department of Homeland Security (DHS) Office of Inspector General (OIG) has paid and is paying close attention to the issues of border security and DHS contract management, and I appreciate the opportunity to discuss our work in these areas.

In a recent report outlining the major management challenges facing DHS, we emphasized that both border security and contract management continue to be major challenges for the Department.[1]

Contract Management Continues to Present Major Challenges to DHS

We have identified a number of issues related to the challenge of building an effective contract and acquisition management infrastructure for the significant level of contracting activities in the Department. Excluding credit card purchases, in fiscal year 2004, DHS processed almost 60,000 procurement actions and purchased almost $9.8 billion worth of goods and services.[2]

We view the Department's lack of an institutional capacity for managing major investment programs as the primary factor in the string of failed, delayed, and over cost programs. Certainly a sense of urgency has prevailed to date in making the Department's investment decisions. Moreover, the urgency of the Department's mission will continue to demand rapid pursuit of major investment programs. To meet urgent schedule demands, the Department needs to develop a cadre of skilled acquisition management personnel, as well as, robust business processes and information systems to have the capacity to move forward quickly and effectively implementing programs and initiatives.

<u>More Comprehensive Acquisition Guidance Needed</u>

In our reports, we noted a general need for more comprehensive acquisition guidance and oversight and recommended that DHS (1) require expanded procurement ethics training for senior program and procurement officials; (2) ensure that procurement and program management oversight processes monitor departmental procurement activities for potential standards of conduct violations; (3) create and staff a DHS organization to develop program management policies and procedures; (4) provide independent technical support to DHS senior management and organizational component program managers on an as-required basis; and (4) identify and foster best practices.[3]

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[1]DHS OIG, *Major Management Challenges Facing the Department of Homeland Security (Excerpts from the FY 2005 DHS Performance and Accountability Report)*, Office of Audits, OIG-06-14, December 2005, at pages 112 and 116.

[2] DHS OIG, *Department of Homeland Security's Procurement and Program Management Operations*, Office of Audits, OIG-05-53, September 2005, at page 2.

[3] DHS OIG, *Department of Homeland Security's Procurement and Program Management Operations*, Office of Audits, OIG-05-53, September 2005.

In response to our reports, management began action to correct many of these deficiencies. Specifically, the Office of the Chief Procurement Officer is developing a training class on procurement ethics for senior program and procurement officials that is emphasizing real examples of procurement fraud in addition to teaching applicable regulations. The Office of the Chief Procurement Officer issued a DHS management directive on the Acquisition Oversight Program in December 2005 and is hiring additional staff to conduct oversight of other acquisition offices.

More Procurement Management and Contract Management Personnel Needed

We have reported that both the Chief Financial Officer and Chief Procurement Officer need more staff and authority to effectively carry out their general oversight responsibilities.[4] The Government Accountability Office (GAO) reported in 2005 that the Office of the Chief Procurement Officer had only two people to conduct oversight on the eight separate procurement offices, which handled nearly $10 billion in procurement activity during fiscal year (FY) 2004.[5] GAO recommended that DHS provide the Office of the Chief Procurement Officer with sufficient resources and enforcement authority to enable effective department-wide oversight of acquisition policies and procedures. We made a similar recommendation.

Integrated Surveillance Intelligence System Procurement

The procurement of cameras for border surveillance is an example of contracting difficulty. In our report on Border Patrol's remote surveillance technology, our primary objective was to review Border Patrol's use of remote surveillance technology, including Remote Video Surveillance equipment, rather than audit its procurement practices.[6] Nonetheless, while conducting our review, we encountered certain contract management issues that adversely affected the timely installation of Remote Video Surveillance equipment.

The Border Patrol, a part of Customs and Border Protection (CBP), is the primary federal law enforcement organization responsible for detecting and preventing illegal aliens, terrorists, and contraband from entering the U.S. between official ports of entry. Border Patrol used a Blanket Purchase Agreement through the General Services Administration (GSA) with a contractor to install Remote Video Surveillance equipment. We reported that Border Patrol's oversight of Remote Video Surveillance equipment contract

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[4] DHS OIG, *Major Management Challenges Facing the Department of Homeland Security (Excerpts from the FY 2005 DHS Performance and Accountability Report)*, Office of Audits, OIG-06-14, December 2005

[5] GAO, *Homeland Security Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, GAO-05-179, March 2005, at page 15.

[6] DHS OIG, *A Review of Remote Surveillance Technology Along U.S. Land Borders*, Office of Inspections and Special Reviews, OIG-06-15, December 2005. However, in a series of audit reports beginning in early 2003, the General Services Administration OIG identified inadequate management controls and numerous improper contract activities on the part of GSA's Federal Technology Service, including activities related to Remote Video Surveillance installations and contracting. See: GSA OIG *Compendium of Audits of the Federal Technology Service Client Support Centers*, December 14, 2004.

activities was ineffective, Border Patrol certified few contractor invoices prior to payment, and contract accountability was confused.

Border Patrol's Oversight of Remote Video Surveillance Equipment Contract Activities was Ineffective

To test the adequacy of contracting oversight, we reviewed procurement documents for a sample of seven Remote Video Surveillance installation Technical Directives, six issued under the Blanket Purchase Agreement and one issued prior to the Blanket Purchase Agreement. Weak project management and contract oversight, exacerbated by frequent turnover of program managers, resulted in Remote Video Surveillance camera sites being incomplete, leaving large portions of the border without camera coverage. Additionally, completed work was not finished in a timely manner.

For example, according to our analysis of Border Patrol and GSA records, most contractor invoices were paid without Border Patrol certification. Procedurally, Border Patrol should have certified correct and properly supported invoices, thereby accepting services, and returned the certifications to the contractor, who would forward the invoices and certifications to GSA for payment. Border Patrol was obligated to certify invoices; but there was minimal evidence that it fulfilled that obligation. This resulted in payment to the contractor for unverified goods and services. As of August 2005, Border Patrol was certifying invoices after the invoices had been paid.

Contract Accountability was Confused

The involvement of both the Border Patrol and GSA in the Blanket Purchase Agreement created confusion. GSA agreed that, in practice, there was confusion about the responsibilities of the two agencies and, as the project grew and became more complex, and pressure to keep on schedule increased, so did the potential for error.

For example, Border Patrol did attempt to bring the contractor into compliance with the Blanket Purchase Agreement. The Integrated Surveillance Intelligence System program manager wrote a detailed letter to the contractor citing inefficient financial tracking and cost control, inefficient inventory control, a failure to meet required deadlines and deliverable due dates, and a failure to notify the government of impediments to installations. The letter made several recommendations for remediation.

Meanwhile, GSA concluded that Blanket Purchase Agreement could not be used for construction-related items. The GSA contracting officer wrote a letter to the contractor instructing the company not to submit any invoices for non-information technology (IT) related work and to disregard Border Patrol's letter. (The GSA contracting officer is the only authority who can provide contractual direction.) Despite GSA's correspondence, GSA continued to pay invoices for non-IT related work that the contractor submitted after this letter was sent. In essence, the letter from the GSA contracting officer was a stop work order because installing the cameras and related infrastructure was impossible without the non-IT related work.

Border Security Remains a Major Challenge Facing the Department

A primary mission of DHS is to reduce America's vulnerability to terrorism by controlling the borders of the U.S. This mission is shared by a number of agencies within the Department, with the Border Patrol as the primary agency responsible for preventing illegal aliens, terrorists, and contraband from entering the U.S. between official ports of entry from entering the U.S. To accomplish its mission, Border Patrol uses a mix of agents, information, technology, and equipment.

The technology Border Patrol uses includes cameras and sensors to detect and identify illegal border intrusions. Last year we conducted an analysis of remote surveillance technology used by the Border Patrol to detect illegal entry into the U.S.[7] Border Patrol's technology is managed under the auspices of the Integrated Surveillance Intelligence System. We determined that more than 90 percent of the responses to sensor alerts resulted in "false alarms" - something other than illegal alien activity, such as local traffic, outbound traffic, a train, or animals. On the southwest border, only two percent of sensor alerts resulted in apprehensions; on the northern border, less than one percent of sensor alerts resulted in apprehensions.

Border Patrol agents are spending many hours investigating legitimate activities because sensors cannot differentiate between illegal activity and legitimate events and because there are too few operational Remote Video Surveillance camera sites, consisting of cameras mounted on poles or other structures, available for Border Patrol personnel to evaluate the cause of an intrusion alert remotely. According to Border Patrol officials, the Remote Video Surveillance system currently deployed provides approximately five percent border coverage given an average tower height of 70 feet and viewing range of 1.5 miles.

DHS faces several formidable challenges in securing U.S. borders. These include development of an effective, automated entry-exit system (US-VISIT); disruption of alien smuggling operations; identifying, locating, detaining, and removing illegal aliens; fielding effective border surveillance technologies; providing timely, accurate, and complete intelligence to support border security operations; and developing effective overseas operations, including improved controls over the Visa Waiver Program and lost and stolen passports.

A further challenge for DHS was the difficulties CBP and ICE experienced coordinating and integrating their respective operations. When DHS was formed, CBP and ICE did not come together to form a seamless border enforcement program. Their operations had significant interdependencies that created conflict between the two agencies. Jurisdictional, operational, and communication gaps existed between the two

[7] DHS OIG, *A Review of Remote Surveillance Technology Along U.S. Land Borders*, Office of Inspections and Special Reviews, OIG-06-15, December 2005.

organizations that had to be addressed by DHS leadership.[8] The Department has recognized these problems and, through its "Second Stage Review" initiatives, has reorganized to address them. We are now following up to evaluate whether the reorganization has improved coordination and integration.

Secure Border Initiative

On November 2, 2005, the Department of Homeland Security announced a multi-year strategy to secure America's borders and reduce illegal immigration, called the Secure Border Initiative (SBI). SBI includes the SBInet program, which replaced the America's Shield Initiative, but is much more complex, presenting a greater challenge to CBP We have not fully assessed the organizational structure for SBI procurement activities. However, we are paying close attention to the SBI procurement. Last month (June 2006), our Office of Audits initiated a review of the SBInet acquisition strategy to determine whether the department has applied lessons learned from its experience with other major acquisition programs.

The purpose of our ongoing review is to alert the Department of potential contracting pitfalls before a significant expenditure of time, resources, and money is made. We are focusing on two critical areas: (1) operational requirements and (2) organizational capacity.

SBI Procurement Risks

The Department issued a Request For Proposal to select a system integrator for SBInet using an indefinite quantity/indefinite delivery performance-based acquisition strategy. Requirements are described in a broad statement of objectives to the bidders, providing the flexibility for them to propose innovative solutions. It remains to be seen whether the proposed solutions fully address the Border Patrol's needs, what measures of performance and effectiveness can be applied to the contract, how soon the program can be implemented, and what a reliable estimate of the program's cost would be. We anticipate scrutinizing the program's performance management plan, acquisition program baseline, schedules, cost controls, and cost estimates when they are prepared. We will also assess the effect on the program and its costs as CBP's operational requirements are set and adjusted after award. CBP faces some tremendous challenges and risks in pursuit of SBInet. These challenges and risks include:

Acceleration: The Department has set a tight deadline of September 2006, requiring CBP to press hard to meet tight deadlines while mitigating risks and avoiding mistakes. The urgency underscores the need for institutional capacity, including a cadre of acquisition management personnel and robust business processes, to accomplish the tasks needed to set-up a new program and ensure the program office is ready to implement the program, administer the contract, and establish cost/schedule/performance control.

[8] See: DHS OIG, *An Assessment of the Proposal to Merge Customs and Border Protection with Immigration and Customs Enforcement*, OIG-06-04, November 2005.

Loose contract requirements: High-risk acquisition strategies call for mitigators and controls. A Statement of Objectives type of contract is made high-risk by broadly defined performance requirements. We have reported on previous DHS major acquisitions with similar strategies that have failed. Will the SBInet contract have the incentives, penalties, and metrics to ensure performance? Scoping a series of task orders over a number of years, will entail not only vigilant contract administration, but also continuing program decisions, systems engineering efforts, and business case analyses necessitating a substantial program management office.

Unstable operational requirements: Lack of defined, stabilized, validated requirements increases likelihood of program changes, interoperability problems, equitable adjustments, and cost overruns. A broadly defined Statement of Objectives approach coupled with undefined requirements leaves programs vulnerable to failure and cost overruns.

Lack of Organizational Capacity: Building a program management office entails not only recruiting and contracting for qualified acquisition managers and technical experts, but also establishing robust business processes. With a new program, a myriad of tasks, such as developing staffing plans, providing facilities, and setting office procedures, distract from mission accomplishment, but they, nevertheless, must be done.

This concludes my prepared remarks. I would be happy to answer any questions.

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