



Testimony Before the Subcommittee  
on Oversight and Management  
Efficiency, Committee on Homeland  
Security, House of Representatives

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For Release on Delivery  
Expected at 10:00 a.m. EST  
Thursday, February 26, 2015

# DEPARTMENT OF HOMELAND SECURITY

## Progress Made, but More Work Remains in Strengthening Management Functions

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Security and Justice

# GAO Highlights

Highlights of [GAO-15-388T](#), a testimony before the Subcommittee on Oversight and Management Efficiency, Committee on Homeland Security, House of Representatives

## Why GAO Did This Study

GAO has regularly reported on government operations identified as high risk because of their increased vulnerability to fraud, waste, abuse, and mismanagement, or the need for transformation to address economy, efficiency, or effectiveness challenges. In 2003, GAO designated implementing and transforming DHS as high risk because DHS had to transform 22 agencies into one department, and failure to address associated risks could have serious consequences for U.S. national and economic security. While challenges remain for DHS across its range of missions, it has made considerable progress. As a result, in its 2013 high-risk update, GAO narrowed the scope of the high-risk area to focus on strengthening and integrating DHS management functions (human capital, acquisition, financial, and information technology). As requested, this statement discusses, among other things, DHS's progress and actions remaining in strengthening and integrating its management functions. This statement is based on GAO's 2015 high-risk update and reports and testimonies from September 2011 through February 2015. Among other things, GAO analyzed DHS strategies and interviewed DHS officials.

## What GAO Recommends

This testimony contains no new recommendations. GAO has made about 2,200 recommendations to DHS since 2003 to strengthen its management efforts, among other things. DHS has implemented more than 69 percent of these recommendations and has actions under way to address others.

View [GAO-15-388T](#). For more information, contact Rebecca Gambler at (202) 512-8777 or [gambler@gao.gov](mailto:gambler@gao.gov).

February 2015

## DEPARTMENT OF HOMELAND SECURITY

### Progress Made, but More Work Remains in Strengthening Management Functions

## What GAO Found

As GAO reported in its 2015 high-risk update report earlier this month, the Department of Homeland Security's (DHS) efforts to strengthen and integrate its management functions have resulted in the department meeting two and partially meeting three of GAO's criteria for removal from the high-risk list (see table).

**Assessment of Department of Homeland Security (DHS) Progress in Addressing the Strengthening DHS Management Functions High-Risk Area, as of February 2015**

Criterion for removal from high-risk list	Met <sup>a</sup>	Partially met <sup>b</sup>	Not met <sup>c</sup>
Leadership commitment	X		
Corrective action plan	X		
Capacity (having sufficient resources)		X	
Framework to monitor progress		X	
Demonstrated, sustained progress		X	
<b>Total</b>	<b>2</b>	<b>3</b>	<b>0</b>

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO 15-388T

<sup>a</sup>Met: There are no significant actions that need to be taken to further address this criterion.

<sup>b</sup>Partially met: Some but not all actions necessary to generally meet the criterion have been taken.

<sup>c</sup>Not met: Few, if any, actions toward meeting the criterion have been taken.

For example, the department's Deputy Secretary, Under Secretary for Management, and other senior officials have continued to demonstrate leadership commitment by frequently meeting with GAO to discuss the department's plans and progress in addressing the high-risk area. DHS has also established a plan for addressing the high-risk area, which it has updated seven times since 2010. However, DHS needs to show additional progress in other areas. For example, in October 2014, DHS identified that it had resources needed to implement 7 of 11 initiatives the department had under way to address the high-risk area, but did not identify sufficient resources for the 4 remaining initiatives.

Key to addressing the department's management challenges is DHS demonstrating the ability to achieve sustained progress across 30 actions and outcomes that GAO identified and DHS agreed were needed to address the high-risk area. GAO found in its 2015 high-risk update report that DHS fully addressed 9 of these actions and outcomes, while work remains to fully address the remaining 21. Of the 9 actions and outcomes that DHS has addressed, 5 have been sustained as fully implemented for at least 2 years. For example, DHS fully met 1 outcome for the first time by obtaining a clean opinion on its financial statements for 2 consecutive years. DHS has also mostly addressed an additional 5 actions and outcomes, meaning that a small amount of work remains to fully address them. However, DHS has partially addressed 12 and initiated 4 of the remaining actions and outcomes. For example, DHS does not have modernized financial management systems, a fact that affects its ability to have ready access to reliable information for informed decision making. Addressing some of these actions and outcomes, such as modernizing the department's financial management systems and improving employee morale, are significant undertakings that will likely require multiyear efforts. In GAO's 2015 high-risk update report, GAO concluded that in the coming years, DHS needs to continue to show measurable, sustainable progress in implementing its key management initiatives and achieving the remaining 21 actions and outcomes.

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Chairman Perry, Ranking Member Watson Coleman, and Members of the Subcommittee:

Thank you for the opportunity to discuss the Department of Homeland Security's (DHS) ongoing efforts to strengthen and integrate its management functions. In the 12 years since the department's creation, DHS has implemented key homeland security operations, achieved important goals and milestones, and grown to more than 240,000 employees and approximately \$60 billion in budget authority. We have issued hundreds of reports addressing the range of DHS's missions and management functions, and our work has identified gaps and weaknesses in the department's operational and implementation efforts, as well as opportunities to strengthen their efficiency and effectiveness. Since 2003, we have made approximately 2,200 recommendations to DHS to strengthen program management, performance measurement efforts, and management processes, among other things. DHS has implemented more than 69 percent of these recommendations and has actions under way to address others.

We also report regularly to Congress on government operations that we identified as high risk because of their increased vulnerability to fraud, waste, abuse, and mismanagement, or the need for transformation to address economy, efficiency, or effectiveness challenges. In 2003, we designated implementing and transforming DHS as high risk because DHS had to transform 22 agencies—several with major management challenges—into one department, and failure to address associated risks could have serious consequences for U.S. national and economic security.<sup>1</sup> Given the significant effort required to build and integrate a department as large and complex as DHS, our initial high-risk designation addressed the department's initial transformation and subsequent

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<sup>1</sup>GAO, *High-Risk Series: An Update*, [GAO-03-119](#) (Washington, D.C.: January 2003).

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implementation efforts, to include associated management and programmatic challenges.<sup>2</sup>

Since 2003, the focus of the *Implementing and Transforming DHS* high-risk area has evolved in tandem with DHS's maturation and evolution. In September 2011, we reported in our assessment of DHS's progress and challenges 10 years after the terrorist attacks of September 11, 2001, (9/11) that the department had implemented key homeland security operations and achieved important goals in many areas to create and strengthen a foundation to reach its potential.<sup>3</sup> However, we also reported that continuing weaknesses in DHS's management functions had been a key theme impacting the department's implementation efforts. While challenges remain for DHS across its range of missions, the department has made considerable progress in transforming its original component agencies into a single cabinet-level department and positioning itself to achieve its full potential. As a result, in our 2013 high-risk update, we narrowed the scope of the high-risk area to focus on strengthening DHS management functions (human capital, acquisition, financial management, and information technology [IT]), and changed the name from *Implementing and Transforming DHS* to *Strengthening DHS Management Functions* to reflect this focus. We also reported in our 2013 update that the department needs to demonstrate continued progress in implementing and strengthening key management initiatives and addressing corrective actions and outcomes in order to mitigate the risks that management weaknesses pose to mission accomplishment and the efficient and effective use of the department's resources.<sup>4</sup>

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<sup>2</sup>DHS also has responsibility for other areas we have designated as high risk. Specifically, in 2005, we designated establishing effective mechanisms for sharing and managing terrorism-related information to protect the homeland as high risk, involving a number of federal departments, to include DHS. In 2006, we identified the National Flood Insurance Program as high risk. Further, in 2003, we expanded the scope of the high-risk area involving federal information security, which was initially designated as high risk in 1997, to include the protection of the nation's computer-reliant critical infrastructure. See GAO, *High-Risk Series: An Update*, [GAO-09-271](#) (Washington, D.C.: January 2009); *High-Risk Series: An Update*, [GAO-07-310](#) (Washington, D.C.: January 2007); and *High-Risk Series: An Update*, [GAO-05-207](#) (Washington, D.C.: January 2005).

<sup>3</sup>GAO, *Department of Homeland Security: Progress Made and Work Remaining in Implementing Homeland Security Missions 10 Years after 9/11*, [GAO-11-881](#) (Washington, D.C.: Sept. 7, 2011).

<sup>4</sup>GAO, *High Risk Series: An Update*, [GAO-13-283](#) (Washington, D.C.: February 2013).

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In November 2000, we published our criteria for removing areas from the high-risk list.<sup>5</sup> Specifically, agencies must have (1) a demonstrated strong commitment and top leadership support to address the risks; (2) a corrective action plan that identifies the root causes, identifies effective solutions, and provides for substantially completing corrective measures in the near term, including but not limited to steps necessary to implement solutions we recommended; (3) the capacity (that is, the people and other resources) to resolve the risks; (4) a program instituted to monitor and independently validate the effectiveness and sustainability of corrective measures; and (5) the ability to demonstrate progress in implementing corrective measures.

As requested, my statement discusses

- DHS's progress and actions remaining in strengthening and integrating its management functions, and
- crosscutting issues that have affected DHS's progress in implementing its mission functions.

This statement is based on GAO's 2015 high-risk update report as well as reports and testimonies we issued from September 2011 through February 2015.<sup>6</sup> For the past products, among other things, we analyzed DHS strategies and other documents related to the department's efforts to address its high-risk areas, reviewed our past reports issued since DHS began its operations in March 2003, and interviewed DHS officials. More detailed information on the scope and methodology of our prior work can be found within each specific report. We conducted the work on which this statement is based in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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<sup>5</sup>GAO, *Determining Performance and Accountability Challenges and High Risks*, [GAO-01-159SP](#) (Washington, D.C.: November 2000).

<sup>6</sup>GAO, *High Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: February 2015). See also the related GAO products list at the end of this statement.

## DHS Has Made Progress in Strengthening Its Management Functions, but Considerable Work Remains

### DHS Progress in Meeting Criteria for Removal from the High-Risk List

DHS's efforts to strengthen and integrate its management functions have resulted in progress addressing our criteria for removal from the high-risk list. In particular, in our 2015 high-risk update report, which we released earlier this month, we found that DHS has met two criteria and partially met the remaining three criteria, as shown in table 1.

**Table 1: Assessment of Department of Homeland Security (DHS) Progress in Addressing the Strengthening *DHS Management Functions* High-Risk Area, as of February 2015**

Criterion for removal from high-risk list	Met <sup>a</sup>	Partially met <sup>b</sup>	Not met <sup>c</sup>
Leadership commitment	X		
Corrective action plan	X		
Capacity		X	
Framework to monitor progress		X	
Demonstrated, sustained progress		X	
<b>Total</b>	<b>2</b>	<b>3</b>	<b>0</b>

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO 15-388T

<sup>a</sup>“Met”: There are no significant actions that need to be taken to further address this criterion.

<sup>b</sup>“Partially met”: Some but not all actions necessary to generally meet the criterion have been taken.

<sup>c</sup>“Not met”: Few, if any, actions toward meeting the criterion have been taken.

**Leadership commitment (met).** In our 2015 report, we found that the Secretary and Deputy Secretary of Homeland Security, the Under Secretary for Management at DHS, and other senior officials have continued to demonstrate commitment and top leadership support for addressing the department's management challenges. We also found that they have taken actions to institutionalize this commitment to help ensure the long-term success of the department's efforts. For example, in April 2014, the Secretary of Homeland Security issued a memorandum entitled

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*Strengthening Departmental Unity of Effort*, committing to, among other things, improving DHS's planning, programming, budgeting, and execution processes through strengthened departmental structures and increased capability.<sup>7</sup> Senior DHS officials, including the Deputy Secretary and Under Secretary for Management, have also routinely met with us over the past 6 years to discuss the department's plans and progress in addressing this high-risk area. During this time, we provided specific feedback on the department's efforts. We concluded that it will be important for DHS to maintain its current level of top leadership support and commitment to ensure continued progress in successfully executing its corrective actions through completion.

**Corrective action plan (met).** We found that DHS has established a plan for addressing this high-risk area. Specifically, in a September 2010 letter to DHS, we identified and DHS agreed to achieve 31 actions and outcomes that are critical to addressing the challenges within the department's management areas and in integrating those functions across the department. In March 2014, we updated the actions and outcomes in collaboration with DHS to reduce overlap and ensure their continued relevance and appropriateness. These updates resulted in a reduction from 31 to 30 total actions and outcomes. Toward achieving the actions and outcomes, DHS issued its initial *Integrated Strategy for High Risk Management* in January 2011 and has since provided updates to its strategy in seven later versions, most recently in October 2014. The integrated strategy includes key management initiatives and related corrective actions plans for addressing DHS's management challenges and the actions and outcomes we identified. For example, the October 2014 strategy update includes an initiative focused on financial systems improvement and modernization and an initiative focused on IT human capital management. These initiatives support various actions and outcomes, such as modernizing the U.S. Coast Guard's financial management system and implementing an IT human capital strategic plan, respectively. We concluded in our 2015 report that DHS's strategy and approach to continuously refining actionable steps to implementing the outcomes, if implemented effectively and sustained, should provide a path for DHS to be removed from our high-risk list.

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<sup>7</sup>DHS, Secretary of Homeland Security, *Strengthening Departmental Unity of Effort*, Memorandum for DHS Leadership (Washington, D.C.: Apr. 22, 2014).

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**Capacity (partially met).** In October 2014, DHS identified that it had resources needed to implement 7 of the 11 initiatives the department had under way to achieve the actions and outcomes, but did not identify sufficient resources for the 4 remaining initiatives. In addition, our prior work has identified specific capacity gaps that could undermine achievement of management outcomes. For example, in April 2014, we reported that DHS needed to increase its cost-estimating capacity and that the department had not approved baselines for 21 of 46 major acquisition programs.<sup>8</sup> These baselines—which establish cost, schedule, and capability parameters—are necessary to accurately assess program performance. Thus, in our 2015 report, we concluded that DHS needs to continue to identify resources for the remaining initiatives; work to mitigate shortfalls and prioritize initiatives, as needed; and communicate to senior leadership critical resource gaps.

**Framework to monitor progress (partially met).** In our 2015 report we found that DHS established a framework for monitoring its progress in implementing the integrated strategy it identified for addressing the 30 actions and outcomes. In the June 2012 update to the *Integrated Strategy for High Risk Management*, DHS included, for the first time, performance measures to track its progress in implementing all of its key management initiatives. DHS continued to include performance measures in its October 2014 update. However, we also found that the department can strengthen this framework for monitoring a certain area. In particular, according to DHS officials, as of November 2014, they were establishing a monitoring program that will include assessing whether financial management systems modernization projects for key components that DHS plans to complete in 2019 are following industry best practices and meet users' needs. Effective implementation of these modernization projects is important because, until they are complete, the department's current systems will not effectively support financial management operations. As we concluded in our 2015 report, moving forward, DHS will need to closely track and independently validate the effectiveness and sustainability of its corrective actions and make midcourse adjustments, as needed.

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<sup>8</sup>GAO, *Homeland Security Acquisitions: DHS Could Better Manage Its Portfolio to Address Funding Gaps and Improve Communications with Congress*, [GAO-14-332](#) (Washington, D.C.: Apr. 17, 2014).



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**Demonstrated, sustained progress (partially met).** We found in our 2015 report that DHS has made important progress in strengthening its management functions, but needs to demonstrate sustainable, measurable progress in addressing key challenges that remain within and across these functions. In particular, we found that DHS has implemented a number of actions demonstrating the department's progress in strengthening its management functions. For example, DHS has strengthened its enterprise architecture program (or blueprint) to guide and constrain IT acquisitions and obtained a clean opinion on its financial statements for 2 consecutive years, fiscal years 2013 and 2014. However, we also found that DHS continues to face significant management challenges that hinder the department's ability to accomplish its missions. For example, DHS does not have the acquisition management tools in place to consistently demonstrate whether its major acquisition programs are on track to achieve their cost, schedule, and capability goals. In addition, DHS does not have modernized financial management systems. This affects its ability to have ready access to reliable information for informed decision making. As we concluded in our 2015 report, addressing these and other management challenges will be a significant undertaking that will likely require several years, but will be critical for the department to mitigate the risks that management weaknesses pose to mission accomplishment.

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## DHS Progress in Achieving Key High-Risk Actions and Outcomes

Key to addressing the department's management challenges is DHS demonstrating the ability to achieve sustained progress across the 30 actions and outcomes we identified and DHS agreed were needed to address the high-risk area. In our 2015 report, we found that DHS has fully implemented 9 of these actions and outcomes, with additional work remaining to fully address the remaining 21. Achieving sustained progress across the actions and outcomes, in turn, requires leadership commitment, effective corrective action planning, adequate capacity (that is, the people and other resources), and monitoring the effectiveness and sustainability of supporting initiatives. The 30 key actions and outcomes include, among others, validating required acquisition documents in accordance with a department-approved, knowledge-based acquisition process, and sustaining clean audit opinions for at least 2 consecutive years on department-wide financial statements and internal controls.

We further found that DHS has made important progress across all of its management functions and significant progress in the area of management integration. In particular, DHS has made important progress in several areas to fully address 9 actions and outcomes, 5 of which it has

sustained as fully implemented for at least 2 years. For instance, DHS fully met 1 outcome for the first time by obtaining a clean opinion on its financial statements for 2 consecutive years and fully met another outcome by establishing sufficient component-level acquisition capability. It also sustained full implementation of another outcome by continuing to use performance measures to assess progress made in achieving department-wide management integration. DHS has also mostly addressed an additional 5 actions and outcomes, meaning that a small amount of work remains to fully address them.

We also found that considerable work remains, however, in several areas for DHS to fully achieve the remaining actions and outcomes and thereby strengthen its management functions. Specifically, DHS has partially addressed 12 and initiated 4 of the actions and outcomes. As previously mentioned, addressing some of these actions and outcomes, such as modernizing the department’s financial management systems and improving employee morale, are significant undertakings that will likely require multiyear efforts. Table 2 summarizes DHS’s progress in addressing the 30 actions and outcomes and is followed by selected examples.

**Table 2: GAO Assessment of Department of Homeland Security (DHS) Progress in Addressing Key Actions and Outcomes, as of February 2015**

Key outcome	Fully addressed <sup>a</sup>	Mostly addressed <sup>b</sup>	Partially addressed <sup>c</sup>	Initiated <sup>d</sup>	Total
Acquisition management	1		3	1	5
Information technology management	2	3	1		6
Financial management <sup>e</sup>	2		3	3	8
Human capital management	1	2	4		7
Management integration	3		1		4
<b>Total</b>	<b>9</b>	<b>5</b>	<b>12</b>	<b>4</b>	<b>30</b>

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO 15-388T

<sup>a</sup>“Fully addressed”: Outcome is fully addressed.

<sup>b</sup>“Mostly addressed”: Progress is significant and a small amount of work remains.

<sup>c</sup>“Partially addressed”: Progress is measurable, but significant work remains.

<sup>d</sup>“Initiated”: Activities have been initiated to address the outcome, but it is too early to report progress.

<sup>e</sup>Although March 2014 updates to most functional areas were minor, there were more significant revisions to the financial management actions and outcomes, with some outcomes revised or dropped and others added. These revisions prevent the financial management actions and outcomes from being comparable on a one-for-one basis with those of prior years. Accordingly, our ratings of

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DHS's progress in addressing financial management actions and outcomes are not an indication of a downgrade to the department's progress.

**Acquisition management.** In our 2015 report, we found that DHS has fully addressed 1 of the 5 acquisition management outcomes, partially addressed 3 outcomes, and initiated actions to address the remaining outcome. For example, DHS has recently taken a number of actions to fully address establishing effective component-level acquisition capability. These actions include initiating (1) monthly Component Acquisition Executive staff forums in March 2014 to provide guidance and share best practices and (2) assessments of component policies and processes for managing acquisitions. DHS has also initiated efforts to validate required acquisition documents in accordance with a knowledge-based acquisition process, but this remains a major challenge for the department. A knowledge-based approach provides developers with information needed to make sound investment decisions, and it would help DHS address significant challenges we have identified across its acquisition programs.<sup>9</sup> DHS's acquisition policy largely reflects key acquisition management practices, but the department has not implemented it consistently. For example, in March 2014, we found that U.S. Customs and Border Protection (CBP) had not fully followed DHS policy regarding testing for the integrated fixed towers being deployed on the Arizona border. As a result, DHS does not have complete information on how the towers will operate once they are fully deployed.<sup>10</sup>

In addition, in our 2015 report we found that DHS continues to assess and address whether appropriate numbers of trained acquisition personnel are in place at the department and component levels, an outcome it has partially addressed. Further, while DHS has initiated efforts to demonstrate that major acquisition programs are on track to achieve their cost, schedule, and capability goals, DHS officials have acknowledged it will be years before this outcome has been fully

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<sup>9</sup>In our past work examining weapon acquisition issues and best practices for product development, we have found that leading commercial firms pursue an acquisition approach that is anchored in knowledge, whereby high levels of product knowledge are demonstrated by critical points in the acquisition process. See GAO, *Defense Acquisitions: Assessments of Selected Weapon Programs*, [GAO-11-233SP](#) (Washington, D.C.: March 29, 2011).

<sup>10</sup>GAO, *Arizona Border Surveillance Technology Plan: Additional Actions Needed to Strengthen Management and Assess Effectiveness*, [GAO-14-368](#) (Washington, D.C.: Mar. 3, 2014).

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addressed. Much of the necessary program information is not yet consistently available or up to date.

**IT management.** In our 2015 report, we found that DHS has fully addressed 2 of the 6 IT management outcomes, mostly addressed another 3, and partially addressed the remaining 1. For example, DHS has finalized a directive to establish its tiered governance and portfolio management structure for overseeing and managing its IT investments, and annually reviews each of its portfolios and the associated investments to determine the most efficient allocation of resources within each of the portfolios. DHS has also implemented its IT Strategic Human Capital Plan at the enterprise level. This includes developing an IT specialist leadership competency gap workforce analysis and a DHS IT career path pilot. However, as DHS has not yet determined the extent to which the component chief information officers have implemented the enterprise human capital plan's objectives and goals, DHS's capacity to achieve this outcome is unclear. Additionally, we found that DHS continues to take steps to enhance its information security program. However, while the department obtained a clean opinion on its financial statements, in November 2014, the department's financial statement auditor reported that continued flaws in security controls such as those for access controls, configuration management, and segregation of duties were a material weakness for fiscal year 2014 financial reporting.<sup>11</sup> Thus, the department needs to remediate the material weakness in information security controls reported by its financial statement auditor.

**Financial management.** In our 2015 report, we found that DHS has fully addressed 2 financial management outcomes, partially addressed 3, and initiated 3.<sup>12</sup> Most notably, DHS received a clean audit opinion on its financial statements for 2 consecutive years, fiscal years 2013 and 2014, fully addressing 2 outcomes. As of November 2014, DHS was working

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<sup>11</sup>A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, but is important enough to merit attention by those charged with governance.

<sup>12</sup>As previously discussed, in March 2014, we updated the actions and outcomes in collaboration with DHS to reduce overlap and ensure their continued relevance and appropriateness. These updates resulted in a reduction from 9 to 8 total financial management actions and outcomes.

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toward addressing a third outcome—establishing effective internal control over financial reporting. We reported in September 2013 that DHS needs to eliminate all material weaknesses at the department level, including weaknesses related to financial management systems, before its financial auditor can affirm that controls are effective.<sup>13</sup> However, as we reported in our 2015 report, DHS has yet to identify and commit the resources needed for remediating the remaining material weaknesses. As we reported in September 2013, according to DHS’s auditors, the existence of these material weaknesses limits DHS’s ability to process, store, and report financial data in a manner that ensures accuracy, confidentiality, integrity, and availability of data without substantial manual intervention. This, in turn, increases the risk that human error may cause material misstatements in the financial statements.<sup>14</sup>

We also found in our 2015 report that DHS needs to modernize key components’ financial management systems and comply with financial management system requirements. The components’ financial management system modernization efforts are at various stages due, in part, to a bid protest and the need to resolve critical stability issues with a legacy financial system before moving forward with system modernization efforts. For fiscal year 2014, auditors reported that persistent and pervasive financial system functionality conditions exist at multiple components and that DHS continues to rely on compensating controls and complex manual work-arounds due to serious legacy financial system issues.<sup>15</sup> We concluded that without sound controls and systems, DHS faces long-term challenges in obtaining and sustaining a clean audit opinion on internal control over financial reporting, and ensuring its financial management systems generate reliable, useful, and timely information for day-to-day decision making.

**Human capital management.** In our 2015 report, we found that DHS has fully addressed 1 human capital management outcome, mostly addressed

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<sup>13</sup>GAO, *DHS Financial Management: Additional Efforts Needed to Resolve Deficiencies in Internal Controls and Financial Management Systems*, [GAO-13-561](#) (Washington, D.C.: Sept. 30, 2013).

<sup>14</sup>[GAO-13-561](#).

<sup>15</sup>Department of Homeland Security, Office of Inspector General, *Independent Auditors’ Report on DHS’ FY 2014 Financial Statements and Internal Control over Financial Reporting*, [OIG-15-10](#) (Washington, D.C.: Nov. 14, 2014).

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2, and partially addressed the remaining 4. For example, the Secretary of Homeland Security signed a human capital strategic plan in 2011 that DHS has since made sustained progress in implementing, fully addressing this outcome. We also found that DHS has actions under way to identify current and future human capital needs. However, DHS has considerable work ahead to improve employee morale. For example, the Office of Personnel Management's 2014 Federal Employee Viewpoint Survey data showed that DHS's scores continued to decrease in all four dimensions of the survey's index for human capital accountability and assessment—job satisfaction, talent management, leadership and knowledge management, and results-oriented performance culture. DHS has taken steps to identify where it has the most significant employee satisfaction problems and developed plans to address those problems. In September 2012, we recommended, among other things, that DHS improve its root-cause analysis efforts related to these plans.<sup>16</sup> In December 2014, DHS reported actions under way to address our recommendations but had not fully implemented them. Given the sustained decrease in DHS employee morale indicated by Federal Employee Viewpoint Survey data, as we concluded in our 2015 report, it is particularly important that DHS implement these recommendations and thereby help identify appropriate actions to take to improve morale within its components and department-wide.

We have also found that DHS has developed and implemented mechanisms to assess training programs but could take additional actions. For example, in September 2014, we found that DHS had implemented component-specific and department-wide training programs.<sup>17</sup> We also found that the five DHS components in our review all had documented processes to evaluate their training programs. For example, we found that DHS had established a five-tier, department-wide Leader Development Framework to build leadership skills across all staff levels and implemented programs in support of two of the tiers. Nonetheless, we found that various actions could better position the department to maximize the impact of its training efforts. For instance, we

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<sup>16</sup>GAO, *Department of Homeland Security: Taking Further Action to Better Determine Causes of Morale Problems Would Assist in Targeting Action Plans*, [GAO-12-940](#) (Washington, D.C.: Sept. 28, 2012).

<sup>17</sup>GAO, *DHS Training: Improved Documentation, Resource Tracking, and Performance Measurement Could Strengthen Efforts*, [GAO-14-688](#) (Washington, D.C.: Sept. 10, 2014).

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found that while component officials generally identified the Leader Development Framework as beneficial, DHS management could benefit from improved information for identifying the need for and making program improvements. In support of the Leader Development Framework, we recommended, among other things, that DHS clearly identify Leader Development Program goals and ensure program performance measures reflect key attributes. DHS agreed and implemented this recommendation in December 2014. However, to fully achieve this outcome, DHS also needs to develop and make sustained progress in implementing a formal training strategy, as well as issue department-wide policies on training and development, among other things.

**Management integration.** In our 2015 report, we found that DHS has sustained its progress in fully addressing 3 of 4 outcomes we identified and agreed they are key to the department's management integration efforts. For example, in January 2011, DHS issued an initial action plan to guide its management integration efforts—the *Integrated Strategy for High Risk Management*. Since then, DHS has generally made improvements to the strategy with each update based on feedback we provided. DHS has also shown important progress in addressing the last and most significant management integration outcome—to implement actions and outcomes in each management area to develop consistent or consolidated processes and systems within and across its management functional areas—but we found that considerable work remains. For example, the Secretary's April 2014 *Strengthening Departmental Unity of Effort* memorandum highlighted a number of initiatives designed to allow the department to operate in a more integrated fashion, such as the Integrated Investment Life Cycle Management initiative, to manage investments across the department's components and management functions. DHS completed its pilot for a portion of this initiative in March 2014 and, according to DHS's Executive Director for Management Integration, has begun expanding its application to new portfolios, such as border security and information sharing, among others. However, given that these main management integration initiatives are in the early stages of implementation and contingent upon DHS following through with its plans, it is too early to assess their impact. To achieve this outcome, we concluded that DHS needs to continue to demonstrate sustainable progress integrating its management functions within and across the department and its components.

In our 2015 report, we further concluded that in the coming years, DHS needs to continue implementing its *Integrated Strategy for High Risk*

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*Management* and show measurable, sustainable progress in implementing its key management initiatives and corrective actions and achieving outcomes. In doing so, it will be important for DHS to

- maintain its current level of top leadership support and sustained commitment to ensure continued progress in executing its corrective actions through completion;
- continue to implement its plan for addressing this high-risk area and periodically report its progress to us and Congress;
- identify and work to mitigate any resource gaps, and prioritize initiatives as needed to ensure it can implement and sustain its corrective actions;
- closely track and independently validate the effectiveness and sustainability of its corrective actions and make midcourse adjustments as needed; and
- make continued progress in achieving the 21 actions and outcomes it has not fully addressed and demonstrate that systems, personnel, and policies are in place to ensure that progress can be sustained over time.

We will continue to monitor DHS's efforts in this high-risk area to determine if the actions and outcomes are achieved and sustained over the long term.

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## Key Themes

### Continue to Impact DHS's Progress in Implementing Its Mission Functions

In September 2011, we reported that our work had identified three key themes that had impacted DHS's progress in implementing its mission functions since it began operations: (1) executing and integrating its management functions for results, (2) leading and coordinating the homeland security enterprise, and (3) strategically managing risks and assessing homeland security efforts.<sup>18</sup> As previously discussed, DHS has made important progress with respect to the first theme by strengthening and integrating its management functions, but considerable work remains. Our recent work indicates that DHS has similarly made progress related to the other two themes of leading and coordinating the homeland

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<sup>18</sup>[GAO-11-881](#).



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security enterprise and strategically managing risk and assessing homeland security efforts, but that these two themes continue to impact the department's progress in implementing its mission functions.

**Leading and coordinating the homeland security enterprise.** As we reported in September 2011, while DHS is one of a number of entities with a role in securing the homeland, it has significant leadership and coordination responsibilities for managing efforts across the homeland security enterprise.<sup>19</sup> To satisfy these responsibilities, it is critically important that DHS develop, maintain, and leverage effective partnerships with its stakeholders while at the same time addressing DHS-specific responsibilities in satisfying its missions. Before DHS began operations, we reported that to secure the nation, DHS must form effective and sustained partnerships among components and also with a range of other entities, including federal agencies, state and local governments, the private and nonprofit sectors, and international partners.<sup>20</sup> DHS has made important strides in providing leadership and coordinating efforts. For example, in June 2014, we reported on DHS efforts to enhance border security by using collaborative mechanisms such as the Alliance to Combat Transnational Threats to coordinate border security efforts. Specifically, we reported that DHS and CBP had coordinated border security efforts in (1) information sharing, (2) resource targeting and prioritization, and (3) leveraging of assets. For example, through the Alliance to Combat Transnational Threats, interagency partners—including CBP, the Arizona Department of Public Safety, and the Bureau of Land Management, among others—worked jointly to target individuals and criminal organizations involved in illegal cross-border activity.<sup>21</sup>

However, our recent work has also identified opportunities for DHS to improve its partnerships. For example, with respect to DHS's efforts to enhance border security using collaborative mechanisms, in June 2014, we found that DHS had established performance measures and reporting processes for the mechanisms, but opportunities existed to strengthen

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<sup>19</sup>[GAO-11-881](#).

<sup>20</sup>GAO, *Department of Homeland Security: Progress Report on Implementation of Mission and Management Functions*, [GAO-07-454](#) (Washington, D.C.: Aug. 17, 2007).

<sup>21</sup>GAO, *Border Security: Opportunities Exist to Strengthen Collaborative Mechanisms along the Southwest Border*, [GAO-14-494](#) (Washington, D.C.: June 27, 2014).

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the mechanisms. For instance, we found that establishing written agreements with its federal, state, local, and tribal partners could help DHS address coordination challenges, such as limited resource commitments and lack of common objectives, and recommended that DHS establish such agreements. DHS concurred and stated that it planned to develop memoranda of understanding to better facilitate its partnerships. Further, in November 2014, we reported on DHS's processing of Freedom of Information Act requests.<sup>22</sup> We found, among other things, that DHS lacked an important mechanism for effectively facilitating public interaction with the department on the handling of Freedom of Information Act requests because the department did not have an updated regulation reflecting changes in how it processes these requests.<sup>23</sup> We recommended that DHS finalize and issue an updated DHS Freedom of Information Act regulation. DHS concurred and reported planned actions to implement this recommendation by April 2015.

**Strategically managing risks and assessing homeland security efforts.** As we reported in September 2011, risk management has been widely supported by Congress and DHS as a management approach for homeland security, enhancing the department's ability to make informed decisions and prioritize resource investments.<sup>24</sup> Since DHS does not have unlimited resources and cannot protect the nation from every conceivable threat, it must make risk-informed decisions regarding its homeland security approaches and strategies. As we have previously reported, DHS issued the National Infrastructure Protection Plan in 2006 to provide the overarching approach for integrating the nation's critical infrastructure security and resilience activities into a single national effort. This plan, which DHS updated in 2009 and 2013, sets forth a risk management framework and outlines the roles and responsibilities of DHS with regard

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<sup>22</sup>GAO, *Freedom of Information Act: DHS Should Take Steps to Improve Cost Reporting and Eliminate Duplicate Processing*, [GAO-15-82](#) (Washington, D.C.: Nov. 19, 2014). In general, the Freedom of Information Act requires federal agencies to provide the public with access to government information on the basis of the principles of openness and accountability in government. 5 U.S.C. § 552.

<sup>23</sup>Pursuant to the Freedom of Information Act, DHS issued an interim final rule in January 2003 establishing its procedures for implementing the act. See generally 6 C.F.R. pt. 5. However, as we reported in November 2014, important changes have occurred in how DHS processes Freedom of Information Act requests since the department issued its regulation in 2003, and the regulation has not been updated to reflect those changes.

<sup>24</sup>[GAO-11-881](#).

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to critical infrastructure security and resilience.<sup>25</sup> Our recent work has further found that DHS offices and components have continued to engage in risk management activities. For example, in September 2014, we reported that during fiscal years 2011 to 2013, DHS offices and components conducted or required thousands of vulnerability assessments of critical infrastructure. These assessments can identify factors that render an asset or facility susceptible to threats and hazards. However, we also found that DHS is not well positioned to integrate relevant assessments to, among other things, support nationwide comparative risk assessments, because the assessment tools and methods used vary in length, detail, and areas assessed.<sup>26</sup> In addition, our recent work has identified opportunities for components to better strategically manage risks in various programs. For example, in September 2014, we reported that CBP had a \$1 million budget for covert operations of various activities—including nuclear and radiological testing—covering fiscal years 2009 through 2013.<sup>27</sup> We found that DHS had established a policy that requires that components with limited resources make risk-informed decisions, but that CBP testing did not inform capabilities across all border locations, and CBP had not conducted a risk assessment that could inform and prioritize the locations, materials, and technologies to be tested through covert operations. We recommended that—to help ensure that resources for covert operations provide reasonable assurance that efforts to detect and interdict nuclear and radiological material smuggled across the border are working as intended and appropriately targeted—DHS conduct or use a risk assessment to inform the department’s priorities for covert operations. DHS concurred and reported that it plans to implement this recommendation in July 2015.

In September 2011, we reported that limited strategic and program planning, as well as assessment and evaluation to inform approaches and investment decisions, had contributed to DHS programs not meeting

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<sup>25</sup>GAO, *Critical Infrastructure Protection: DHS Action Needed to Enhance Integration and Coordination of Vulnerability Assessment Efforts*, [GAO-14-507](#) (Washington, D.C.: Sept. 15, 2014).

<sup>26</sup>[GAO-14-507](#).

<sup>27</sup>GAO, *Combating Nuclear Smuggling: Risk-Informed Covert Assessments and Oversight of Corrective Actions Could Strengthen Capabilities at the Border*, [GAO-14-826](#) (Washington, D.C.: Sept. 22, 2014).

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strategic needs or doing so effectively and efficiently.<sup>28</sup> Our recent work has indicated that strategic and program planning challenges continue to affect implementation of some DHS programs. For example, in September 2014, we reported on DHS headquarters consolidation efforts and their management by DHS and the General Services Administration (GSA).<sup>29</sup> We found that DHS and GSA's planning for the consolidation did not fully conform with leading capital decision-making practices intended to help agencies effectively plan and procure assets. DHS and GSA officials reported that they had taken some initial actions that may facilitate consolidation planning in a manner consistent with leading practices, but consolidation plans, which were finalized between 2006 and 2009, had not been updated to reflect these changes. According to DHS and GSA officials, the funding gap between what was requested and what was received from fiscal years 2009 through 2014 was over \$1.6 billion. According to these officials, this gap had escalated estimated costs by over \$1 billion—from \$3.3 billion to \$4.5 billion—and delayed scheduled completion by over 10 years, from an original completion date of 2015 to the current estimate of 2026. However, DHS and GSA had not conducted a comprehensive assessment of current needs, identified capability gaps, or evaluated and prioritized alternatives to help them adapt consolidation plans to changing conditions and address funding issues as reflected in leading practices. We recommended that DHS and GSA work jointly to assess these needs. DHS and GSA concurred, and DHS reported in February 2015 that the agencies had drafted an enhanced consolidation plan. We will assess this plan when it and any additional supporting analyses are made available to us.

We also recently found that DHS had taken preliminary steps to begin to understand the cyber risk to building and access controls systems in federal facilities, but that significant work remained, such as developing a strategy to guide these efforts. In particular, in December 2014, we found that DHS lacked a strategy that (1) defines the problem, (2) identifies roles and responsibilities, (3) analyzes the resources needed, and (4) identifies a methodology for assessing cyber risk to building and access

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<sup>28</sup>GAO-11-881.

<sup>29</sup>GAO, *Federal Real Property: DHS and GSA Need to Strengthen the Management of DHS Headquarters Consolidation*, GAO-14-648 (Washington, D.C.: Sept. 19, 2014).

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controls systems in federal facilities.<sup>30</sup> We concluded that the absence of a strategy that clearly defines the roles and responsibilities of key components within DHS had contributed to a lack of action within the department. For example, we found that no one within DHS was assessing or addressing cyber risk to building and access control systems particularly at the nearly 9,000 federal facilities protected by the Federal Protective Service as of October 2014. We recommended that DHS, in consultation with GSA, develop and implement a strategy to address cyber risk to building and access control systems. DHS concurred and identified steps it plans to take to develop a strategy by May 2015.

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Chairman Perry, Ranking Member Watson Coleman, and members of the subcommittee, this completes my prepared statement. I would be happy to respond to any questions you may have at this time.

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## GAO Contact and Staff Acknowledgments

For further information about this testimony, please contact Rebecca Gambler at (202) 512-8777 or [gablerr@gao.gov](mailto:gablerr@gao.gov). In addition, contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. Individuals making key contributions to this statement include Joseph P. Cruz (Assistant Director), Michael LaForge, Thomas Lombardi, Emily Kuhn, Taylor Matheson, Shannin O'Neill, and Katherine Trimble. Key contributors for the previous work that this testimony is based on are listed in each product.

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<sup>30</sup>GAO, *Federal Facility Cybersecurity: DHS and GSA Should Address Cyber Risk to Building and Access Control Systems*, [GAO-15-6](#) (Washington, D.C.: Dec. 12, 2014).

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