



TESTIMONY OF
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Chairman McCaul, Ranking Member Keating, and other distinguished members of the committee, I thank you for the opportunity to appear before you today and discuss our efforts to integrate management information and to build One DHS.

One of my top priorities during my tenure as Under Secretary for Management (USM) has been to improve the way we collect, store, and manage data across the Department in order to improve executive level decision making. When I arrived at the Department almost two years ago, I was frustrated with the time and effort needed to retrieve data I needed to oversee a multi-billion dollar enterprise. In my private sector experience, I was accustomed to having key financial, human capital, and procurement data at my fingertips.

One of my first actions was to direct my line-of-business chiefs to work with their Component counterparts to mature the Department's data management and better support our enterprise level decision making capabilities. While significant progress has been made to leverage business intelligence and integrate disparate processes and systems, we still have work to do in order to reach a fully integrated operational state. Today, I would like to present some of the important progress that has been made over the past two years and outline the way forward to continue to build out the support systems to allow DHS to make better informed decisions. In many ways, this effort is at the core of improving our "One DHS" culture.

Historically, much of the data available to Department of Homeland Security (DHS) leadership has been generated through manual data calls, which are labor-intensive and have a greater risk of inaccurate or incomplete content. In response, we have begun developing standard data sources and reporting mechanisms to provide timely and accurate data across all lines of business.

We have made progress in implementing several systems to reduce manual data calls and improve accuracy and completeness of information. Some of our solutions that are successfully providing quality data are the Department of Homeland Security Treasury Information Executive Repository, the Fleet Management Analysis and Reporting System, the Financial Reporting Dashboard System, and most recently the Decision Support Tool, which became the official source of acquisition program execution information and data on October 1, 2011. These solutions provide robust business intelligence (BI) over disparate data sources, collating information to improve decision-making through access to accurate program data and metrics. Deploying business intelligence solutions across the financial management spectrum has improved Departmental compliance with the Chief Financial Officer (CFO) Act and DHS Financial Accountability Act, OMB guidance, other regulations, and Government accounting standards.

I firmly believe that utilizing BI tools will improve the effectiveness of management and achieve compliance, performance, and quality improvement goals by providing:

- Enhanced access to key financial data across organizational boundaries,
- Key indicators of acquisition health that are data-driven and risk-informed, and
- Improved human capital and resource management to enable emerging organizational opportunities.

To house the BI solutions, the Department recognizes the need for a common place for systems and data to reside in a private cloud environment. In alignment with OMB's Federal Data Center Consolidation Initiative, our Office of the Chief Information Officer (CIO) is in the process of consolidating 43 of the Department's legacy data centers into two Enterprise Data Centers (EDC), known as "DC1" and "DC2." The consolidation of numerous Component systems at our EDCs enables more effective collection and use of business information across the enterprise and the Department's FY 2013 budget request includes nearly \$65 million to fully complete the migration of data centers for three of our largest Components.

One example of this increased effectiveness is the deployment of SharePoint-as-a-Service in our EDCs. Numerous human resource, financial, and administrative systems use SharePoint. By migrating these SharePoint systems to a common platform within our data centers, we enable the appropriate data aggregation across Components to improve enterprise decision making. Additional benefits of consolidation include ensuring that DHS has a seamless disaster recovery capability and significantly enhancing the cyber security posture of DHS systems.

Since I last testified before this Committee, I have worked closely with my colleagues in the Components, as well as my line-of-business chiefs, to mature our organizational effectiveness across DHS. I am especially proud of our progress to enhance the three key management disciplines of acquisition management, financial management, and human capital management. The Department has made significant progress to improve in these areas.

I welcome the opportunity to focus first on the significant achievements in the acquisition management area.

Acquisition Management

The successful delivery of major programs is imperative to our Department. Nearly half of the DHS budget is dedicated to obtaining goods and services to support and improve our capabilities, including over \$18 billion in investments in our acquisition programs. Due to the nature of how quickly the Department was stood up and the many legacy and new agencies it encompassed, DHS's earliest acquisition processes were imperfect and slow to mature. Today's acquisition practices are vastly improved in terms of process, oversight, and collaboration. We are working collaboratively with our partners across DHS to enhance our acquisition practices so that we are efficient and effective in delivering critical capabilities.

In the early days, DHS was operating in disparate silos focused on purchasing goods and services with minimal management of requirements. Today we are much more efficient because we have a more robust acquisition practice that focuses on requirements and program management, enhanced guidance on testing, and training and certification of our professional workforce. Departmental leadership is better equipped than ever to make risk-informed acquisition decisions.

A crucial step in this process was taken in the second quarter of Fiscal Year (FY) 2011, when I restructured oversight of all major acquisition programs. A key part of this restructuring was the elevation of the Program Accountability and Risk Management (PARM) to be a direct report to me to support my role as the Under Secretary for Management. PARM manages and implements *Acquisition Management Directive (MD) 102-01*, serves as the Executive Secretariat to the Acquisition Review Board (ARB) and the Component Acquisition Executive (CAE) Council, and

guides managers of major investments through the acquisition governance process. PARM also provides independent assessments of major investment programs and works with DHS partners to enhance business intelligence to inform ARB decisions. It monitors programs between formal reviews to identify any emerging issues that DHS needs to address to keep the programs on track. PARM guides programs to success.

To establish a vision for enhancing program execution, in December 2011, I issued the Program Management & Execution Playbook, called the Playbook, to the acquisition workforce. The Playbook is my vision for strengthening program management and execution capabilities, and maturing the acquisition management system. The Playbook addresses several management priorities, including increasing the expertise and capabilities of the acquisition and program management workforce, improving program execution, increasing access to expert guidance and best practices, and increasing access to reliable and useful program performance data.

In addition to managing the day-to-day oversight of acquisition programs, PARM has developed and implemented a business intelligence tool to monitor the operational status of each acquisition program. The Decision Support Tool (DST) is a web-enabled tool that provides DHS leaders, governance boards, and program managers with a central dashboard for assessing and tracking the health of major acquisition projects, programs, and portfolios. The DST creates graphs, charts, and other views of key indicators of program health, such as cost, funding, and schedule. My goal is to improve program accountability and to strengthen the Department's ability to make sound strategic decisions throughout the lifecycle of major acquisitions.

The DST became the official source of Acquisition Decision Event information and data on October 1, 2011. It is already informing ARBs with standardized information. On February 13, 2012, I issued a memorandum once again calling on all Components and programs to ensure that on a monthly basis all acquisition program information reported in the Department existing data systems is complete, accurate, and valid.

One aspect of the DHS vision is to shift the program management paradigm toward being more data-driven, with emphasis on the criticality of maintaining quality data within DHS source systems. One significant result of this shift in culture is evidenced in the development and delivery of the Comprehensive Acquisition Status Report (CASR).

The CASR provides the status of DHS major acquisitions listed in the "Department of Homeland Security Major Acquisition Oversight List." Previous DHS congressional reports provided limited detail and took several months to compile. The new CASR format increases the quality of information and can be produced in less time. As our business intelligence capability and data fidelity efforts continue to mature, the already greatly condensed timeline will leverage DST automation to mine program data to feed the CASR in near real time.

From the procurement perspective, the Department has also matured. In November 2011, we implemented a comprehensive Procurement Health Assessment Program for all nine contracting activities across DHS. This Health Assessment is a robust management information system to monitor and evaluate the performance of contracting operations and support across 30 specific Chief Procurement Officer (CPO) initiatives. In order to integrate our assessment system throughout all DHS procurement activities, we implemented a business intelligence tool, the

Enterprise Reporting Application (ERA), to extract data from several sources into a single data warehouse. This system allows each Head of Contracting Activity (HCA) and the CPO to monitor key performance metrics, such as competition rates, small business contracting progress, acquisition savings initiatives, data accuracy, and employee training and certification status on a daily basis and take immediate corrective action. Our Health Assessment Program also provides us with the ability to perform an extensive mid-year and end-of-year performance review with each contracting activity, as well as to establish specific goals for the upcoming fiscal year.

The Department is making significant progress to improve acquisition management and program execution. We are continuing to drive our governance processes forward to ensure greater program accountability.

Financial Management

The Department is designing and implementing business intelligence capabilities that will modernize financial systems. Through BI, we will have better access to current financial data, which will inform management decisions, increase accountability to stakeholders, and improve the overall health of financial management.

For the past four years, we have generated the audited financial statements for the Department and Components through a critical reporting tool known as DHSTIER (Department of Homeland Security Treasury Information Executive Repository). The tool consolidates summary-level financial data from fifteen Components and offices, generating the core financial reporting for the Department.

The use of DHSTIER has enhanced the efficiency of generating financial statements and is essential for meeting our reporting requirements, as well as the accelerated time-frames for producing the Annual Financial Report. DHSTIER provides near real-time financial statement data immediately upon data upload in the system. The system is proven, audited, and consistently delivers the required financial reports for DHS.

Currently, we are implementing a new DHS data element to capture Program Project Activity (PPA) in financial systems. By the second quarter of FY 2013, PPA data will feed into DHSTIER from the Component financial systems, giving us an automated, standardized way of categorizing and accounting for DHS PPA funds and providing visibility into budget execution data reporting down to the program level.

In March 2011, I launched the Financial Reporting Dashboard System (FRDS), an enterprise-wide data repository and business intelligence tool. FRDS uses the monthly budget execution data provided to Congress to produce enterprise-level reports and trend analysis in user-friendly formats for Departmental leadership. This system increases our ability to validate and improve data, which in turn provides greater transparency and better information for decision-making. Automating the collection and validation of budget execution data will improve our response time to inquiries from stakeholders.

FRDS provides some additional reporting capabilities and automates others that were previously compiled manually. We can produce reports that display data from multiple levels and sources, including Departmental totals. Further, we can drill down from these enterprise-level reports to

obtain execution data by Component or by Treasury Account Fund Symbol (TAFS). We are also bringing DHSTIER financial data into FRDS, which will strengthen and validate the Monthly Execution Report.

We have established standard data elements and are working to implement a common line of accounting to provide timely, accurate, useful, and actionable financial information to decision makers and stakeholders and to prevent waste, fraud, and abuse. This will increase data sharing capabilities and interoperability, minimize the time required to crosswalk data elements, and include applicable Federal and national standards to provide the foundation for accurate, timely, and reliable Departmental financial reporting.

Qualified Opinion

A significant example of the progress being made in the Department's financial management area is exhibited by our recent qualified opinion. Obtaining this opinion is significant progress towards addressing a key weakness identified by GAO.

The CFO conducted targeted risk assessments to identify and remediate weaknesses in accounting and financial reporting. We established mission action plans for the Department's most significant challenge areas and monitored progress against those plans throughout the fiscal year. As a result of these efforts, DHS received a qualified audit opinion on its FY 2011 Consolidated Balance Sheet and Statement of Custodial Activity. This accomplishment is significant because it increases transparency and accountability for the Department's resources.

The CFO will expand the scope of the FY 2012 audit, with the goal of obtaining an opinion on all five financial statements. The Department will continue to implement a risk-based approach to audit remediation and will work closely with Components to mitigate any risk of new material weaknesses or audit qualifications as a means to sustain prior-year successes.

Finally, DHS has also made significant progress identifying and recovering improper payments through general recovery audits, testing of high-risk programs, and execution of corrective action plans. In FY 2011, the CFO began targeted recovery audits for high-risk payment types. One such audit focused on telecommunication invoices and resulted in \$4 million in recoverable improper payment claims, \$100,000 in immediate cost savings, and \$2 million in estimated future cost savings. We are developing additional measures, such as risk-based analytic tools and stronger internal controls, to reduce the probability of future improper payments.

Human Resources Management

Aligning human resources information technology (HRIT) to increase timeliness and efficiency of DHS human capital operations is a goal included in the Department's *Workforce Strategy for FY 2011-2016*.

In September of 2010, I established the Human Resources Information Technology Executive Steering Committee, a formal governance board of human capital, training, and IT executive representatives from every DHS Component and additional leadership from across my organization. Our first order of business was initiating the first application of Federal Segment Architecture at DHS. The Human Capital Segment Architecture (HCSA) project provided a clear understanding of

the best and most appropriate ways to align the Department's Human Capital resources – people, technology, data, and systems – to serve the Department's critical mission effectively and efficiently. DHS received an award titled, *Leadership in Government Transformation Using Enterprise Architecture*, for this project at the annual Excellence in Enterprise Architecture Awards ceremony in November 2011.

In 2010, the Office of the Chief Human Capital Officer (CHCO), in partnership with CBP, implemented the COGNOS Business Intelligence environment that provides self-service data analysis and reporting for CHCO end-users to better direct their programs. A few significant accomplishments to date include: field definitions and value calculations have been identified and standardized in accordance with regulatory classifications established by OPM; all personnel historical data has been populated; desktop capability for end-users to generate reports has been developed along with recurring reports; and the capability for recipients to execute their own reports has been developed. We have created end-user canned reports for inclusion in the standard report library which provides a more efficient means for producing enterprise reports. Planned initiatives are to populate the COGNOS technology with payroll data and automate the HR Dashboard.

Additionally, during 2011, I directed CHCO to partner with CIO to create a capability to electronically transfer personnel files, including background investigations. Our implementation of the eDelivery feature eliminated the need to get in a car and drive to the location(s) where the investigative files were located. This also eliminated hours of manual processing. We can now get what we need in near real time, greatly reducing the time to adjudicate on the back end of the on-boarding process. In FY 2011, we averaged approximately 25 days to adjudicate a case. Today, we average approximately 15 days, five fewer days than that required to meet Federal guidelines. Therefore, we have reduced the time by 10 days, 80 percent of which is attributed to the eDelivery system.

Other Uses of Business Intelligence

Clearly, BI is helping to transform our acquisition, financial, and human capital management practices across the Department. We are also focusing on going beyond capturing data to inform decisions but also to control our limited resources. The improved management of our physical assets has the added benefit of detecting waste, fraud, and abuse. While these initiatives may be different, each initiative shares a similar technical solution which leads us to building integration and "One DHS." The Office of the Chief Administrative Officer (CAO) has business intelligence initiatives capturing and reporting on asset data.

In December 2010, we initiated an agency-wide review of the fleet program focusing on Vehicle Allocation Methodology (VAM). Each of the thirteen DHS Components operating motor vehicles participated in this collaborative effort, which included DHS headquarters. This analysis identified the current and future vehicle inventory requirements to achieve a diverse set of missions across the agency. As a result of this collaborative review Components identified a three percent reduction in vehicle inventory. A three percent reduction translates to approximately \$74 million in cost avoidance with the combination of acquisitions, fuel, and maintenance. The VAM analysis will be conducted annually, and DHS will continue to review its fleet program with the goal to further reduce its vehicle fleet while maintaining affordable readiness.

To date, DHS has identified and centralized all real estate holdings and is in the process of integrating this data with multiple Components' personal property systems as a means to populate and maintain data currency in the data warehouse. In addition, the platform utilized by each line-of-business is standardized and will be integrated to promote enterprise use of data sets across business lines. This capability will serve as a "One DHS" decision support and management intelligence service in the area of personal property that will utilize integration as a key element to maturing the Department towards a "One DHS" model.

Conclusion

The Department has made good progress to date. All Management Directorate line-of-business offices are developing information standards for their respective functions and are using the Department's business intelligence service to develop dashboards from both internal and external stakeholders. It is expected that over the next 12 months, we will standardize data sets and initiate pilots on enterprise business intelligence capability.

My goal is for the decision support capability to serve as the primary source for DHS dashboards where performance, program and portfolio management, financial, acquisition, human capital, asset management, enterprise architecture, cyber, and other DHS data sets are obtained from the DHS systems of record. Those dashboards will be integrated to provide a better view into the Department's mission performance and identify efficiency opportunities.

As I have stated in previous public statements, one of my first official acts upon becoming Under Secretary for Management was to issue a memo authorizing a manual data call. At that time, a manual data call was the only method to collect information across the Department. It was clear to me then, as it is now, that to best serve the Department of Homeland Security and allow leadership to make more timely and accurate mission-related decisions, building better and integrated information systems needed to be a priority. In fact, these capabilities now exist through a powerful set of systems that form the core of our emerging suite of our business analytics. These tools are bringing DHS more in line to become, as the Secretary has prioritized, a better integrated or One-DHS.

Once again, I thank you for the opportunity to appear before you today, and I look forward to answering your questions.