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STREAMLINING THE DEPARTMENT OF HOMELAND SECURITY'S OVERHEAD WILL MAKE THE HOMELAND SAFER

HOUSE HOMELAND SECURITY COMMITTEE MAJORITY STAFF REPORT



**HOMELAND SECURITY
COMMITTEE**

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I. In the Field, Waste Outweighs Efficiency at DHS

The U.S. House of Representatives Committee on Homeland Security (Committee) has long been committed to ensuring that the Department of Homeland Security (DHS) runs as efficiently as possible. Given the Department's immense real property portfolio, and the enormous costs associated with it, a comprehensive, detailed review is certainly warranted.¹ As such, beginning in July 2014, the Committee launched an in-depth investigation into DHS field efficiencies. As part of the investigation, Committee staff has reviewed relevant DHS testimony and real property data, examined more than twenty Government Accountability Office (GAO) and Office of the Inspector General (OIG) reports, and met with former government officials, industry executives, and various other stakeholder groups. Additionally, the Committee has received regular briefings from DHS and met with other Federal stakeholders, including the General Services Administration (GSA), GAO and the DHS OIG. In December of 2014, as part of the investigation, Committee staff conducted site visits to both Philadelphia and New York City to see DHS real estate holdings in these cities. In addition to those site visits, Committee staff has also incorporated field efficiencies examinations into its other visits to DHS components in the field.

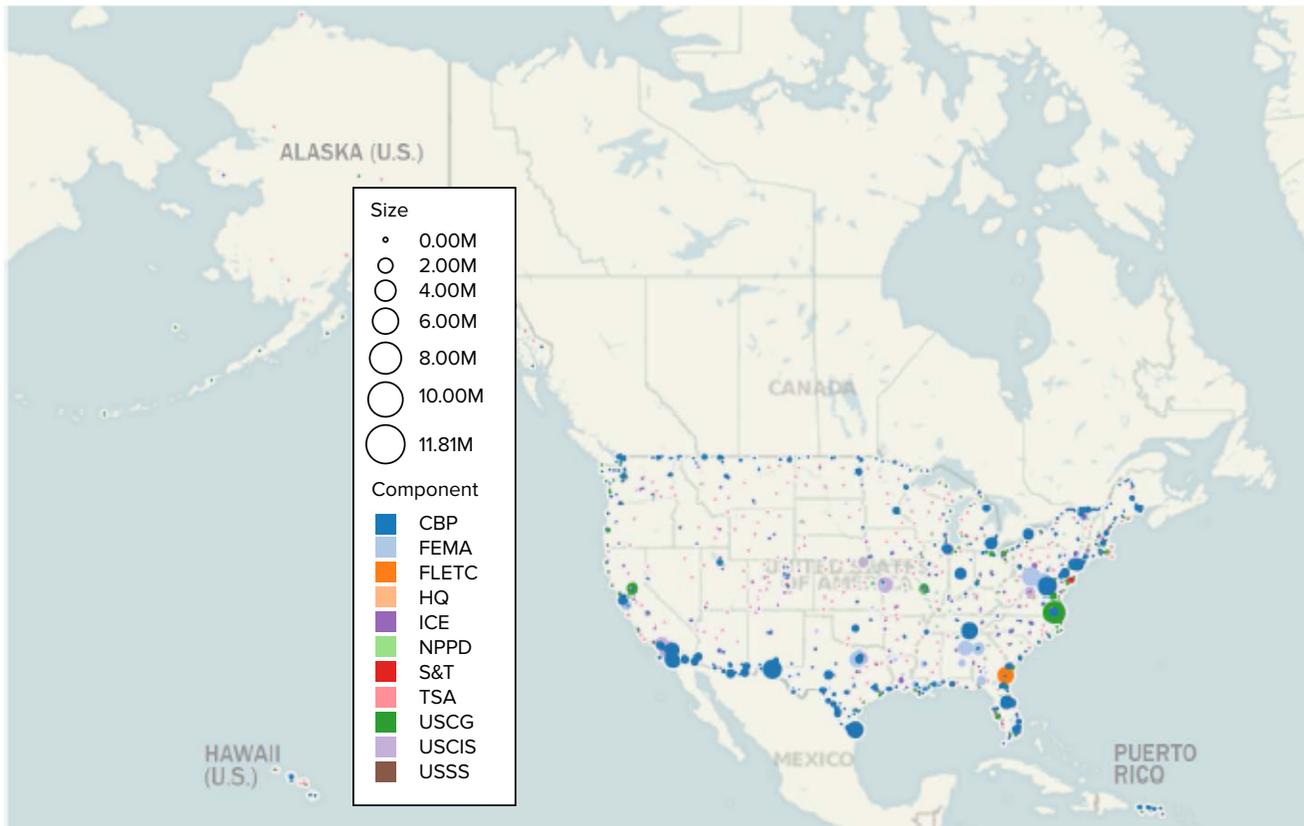
The “legacy” way of doing business, especially among the Department's seven operational components, created management challenges that DHS still faces today.

Despite being the Nation's third largest federal department, DHS continues to struggle with legacy challenges from its initial integration of 22 different Federal departments and agencies. Many of these entities came into the Department with their own field office structure, different regional structures, and divergent approaches to procuring goods and services. The “legacy” way of doing business, especially among the Department's seven operational components, created management challenges that DHS still faces today.² If DHS operates more efficiently and focuses energy on effective field operations and efficiencies, tens of millions of taxpayer dollars can be saved.

II. DHS Has a Vast and Expansive Footprint Nationwide

Real estate is a prime example where DHS has made insufficient progress in achieving field efficiencies. This is of great concern since real estate is one of the Department's largest expenses, costing roughly \$2 billion each year for DHS to occupy more than 100 million square feet of leased/owned space.³ DHS assets include: offices, warehouses, Coast Guard family housing, labs, shore facilities, and structures such as navigational aids and utility systems. Weak internal oversight mechanisms to ensure compliance with DHS real estate policies and a lack of standard real estate management business processes across Department components have further exacerbated the issue. Furthermore, components

have their own disparate systems to track real estate data, making it difficult for DHS headquarters' staff to understand the extent of the enterprise real estate portfolio. DHS headquarters has also not done enough to force components to collaborate or coordinate when making real estate decisions, resulting in a real estate footprint that has swollen well beyond what the Department actually needs to carry out its mission.

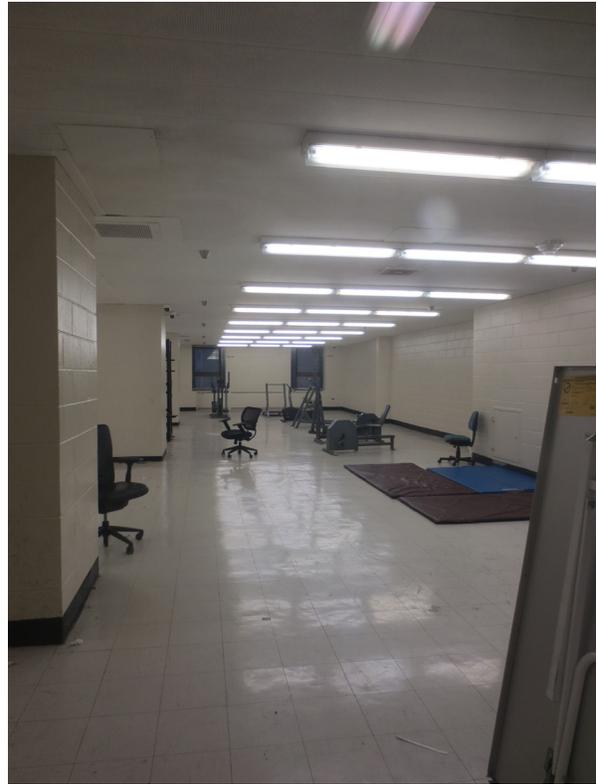


The Department of Homeland Security's nationwide real estate portfolio consists of more than 100 million square feet and costs close to \$2 billion annually. Source: Department of Homeland Security

By developing long-term real estate strategies, which align lease expirations, promote co-location, and embrace modern office practices, DHS can save tens of millions of dollars per year. The more DHS spends on wasted overhead, the less resources it has to protect the homeland and enforce laws. For these exact reasons, DHS is currently working to consolidate its real estate profile in the National Capital Region.⁴

Though there were some encouraging examples, the Committee's numerous site visits confirmed that DHS does not effectively manage its real estate portfolio. Committee staff saw example after example of underutilized, wasted or simply vacant space. The most egregious example was in New York City, New York, where Immigration and Customs Enforcement (ICE) has a vacant 250 bed detention center that has not been used since the events of 9/11. New detention standards would make it nearly impossible for this facility to become operational again. As a result, ICE is paying approximately \$3.5 million annually to rent this space, the large majority of which is unusable. Per GSA policy, in order for ICE to return the space to GSA, ICE would need to restore the detention center to office space.

Therefore, unless the space is altered significantly, ICE will not be able to use the large majority of the detention center's 74,000 square feet. While returning the detention center would entail a large upfront cost, ICE believes it could save close to \$2.7 million annually by getting rid of this currently vacant space.⁵



Source: House Homeland Security Committee

ICE currently pays \$3.5 million annually for this now unusable detention center. ICE believes it could save \$2.7 million annually by returning the space to GSA.

The Committee observed some promising examples that DHS should try to replicate throughout the rest of its real estate portfolio. For example, in New York City, ICE makes its processing center, which includes stations for processing individuals in law enforcement custody, gun lockers, and holding cells, available to other DHS law enforcement partners in the area. Representatives from ICE and Customs and Border Protection (CBP) told the Committee it was common to see an ICE agent processing someone next to a CBP officer who was processing someone next to a Federal Protective Service (FPS) officer.⁶

The Committee was also encouraged by the Department's plans for its leased space in One World Trade Center, known as the Freedom Tower. CBP will be the primary tenant in Freedom Tower and DHS expects this relocation will reduce CBP's leased office space in New York by approximately 45%, saving approximately \$2.7 million per year.⁷ The Federal Emergency Management Agency (FEMA) will also lease space in the Freedom Tower, reducing its New York area real estate footprint by nearly 50%.⁸

III. DHS Pilots to Increase Field Efficiencies Show Promise but Remain in Infancy

Over the past few years, the Department's Office of the Chief Readiness Support Officer (CRSO) has led a Department-wide effort to examine DHS field efficiencies. According to the CRSO, the objective of this effort is to "achieve unity of effort, increase efficiencies, and reduce costs for mission support activities."⁹ In order to execute this effort, the CRSO has conducted, is in the processing of conducting, or will be conducting regional pilot programs in the ten geographic locations with the largest DHS presence (information on three of the regional pilot programs can be found below).¹⁰



Source: Department of Homeland Security

Boston

The regional pilot in Boston, which includes the area around the city and Cape Cod, was the first pilot conducted by the CRSO and to date is the only one that has been completed. As a result of the pilot, DHS established a New England Training Council, which is designed to foster the sharing of training venues, instructors, and equipment between the various components. The pilot program also resulted in the creation of an Integration Team tasked with developing a business case for the creation of a DHS training facility at Camp Curtis Guild. This business case will be submitted to the DHS Headquarter Joint Requirements Council in September of 2016.

Through the pilot program, a Boston Workplace Alignment Strategic Plan was developed. This plan seeks to reduce office space square footage in Boston by 20% and increase operational efficiencies among DHS components. The successful implementation of

this plan should allow DHS to realize some savings on its Boston-area rent bill, which is currently \$22.9 million annually. The Coast Guard's Maritime Safety and Security Team will be moved from Boston to Joint Base Cape Cod, resulting in approximately \$807,000 in savings for housing allowances alone in fiscal year 2017. The CRSO has estimated that based on the savings associated with this move, any upfront costs to facilitate the move would be recovered in two and a half years. The pilot team also recommended moving the Coast Guard's District One offices from leased space to U.S. Coast Guard Base Boston, which the CRSO has estimated would result in \$1.8 million in savings in fiscal year 2018.¹¹ This proposal is currently being considered by Coast Guard leadership.

Seattle

The Seattle regional pilot program is examining a series of real property issues related to real estate, training, and workplace planning. The Department currently pays \$44.2 million annually in rent in the Seattle region. The pilot program will explore the creation of a DHS-wide regional training campus, the coordination of joint warehouse space at the Coast Guard's base in Seattle, and the possibility of developing a Federal law enforcement campus.

Southern California

The Southern California regional pilot program will focus on real estate and training as well, but also include communications infrastructure and services. In this region, which includes Los Angeles, San Diego, and the areas around and in between those two cities, DHS pays \$157.7 million annually in rent. The Southern California pilot program will explore the adoption of technology to allow communication across all DHS components and other relevant Federal and state agencies. It will also explore partnering with the Department of Defense to build a law enforcement training facility at Naval Weapons Station Seal Beach.

IV. The DHS Real Estate Portfolio Can Be a Catalyst for Cost Savings

Increasing efficiencies within the DHS real estate portfolio can serve as a driver for additional cost savings across the Department. For example, by co-locating DHS components, the Department will likely gain savings related to administrative and logistical functions, including engineering services, facility maintenance, janitorial services, shipping and receiving, facility security, mail handling, administrative professionals, and information technology and telecommunications services and support. Furthermore, co-location will likely foster better collaboration between components on issues such as parking (e.g., through shared parking facilities) and bulk buys of common items (e.g., office supplies, mobile devices and services, and ammunition). Co-locating components with one another, or even with other Federal agencies, especially those whose mission is also in the law enforcement space, would also produce efficiencies for intangible items that are unquantifiable. For example, co-location would foster better collaboration, information sharing, and joint training, resulting in operational efficiencies and furthering Secretary Johnson's Unity of Effort initiative.

V. Savings Can Be Realized Throughout the Entire DHS Real Property Portfolio

DHS has also failed to realize substantial savings from increased efficiencies by mismanaging other parts of its real property portfolio. One example is the DHS vehicle fleets. In fact, a former senior DHS official told the Committee he believes the Department, over the course of its history, has failed to realize hundreds of millions in savings by mismanaging its vehicle fleets. An August 2014 OIG report found that DHS vehicle fleets contained underutilized vehicles and operating these underutilized vehicles cost between \$35.3 and \$48.6 million in fiscal year 2012.¹² The Department has not done enough to increase the efficiency of its vehicle fleets as the OIG released another report in October of 2015 that found the Federal Protective Service, due to the mismanagement of its vehicle fleet, missed the opportunity to save \$2.5 million in fiscal year 2014.¹³



An August 2014 OIG report found that underutilized vehicles in the DHS fleet cost between \$35.3 and \$48.6 million in FY 2012.

Source: Department of Homeland Security

The Department has failed to robustly expand and fully capitalize on programs that have resulted in increased efficiencies. For example, in fiscal year 2015, CBP requested \$10.7 million to support a CRSO led Fuel Sharing Initiative. This cross-component initiative allows any DHS vehicle, regardless of component, to fill up at CBP-controlled fueling facilities around the Southwest border. By eliminating the need for other components to utilize commercial gas stations, the Department has been able to drive down its overall fuel costs. Expanding programs such as this to other geographic areas would allow DHS to realize additional fuel cost related savings.¹⁴

Another aspect of the real property portfolio where DHS has failed to achieve efficiencies is training centers. For example, a February 2014 OIG report found that CBP could not fully justify millions of dollars worth of labor and construction costs during the fourth phase of constructing its Advanced Training Center in Harpers Ferry, West Virginia.¹⁵ More recently, a January 2016 OIG report found that DHS lacks reliable training cost data and clear management policies for training oversight. This is especially problematic when you consider that DHS, according to the OIG, received over a billion dollars in both fiscal year 2014 and fiscal year 2015 for training. Nine different components currently operate 31 different training centers within the U.S. and consolidating these centers, especially any which may be underutilized, will certainly increase efficiencies and save money within the Department.¹⁶

A February 2014 OIG report found that CBP could not fully justify millions of dollars worth of labor and construction costs during the fourth phase of constructing in Advanced Training Center in Harpers Ferry, West Virginia.

Firing range access is also an area where efficiencies can be achieved. Throughout all of the Committee staff visits, law enforcement components expressed concern that finding range facilities and time for their employees to complete their mandatory firearm qualifications was a challenge. As a result, components often found themselves sending their personnel to distant firing ranges at off times (nights, weekends) to qualify, which were accompanied by high costs for overtime and mileage reimbursements.¹⁷ By developing regional DHS firing ranges, where all the components could send their personnel, the Department would realize significant savings. The field efficiencies group within the CRSO's Office is currently examining this issue and the possibility of developing these ranges as public-private partnerships, so the upfront investment costs to DHS would be minimal.¹⁸

VI. Committee Legislative Action to Promote DHS Field Efficiencies

In addition to its numerous oversight activities, including site visits, briefings, and hearings, the Committee has put forth numerous pieces of legislation designed to improve DHS field efficiencies. This legislation includes H.R. 1626, the DHS IT Duplication Reduction Act of 2015, H.R. 3572, the DHS Headquarters Reform and Improvement Act of 2015, and H.R. 4785, the DHS Stop Asset and Vehicle Excess Act. (H.R. 1626 has already become law and both H.R. 3572 and H.R. 4785 have passed the House and are awaiting action in the Senate).

VII. DHS Adopts Committee Recommendation to Harness Private Sector Expertise to Save Taxpayer Dollars

On September 18, 2015, the Subcommittee on Oversight and Management Efficiency held a hearing examining how DHS might adopt private sector best practices to improve the management and efficiency of the Department. As a follow up to this hearing, Subcommittee Chairman Perry, along with Ranking Member Watson-Coleman, sent a letter to the DHS Under Secretary for Management urging him to consult with the Business Executives for National Security (BENS) as the CRSO continued its efforts to increase efficiencies within the Department's real property portfolio.¹⁹

BENS observed that much of the Department's real estate portfolio is underutilized and the lack of an enterprise-wide approach to shared real property issues among the components has hamstrung the Department's ability to achieve operational efficiencies.

Beginning in December 2015, BENS members began to consult with the CRSO on field efficiencies efforts in New York (including accompanying the CRSO on site visits in February and April of 2016), Boston, Dallas, and Seattle. BENS observed that much of the Department's real estate portfolio is underutilized and noted that the lack of an enterprise-

wide approach to shared real property issues among the components has hamstrung the Department's ability to achieve operational efficiencies. In order to ameliorate these issues, BENS has provided the CRSO with a series of specific recommendations to consider. Furthermore, BENS will continue to consult with the CRSO's office on the field efficiencies issue and will submit a concluding report to the Committee in the near future on the state of the DHS real property portfolio.²⁰ The CRSO's office plans to also release an official report later this year with findings and recommendations derived from its field efficiencies effort. After the report is issued, the CRSO's office, along with Department and component leadership, will adjudicate the recommendations and develop an implementation plan to increase DHS field efficiencies.²¹

VIII. Interim Findings and Recommendations

Based on the work done thus far, the Committee has developed a series of interim findings and recommendations related to DHS field efficiencies:

Finding 1: Data concerning the Department's real property portfolio is both substandard and "siloed." DHS does not have reliable, near real-time data, and components have their own disparate systems to track real property data. This makes it difficult for headquarters staff to understand the extent of the enterprise-wide portfolio and make informed management decisions.

Finding 2: DHS has missed out on opportunities to save tens of millions of dollars. By failing to coordinate across components on DHS field activities over the past 13 years, DHS has missed out on tens of millions of dollars in annual savings. A heavy reliance on leased space, the lack of flexible workspace concepts, such as hoteling, and the failure to co-locate components has prevented DHS from achieving significant savings in its real estate portfolio related to both reduced rent payments and back office efficiencies. Furthermore, the mismanagement of other aspects of the Department's real property portfolio, such as vehicle fleets and training centers, and a lack of bulk buying common items have led to millions of dollars in unnecessary expenditures.

Finding 3: Components rarely coordinate real property decisions and there are few examples of co-location or coordination within the Department. Very few examples of co-location exist across DHS and headquarters has allowed components to operate essentially as separate entities by not forcing them to collaborate more closely on real property matters. For example, components with field offices in the same geographic areas are rarely required to coordinate leasing decisions, leading to a bloated and costly real estate footprint.

Recommendation 1: Sustain commitment to better tracking and analyzing enterprise-wide real property data. Currently, DHS headquarters has little insight into component's real property portfolio and must frequently make "data calls" to the components. This presents a challenge because DHS leaders need reliable data, from all of the components, in order to make informed decisions. The Department must learn from past efforts, such as the Management Cube, and work to increase real property information sharing between the components and headquarters.²²

Recommendation 2: Consolidate excess real estate and dispose of underutilized space. DHS should work to shrink its real estate footprint by disposing of underutilized space and co-locating components in the field with similar mission functions. To do so, the Department should develop a long-term real estate strategy. DHS should also work with GSA to negotiate existing lease terms in order to better align lease expirations so co-location and consolidation can occur. The Department should also explore co-locating with other Federal agencies, especially those with law enforcement missions.

Recommendation 3: Utilize best practices from the private sector and other government agencies. The Department should utilize existing best practices when managing its real property portfolio, especially with respect to real estate, which can be catalyst for other savings. The Department should also adopt best practices related to vehicle fleet services, bulk buying, and strategic sourcing, among other parts of its real property portfolio.

IX. Conclusion

The Department of Homeland Security has an immense real property portfolio, including real estate holdings, vehicles, and numerous other items needed to support and carry out the day to day operations of DHS, which costs the American taxpayers billions of dollars a year. Since its founding, DHS has struggled to effectively manage this portfolio. For example, many of the legacy offices and agencies that now compose DHS have failed to cooperate or coordinate on real property matters and continue to operate with their own field office structures and unique approaches to procuring goods and services. This has led to enormous amounts of waste and duplication across the Department. By better managing the enterprise-wide real property portfolio, DHS will be able to operate in a more efficient manner, saving tens of millions of dollars in the process. Furthermore, the more DHS saves on administrative overhead, the more resources it can redirect to its mission of securing the homeland. Improving the Department's operations and promoting efficiencies within its real property portfolio is a bipartisan, good-government issue that Congress and the Department should be able to work together on in order to achieve significant costs savings for the nation and American taxpayer.

X. Contact Us

The Committee will continue to examine further DHS efforts to increase efficiencies within its real property portfolio. If you have any observations, suggestions or feedback you wish to share related to DHS field efficiencies, please contact the Committee at savingdhsdollars@mail.house.gov. The Committee will use this information for its final report.

Endnotes

- 1** For the purposes of this report, real property includes buildings, structures, land, vehicles, and other equipment and items needed to either execute and/or support the Department's mission.
- 2** The seven operational components are U.S. Customs and Border Protection, U.S. Citizenship and Immigration Services, U.S. Coast Guard, the Federal Emergency Management Agency, U.S. Immigration and Customs Enforcement, the U.S. Secret Service, and the Transportation Security Administration.
- 3** Data provided by Office of the Chief Readiness Support Office, U.S. Department of Homeland Security to Subcommittee on Oversight and Management Efficiency, House Committee on Homeland Security, April 25, 2016.
- 4** The Committee has conducted rigorous oversight of the St. Elizabeths headquarters consolidation and has found waste and mismanagement throughout the project. For more information, please see the Subcommittee on Oversight and Management's September 2014 hearing entitled "Oversight of the DHS Headquarters Project at St. Elizabeths: Impact on the Taxpayer." <<https://homeland.house.gov/hearing/subcommittee-hearing-oversight-dhs-headquarters-project-st-elizabeths-impact-taxpayer/>>
- 5** House Committee on Homeland Security Staff Delegation to New York City and Philadelphia, December 17-19, 2014.
- 6** Ibid.
- 7** Letter from Hon. Jeh Johnson, Secretary, U.S. Department of Homeland Security, to Hon. Michael T. McCaul, Chairman, House Committee on Homeland Security, October 10, 2014.
- 8** Staff Delegation to New York and Philadelphia, December 2014.
- 9** Briefing from Office of the Chief Readiness Support Officer, U.S. Department of Homeland Security, to Subcommittee on Oversight and Management Efficiency, House Committee on Homeland Security, March 9, 2016.
- 10** Ibid.
- 11** Ibid.
- 12** "DHS Does Not Adequately Manage or Have Enforcement Authority Over Its components' Vehicle Fleet Operations," DHS Office of the Inspector General, August 2014. <https://www.oig.dhs.gov/assets/Mgmt/2014/OIG_14-126_Aug14.pdf>

13 “The FPS Vehicle Fleet Is Not Managed Effectively,” DHS Office of the Inspector General, October 21, 2015. <<https://www.oig.dhs.gov/assets/Mgmt/2016/OIG-16-02-Oct15.pdf>>

14 CBP Commissioner R. Gil Kerlikowske, Testimony before House Committee on Appropriations, Subcommittee on Homeland Security, Budget Hearing – United States Customs and Border Protection, April 2, 2014. <<http://docs.house.gov/meetings/AP/AP15/20140402/102009/HHRG-113-AP15-Wstate-KerlikowskeR-20140402.pdf>>

15 “U.S. Customs and Border Protection’s Advanced Training Center Acquisition,” DHS Office of the Inspector General, February 2014. <https://www.oig.dhs.gov/assets/Mgmt/2014/OIG_14-47_Feb14.pdf>

16 “DHS’ Oversight of Its Workforce Training Needs Improvement,” DHS Office of the Inspector General, January 2016. <<https://www.oig.dhs.gov/assets/Mgmt/2016/OIG-16-19-Jan16.pdf>>

17 Staff Delegation to New York and Philadelphia, December 2014.

18 March 9, 2016 Briefing.

19 Letter from Hon. Scott Perry, Chairman, Subcommittee on Oversight and Management Efficiency, House Committee on Homeland Security, and Ranking Member Bonnie Watson Coleman, Subcommittee on Oversight and Management Efficiency, House Committee on Homeland Security, to Hon. Russell C. Deyo, Under Secretary for Management, U.S. Department of Homeland Security, October 21, 2015.

20 Briefing from Business Executives for National Security, to Subcommittee on Oversight and Management Efficiency, House Committee on Homeland Security, April 12, 2016.

21 March 9, 2016 Briefing.

22 In early 2014, DHS worked to develop the Management Cube, a tool designed to cross component data from each management line of business and compile in it a single location. The idea was to provide an enterprise-wide view so that DHS management could begin to see the interrelatedness, trends and challenges within the lines of business in order to make more informed management decisions.