

HOMELAND SECURITY ACQUISITIONS

DHS Could Better Manage Its Portfolio to Address Funding Gaps and Improve Communications with Congress

Why GAO Did This Study

Each year, DHS invests billions of dollars in major acquisition programs. In fiscal year 2013 alone, DHS reported it was investing more than \$9.6 billion in its major acquisition portfolio. In the past, GAO has identified shortcomings in DHS's ability to manage its major acquisitions. In September 2012, GAO reported that the most prevalent challenge facing DHS's major acquisition programs was funding instability—changes in programs' funding plans over time. Funding instability increases the risk of cost growth, schedule slips, and capability shortfalls.

In response to congressional requests, this report addresses (1) the prevalence of funding instability at DHS and its effects on major acquisition programs, if any; (2) the extent to which DHS develops multi-year funding plans in accordance with key portfolio management practices; and (3) the extent to which DHS has complied with reporting requirements for major acquisition programs' multi-year funding plans. GAO reviewed DHS's three most recent annual funding plans and funding and acquisition decisions, interviewed headquarters and component officials, and solicited input from 35 of DHS's largest acquisition program offices.

What GAO Recommends

GAO recommends DHS take nine actions to better manage its portfolio and improve communications with Congress. DHS concurred with GAO's recommendations and stated that it addressed one in March 2014. DHS presented plans to address the other eight, but GAO does not believe the plan for one of them is fully responsive.

View [GAO-14-332](#). For more information, contact Michele Mackin at (202) 512-4841 or mackinm@gao.gov.

What GAO Found

GAO found that the funding plans for all 35 of the Department of Homeland Security (DHS) acquisition programs it reviewed changed to some degree from fiscal years 2012 to 2014, though the instability affected some programs more than others. Program officials reported that funding instability negatively affected 17 of the 35 programs, contributing to schedule slips, cost growth, and capability reductions. DHS officials at headquarters, components, and program offices identified internal and external factors that contributed to funding instability. These included changes in department-wide priorities and congressional funding decisions. Going forward, DHS's largest acquisition programs will likely experience more funding instability because the department's plans for its acquisition portfolio are not currently affordable. In December 2012, DHS issued an internal memo stating that the department's aggregate 5-year funding requirements for its major acquisition programs exceeded expected resources by 30 percent. This acknowledgement was a positive step toward addressing the department's funding gap, and DHS has established a full-funding certification requirement to help address it. Nevertheless, the department has not approved most of its major acquisition programs' cost estimates. As a result, DHS's understanding of its major acquisition programs' funding requirements is limited, and the funding gap may be greater than the department has suggested.

DHS has not consistently developed its multi-year funding plans in accordance with key portfolio management practices that would help the department optimize the return on its acquisition investments. DHS's resource allocation guidance reflects some but not all of these key practices, and the department is working to address the shortfalls. In addition, the 30 percent funding gap indicates that DHS leadership has not effectively prioritized its acquisition needs, even though the department's resource allocation guidance fully reflects this key practice. To help address its funding issues, the department is piloting a four-pronged portfolio management initiative intended to provide a framework for information to flow between four key councils and boards. As identified in the table below, there are opportunities for DHS leadership to improve governance in each of these four management areas, but senior DHS officials do not expect the initiative will be fully implemented in the near term, so it is too soon to tell how effective it will be.

Opportunities for DHS Leadership to Improve Governance in Four Management Areas

Strategic Direction	Requirements Reviews	Resource Allocation	Program Governance
Provide planning guidance each year	Establish priorities across functional portfolios	Recommend tradeoffs across DHS's major acquisition portfolio	Assess program-specific affordability tradeoffs

Source: GAO analysis of DHS information.

DHS has met statutory reporting requirements for its major acquisition programs' multi-year funding plans through its annual Future Years Homeland Security Program reports. However, the department has opportunities to improve how it communicates its acquisition funding needs to Congress in the future. Most notably, DHS does not currently link its major acquisition programs to the homeland security strategy, and its annual report does not identify acquisition programs' funding gaps. Adding this information would provide Congress valuable insights into DHS's acquisition funding needs.