



Testimony  
Before the Committee on Homeland  
Security and Governmental Affairs, U.S.  
Senate

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For Release on Delivery  
Expected at 2:00 p.m. ET  
Wednesday, March 16, 2016

# DEPARTMENT OF HOMELAND SECURITY

## Progress Made, but Work Remains in Strengthening Acquisition and Other Management Functions

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# GAO Highlights

Highlights of [GAO-16-507T](#), a testimony before the Committee on Homeland Security and Governmental Affairs, U.S. Senate

## Why GAO Did This Study

In 2003, GAO designated implementing and transforming DHS as high risk because the failure to address risks associated with transforming 22 agencies into one department could have serious consequences for U.S. national and economic security. While challenges remain, DHS has made considerable progress. As a result, in 2013 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). This statement discusses DHS's progress and actions remaining in addressing these functions with a focus on acquisition management. In fiscal year 2015 alone, DHS reported that it planned to spend approximately \$7.2 billion on its major acquisition programs to help execute its many critical missions. This statement is based on GAO's 2015 high-risk update, GAO products from 2005 through 2016, and selected updates from ongoing work. To conduct past and ongoing work we reviewed key documents such as DHS strategies and interviewed agency officials.

## What GAO Recommends

This testimony contains no new recommendations. GAO has made about 2,400 recommendations to DHS since 2003 to strengthen management efforts, among other things. DHS has implemented more than 70 percent of these recommendations, including those related to acquisition management, and has actions under way to address others.

View [GAO-16-507T](#). For more information, contact Rebecca Gambler at (202) 512-8777 or [gambler@gao.gov](mailto:gambler@gao.gov); or Michele Mackin at (202) 512-4841 or [mackinm@gao.gov](mailto:mackinm@gao.gov).

March 2016

## DEPARTMENT OF HOMELAND SECURITY

### Progress Made, but Work Remains in Strengthening Acquisition and Other Management Functions

## What GAO Found

The Department of Homeland Security's (DHS) efforts to strengthen and integrate its management functions have resulted in it meeting three and partially meeting two of GAO's criteria for removal from the high-risk list (see table).

#### Assessment of DHS Progress in Addressing the Strengthening DHS Management Functions High-Risk Area, as of March 2016

Criterion for removal from high-risk list	Met <sup>a</sup>	Partially met <sup>b</sup>	Not met <sup>c</sup>
Leadership commitment	X		
Action plan	X		
Capacity (having sufficient resources)		X	
Monitoring	X		
Demonstrated progress		X	
<b>Total</b>	<b>3</b>	<b>2</b>	<b>0</b>

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO-16-507T

<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, DHS has established a plan for addressing the high-risk area and a framework for monitoring its progress in implementing the plan. However, DHS needs to show additional results in other areas, including demonstrating the ability to achieve sustained progress across 30 outcomes that GAO identified and DHS agreed were needed to address the high-risk area. As of March 2016, DHS had fully addressed 10 of these outcomes but work remained in 20.

GAO has reported on DHS's acquisition management for over 10 years. The department has struggled to effectively manage its major programs, including ensuring that all major acquisitions had approved baselines and that they were affordable. GAO has noted significant progress in recent reviews (see table). This progress is largely attributable to sustained senior leadership attention.

#### GAO Findings and Recent Efforts by DHS to Improve Acquisition Management

GAO Review	GAO Finding	DHS Progress
November 2008	DHS's Joint Requirements Council (JRC), which had been responsible for managing investment portfolios and validating requirements, had not met since 2006.	The JRC was reinstated in 2014; it is the subject of an ongoing GAO review.
April 2014	DHS's Acquisition Review Board rarely directed programs to make affordability tradeoffs, even in light of a 30 percent funding gap for the department's major acquisitions.	DHS leadership is discussing affordability at all program reviews to help ensure adequate funding exists.
March 2015	DHS needed to improve the quality of acquisition data reported by components.	DHS has efforts underway to address this issue.
April 2015	Sixteen of the 22 programs GAO reviewed had agreed-upon acquisition program baseline cost, schedule, and performance objectives.	DHS has continued to obtain department-level approval for program baselines as needed.

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO-16-507T

To ensure that recent efforts are sustained, the department must continue to implement its sound acquisition policy consistently and effectively across all components. GAO has made numerous recommendations in this regard, which DHS has concurred with and is taking actions to implement.

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Chairman Johnson, Ranking Member Carper, and Members of the Committee:

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 13 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 \$66 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 2,400 recommendations to DHS to strengthen program management, performance measurement efforts, and management processes, among other things. DHS has implemented more than 70 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 affecting 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 (acquisition, information technology [IT], financial, and human capital), 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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Acquisition management has been a key area of concern. Each year, DHS invests billions of dollars in its major acquisition programs to help execute its many critical missions. In fiscal year 2015 alone, DHS reported that it planned to spend approximately \$7.2 billion on these acquisition programs, and the department expects it will ultimately invest more than \$180 billion in them.<sup>5</sup> We have reported on DHS acquisition management issues since shortly after the department was established; our first report dates from 2005.<sup>6</sup> Our work since then has identified significant shortcomings in the department's ability to manage its portfolio of major acquisitions.<sup>7</sup> More recently, we have found that the department's senior leadership has taken sound actions that have led to improvements, although more needs to be done to ensure that DHS is well-positioned to effectively manage its major acquisition programs.

In November 2000, we published our criteria for removing areas from the high-risk list.<sup>8</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.

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<sup>5</sup>In the fiscal year 2015 Future Years Homeland Security Program (FYHSP) report to Congress, DHS reported it planned to spend approximately \$7.2 billion on 66 acquisition programs. In the fiscal year 2014 FYHSP report, DHS reported it planned to spend approximately \$10.7 billion on 121 programs. DHS reduced the number of programs in the fiscal year 2015 FYHSP report for various reasons. For example, DHS removed programs that were designated non-major acquisitions, had completed all acquisition activities, or been discontinued or combined with other programs.

<sup>6</sup>GAO, *Homeland Security: Successes and Challenges in DHS's Efforts to Create an Effective Acquisition Organization*, [GAO-05-179](#) (Washington, D.C.: Mar. 29, 2005).

<sup>7</sup>DHS defines major acquisition programs as those with Life-Cycle Cost Estimates of \$300 million or more. For examples of past GAO work, see a list of related GAO products at the end of this statement.

<sup>8</sup>GAO, *Determining Performance and Accountability Challenges and High Risks*, [GAO-01-159SP](#) (Washington, D.C.: Nov. 2000).

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This statement discusses:

- DHS's progress and actions remaining in strengthening and integrating its management functions, and
- further details on DHS's efforts to strengthen acquisition management and key efforts that remain to be completed.

This statement is based on GAO's 2015 high-risk update report, our body of work on DHS acquisition management, which spans over 10 years and much of which was performed in response to requests by this committee, as well as other reports and testimonies we issued from March 2005 through February 2016.<sup>9</sup> For the past products, among other things, we analyzed DHS strategies and other documents related to the department's efforts to address the *Strengthening DHS Management Functions* high-risk area, 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. This statement is also based on analyses from our ongoing assessment of DHS's efforts to strengthen and integrate its management functions since February 2015. We expect to report our final results from this work in our 2017 high-risk update. For our analyses, among other things, we analyzed DHS documentation, such as departmental guidance and plans, and met with DHS officials, including the Under Secretary for Management and other senior officials, to discuss DHS's efforts to address the *Strengthening DHS Management Functions* high-risk area. On January 29, 2016, DHS provided us with an updated version of its *Integrated Strategy for High Risk Management*. We plan to analyze this update as part of our ongoing assessment of DHS's progress in addressing the *Strengthening DHS Management Functions* high-risk area.

We conducted the work on which this statement is based from March 2004 through March 2016 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

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<sup>9</sup>GAO, *High Risk Series: An Update*, [GAO-15-290](#) (Washington, D.C.: Feb. 2015). See also the related GAO products list at the end of this statement.

objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## 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 February 2015 high-risk update report, we found that DHS had met two criteria and partially met the remaining three criteria. DHS subsequently met an additional criterion—establishing a framework for monitoring progress—and therefore as of March 2016, has met three criteria and partially met the remaining two 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 March 2016**

Criterion for removal from high-risk list	Met <sup>a</sup>	Partially met <sup>b</sup>	Not met <sup>c</sup>
Leadership commitment	X		
Action plan	X		
Capacity		X	
Monitoring	X		
Demonstrated progress		X	
<b>Total</b>	<b>3</b>	<b>2</b>	<b>0</b>

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO-16-507T

<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).** We found in our 2015 report and have observed over the last year that the Secretary and Deputy Secretary of Homeland Security, the Under Secretary for Management at DHS, and

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other senior officials have continued to demonstrate exemplary commitment and top leadership support for addressing the department's management challenges. Additionally, 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 *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>10</sup> Senior DHS officials, including the Deputy Secretary and Under Secretary for Management, have also routinely met with us over the past 7 years to discuss the department's plans and progress in addressing this high-risk area, most recently in February 2016. Throughout this time, we provided specific feedback on the department's efforts. We concluded in our 2015 report and continue to believe 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.

**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 nine later versions, most recently in January 2016. 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 January 2016 strategy update includes an initiative focused on financial systems 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

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<sup>10</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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system and implementing an IT human capital strategic plan, respectively. We concluded in our 2015 report and continue to believe 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.

**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>11</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. In its January 2016 strategy update, DHS stated that the department had addressed capacity shortcomings it previously identified and self-assesses the capacity criterion as fully met. We are analyzing DHS's capacity to resolve risks as part of our ongoing assessment of the department's progress in addressing the *Strengthening DHS Management Functions* high-risk area and will report on our findings in our 2017 high-risk update.

**Monitoring (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, in our 2015 report we also found that DHS could strengthen its financial management monitoring efforts and thus concluded that the department had partially met the criterion for establishing a framework to

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<sup>11</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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monitor progress. In particular, according to DHS officials, as of November 2014, they were establishing a monitoring program that would 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. However, DHS had not yet entered into a contract for independent verification and validation services in connection with its efforts to establish this program. 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. DHS subsequently entered into a contract for independent verification and validation services that should help ensure the financial management systems modernization projects meet key requirements. As a result, we currently assess DHS to have met the framework to monitor progress criterion. As we concluded in our 2015 report and continue to believe, 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.

**Demonstrated progress (partially met).** We found in our 2015 report that DHS had made important progress in strengthening its management functions, but needed to demonstrate sustainable, measurable progress in addressing key challenges that remain within and across these functions. In particular, we found that DHS had implemented a number of actions demonstrating the department's progress in strengthening its management functions. For example, DHS had 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. DHS has continued to demonstrate important progress over the last year by, for example, obtaining a clean opinion on its financial statements for a third consecutive year. However, we also found in our 2015 report that DHS continued to face significant management challenges that hindered the department's ability to accomplish its missions. For example, DHS did not have the acquisition management tools in place to consistently demonstrate whether its major acquisition programs were on track to achieve their cost, schedule, and capability goals. In addition, DHS did not have modernized financial management systems, which affected its ability to have ready access to reliable information for informed decision making. Over the last year DHS has continued to take actions to address these challenges but they persist, as discussed in more detail below. As we concluded in our 2015 report, addressing these and other management challenges will be a significant undertaking that will likely

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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. 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 actions and outcomes address each management function (acquisition, IT, financial, and human capital) as well as management integration. For example, one of the outcomes focusing on acquisition management is validating required acquisition documents in accordance with a department-approved, knowledge-based acquisition process, and the outcomes focusing on financial management include sustaining clean audit opinions for at least 2 consecutive years on department-wide financial statements and internal controls.

We found in our 2015 report that DHS had made important progress across all of its management functions and significant progress in the area of management integration. In particular, DHS had made important progress in several areas to fully address 9 actions and outcomes, 5 of which it had 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 sustained full implementation of another outcome by continuing to use performance measures to assess progress made in achieving department-wide management integration. Since our 2015 update, DHS fully addressed another outcome as a result of actions it has taken to improve the maturity of its system acquisition management practices, leaving additional work to fully address the remaining 20 outcomes. As of March 2016, DHS has also mostly addressed an additional 7 actions and outcomes—3 since our 2015 report—meaning that a small amount of work remains to fully address them.

We also found in our 2015 report and continue to observe, 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, as of March 2016, DHS has partially addressed 9 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, are

significant undertakings that will likely require multiyear efforts. Table 2 summarizes DHS’s progress in addressing the 30 actions and outcomes as of March 2016, 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 March 2016**

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	2	1	1	5
Information technology management	3	2	1		6
Financial management <sup>e</sup>	2		3	3	8
Human capital management	1	3	3		7
Management integration	3		1		4
<b>Total</b>	<b>10</b>	<b>7</b>	<b>9</b>	<b>4</b>	<b>30</b>

Source: GAO analysis of DHS documents, interviews, and prior GAO reports. | GAO-16-507T

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

**Acquisition management.** DHS has fully addressed 1 of the 5 acquisition management outcomes, mostly addressed 2 outcomes, partially addressed 1 outcome, and initiated actions to address the remaining outcome. For example, DHS has 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 to provide guidance and share best practices and (2) assessments of component policies and processes for managing acquisitions. DHS has also continued to make progress addressing the outcome on validating required acquisition documents in a timely manner. Specifically, the Under Secretary for Management provided direction to the components on submitting the outstanding documentation. We will continue to assess DHS’s progress on this outcome. In addition, DHS has conducted staffing analysis reports that quantify gaps in acquisition personnel by position. Moving forward, DHS must develop and implement a plan for filling key vacant positions identified through its staffing analysis reports. Further, DHS should continue to improve its acquisition program

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management by effectively using the Joint Requirements Council, which it reinstated in June 2014, to identify and eliminate any unintended redundancies in program requirements, and by demonstrating that major acquisition programs are on track to achieve their cost, schedule, and capability goals.

**IT management.** DHS has fully addressed 3 of the 6 IT management outcomes, mostly addressed another 2, 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. The department has also made progress in implementing its IT Strategic Human Capital Plan for fiscal years 2010 through 2012. However, in January 2015 DHS shifted its IT paradigm from acquiring assets to acquiring services, and acting as a service broker (i.e., an intermediary between the purchaser of a service and the seller of that service). According to DHS officials in May 2015, this paradigm change will require a major transition in the skill sets of DHS's IT workforce, as well as the hiring, training, and managing of staff with those new skill sets; as such, this effort will need to be closely managed in order to succeed. Additionally, we found that DHS continues to take steps to enhance its information security program. However, while the department made progress in remediating findings from the previous year, in November 2015, the department's financial statement auditor designated deficiencies in IT systems controls as a material weakness for financial reporting purposes for the 12th consecutive year.<sup>12</sup> This designation was due to flaws in security controls such as those for access controls, configuration management, segregation of duties, and contingency planning. Thus, DHS needs to remediate this longstanding material weakness. Information security remains a major management challenge for the department.

**Financial management.** DHS has fully addressed 2 financial management outcomes, partially addressed 3, and initiated 3. Most

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<sup>12</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.

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notably, DHS received a clean audit opinion on its financial statements for 3 consecutive years, fiscal years 2013, 2014, and 2015, fully addressing 2 outcomes. In addition, in November 2015, DHS's financial statement auditors reported that one of four material weaknesses in its internal controls over financial reporting had been reduced to a significant deficiency in connection with its remediation efforts. However, the remaining material weaknesses reported by DHS auditors continue to hamper DHS's ability to establish effective internal control over financial reporting and comply with financial management system requirements. DHS continues to make progress on three multi-year projects to modernize selected components' financial management systems. According to its January 2016 strategy update, DHS has made the most progress on its U.S. Coast Guard modernization project; whereas additional planning and discovery efforts need to be completed on its projects to modernize Federal Emergency Management Agency and U.S. Immigration and Customs Enforcement financial management systems before DHS will be in a position to implement modernized solutions for these components and their customers. Without sound controls and systems, DHS faces long-term challenges in sustaining a clean audit opinion on its financial statements and in obtaining and sustaining a clean opinion on its internal control over financial reporting, and ensuring its financial management systems generate reliable, useful, and timely information for day-to-day decision making as a routine business operation.

**Human capital management.** DHS has fully addressed 1 human capital management outcome, mostly addressed 3, and partially addressed the remaining 3. 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. DHS also has actions under way to identify current and future human capital needs, an outcome it mostly addressed since our 2015 report due to progress implementing its Workforce Planning Model. However, DHS has considerable work ahead to improve employee morale. For example, the Office of Personnel Management's 2015 Federal Employee Viewpoint Survey data showed that DHS ranked last among 37 large federal agencies in all four dimensions of the survey's index for human capital accountability and assessment. Further, the survey data showed that DHS's scores continued to decrease in three index dimensions (job satisfaction, leadership and knowledge management, and results-oriented performance culture) and remained constant in the fourth dimension (talent management). DHS has developed plans for addressing its employee satisfaction problems, but as we previously recommended,

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DHS needs to continue to improve its root-cause analysis efforts related to these plans.<sup>13</sup>

DHS has also 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 and that the five DHS components in our review all had documented processes to evaluate their training programs.<sup>14</sup> However, to fully achieve this outcome, DHS also needs to, among other things, issue department-wide policies on training and development and strengthen its learning management capabilities. In February 2016, we reported that DHS had initiated the Human Resources Information Technology (HRIT) investment in 2003 to address issues presented by its human resource environment, which with respect to learning management, included limitations resulting from nine disparate learning management systems that did not exchange information.<sup>15</sup> DHS established the Performance and Learning Management System (PALMS) program to provide a system that will consolidate DHS's nine existing learning management systems into one system and enable comprehensive training reporting and analysis across the department, among other things. However, in our February 2016 report we found that selected PALMS capabilities had been deployed to headquarters and two components, but full implementation at four components was not planned, leaving uncertainty about whether the PALMS system would be used enterprise-wide to accomplish these goals. We further found that DHS did not fully implement effective acquisition management practices and therefore was limited in monitoring and overseeing the implementation of PALMS and ensuring that the department obtains a system that improves its learning management weaknesses, reduces duplication, and delivers within cost and schedule commitments. We made 14 recommendations to DHS to, among other things, address HRIT's poor progress and ineffective management. DHS concurred with all 14 recommendations and provided estimated completion dates for implementing each of them.

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<sup>13</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>14</sup>GAO, *DHS Training: Improved Documentation, Resource Tracking, and Performance Measurement Could Strengthen Efforts*, [GAO-14-688](#) (Washington, D.C.: Sept. 10, 2014).

<sup>15</sup>GAO, *Homeland Security: Oversight of Neglected Human Resources Information Technology Investment Is Needed*, [GAO-16-253](#) (Washington, D.C.: Feb. 11, 2016).

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**Management integration.** DHS has sustained its progress in fully addressing 3 of 4 outcomes we identified and they agreed 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, as we concluded in our 2015 update, 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. Further, in its January 2016 update, DHS reported that in August 2015 the Under Secretary for Management identified four integrated priority areas to bring focus to strengthening integration among the department's management functions. According to DHS's January 2016 update, these priorities—which include, for example, strengthening resource allocation and reporting ability and developing and deploying secure technology solutions—each have stretch goals and milestones that are monitored by integrated teams led by senior DHS officials. However, given that these management integration initiatives are in the early stages of implementation, it is too early to assess their impact.

We concluded in our 2015 report and continue to believe that in the coming years, DHS needs to continue implementing its *Integrated Strategy for High Risk 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;



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- 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 20 actions and outcomes it has not fully addressed and demonstrate that systems, personnel, and policies are in place to ensure that results 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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## DHS Continues to Strengthen Acquisition Management, Though Key Efforts Need to Be Completed

Each year, DHS invests billions of dollars in its major acquisition programs to help execute its many critical missions. In fiscal year 2015 alone, DHS reported that it planned to spend approximately \$7.2 billion on these acquisition programs, and the department expects it will ultimately invest more than \$180 billion in them. DHS and its underlying components are acquiring systems to help secure the border, increase marine safety, screen travelers, enhance cyber security, improve disaster response, and execute a wide variety of other operations. Each of DHS's major acquisition programs generally costs \$300 million or more and spans multiple years.

To help manage these programs, DHS has established an acquisition management policy that we found in September 2012 to be generally sound, in that it reflects key program management practices.<sup>16</sup> However, we also have found that DHS has lacked discipline in managing its programs according to this policy, and that many acquisition programs have faced a variety of challenges.<sup>17</sup> These challenges can contribute to poor acquisition outcomes, such as cost increases or the risk of end users—such as border patrol agents or first responders in a disaster—receiving technologies that do not work as expected.

Reflecting the shortcomings we have identified since 2005, we have made 64 recommendations to DHS on acquisition management issues;

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<sup>16</sup>GAO, *Homeland Security: DHS Requires More Disciplined Investment Management to Help Meet Mission Needs*, [GAO-12-833](#) (Washington, D.C.: Sept. 18, 2012).

<sup>17</sup>[GAO-12-833](#).

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42 of which have been implemented. Our findings also formed the basis of the five acquisition management outcomes identified in the high risk list, which DHS continues to address. As detailed below, DHS has fully addressed one outcome, mostly addressed two outcomes, partially addressed one outcome, and initiated efforts to address the final outcome.

- Outcome 1: Validate required acquisition documents in a timely manner (mostly addressed);
- Outcome 2: Establish effective component level acquisition capability (fully addressed);
- Outcome 3: Establish and effectively operate the Joint Requirements Council (partially addressed);
- Outcome 4: Assess and address whether appropriate numbers of trained acquisition personnel are in place at the department component levels (mostly addressed); and
- Outcome 5: Demonstrate that major acquisition programs are on track to achieve their cost, schedule, and capability goals (initiated).

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### 2005 to 2008: A Decentralized Acquisition Management Structure Hampered Early Oversight Efforts

In March 2005, we reported that a lack of clear accountability was hampering DHS's efforts to integrate the acquisition functions of its numerous organizations into an effective whole. We found that DHS remained a collection of disparate organizations, many of which were performing functions with insufficient oversight, giving rise to an environment rife with challenges. For example, the Chief Procurement Officer had been delegated the responsibility to manage, administer, and oversee all acquisition activity across DHS, but in practice enforcement of these activities was spread throughout the department with unclear accountability. We concluded that unless DHS's top leaders addressed these challenges, the department was at risk of continuing to exist with a fragmented acquisition organization that provided stopgap, ad hoc solutions.

In November 2008, we found that billions invested in major acquisition programs continued to lack appropriate oversight. While the acquisition review process DHS had in place at the time of our review called for executive decision making at key points in an acquisition program's life cycle, the process had not provided the oversight needed to identify and address cost, schedule, and performance problems in its major

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investments. Poor implementation of the process was evidenced by the number of programs that did not adhere to the department's acquisition review policy—of DHS's 48 major programs requiring milestone and annual reviews, 45 were not assessed in accordance with this policy. Furthermore, at least 14 of these programs had reported cost growth, schedule slips, or performance shortfalls. We found that poor implementation was largely the result of DHS's failure to ensure that the department's major acquisition decision-making bodies effectively carried out their oversight responsibilities and had the resources to do so. For example, although a Joint Requirements Council had been responsible for managing acquisition investment portfolios and validating requirements, the council had not met since 2006.

We also found in November 2008 that acquisition program budget decisions had been made in the absence of required oversight reviews and, as a result, DHS could not ensure that annual funding decisions for its major investments made the best use of resources and addressed mission needs. We found almost a third of DHS's major investments received funding without having validated mission needs and requirements—which confirm a need is justified—and two-thirds did not have required life-cycle cost estimates. Without validated requirements, life-cycle cost estimates, and regular portfolio reviews, DHS cannot ensure that its investment decisions are appropriate and will ultimately address capability gaps. In July 2008, 15 of the 57 DHS major investments we reviewed were designated by the Office of Management and Budget as poorly planned and by DHS as poorly performing. Among other things, we recommended that DHS reinstate the Joint Requirements Council or establish another departmental joint requirements oversight board to review and approve acquisition requirements and assess potential duplication of effort.

**2008 to 2012: DHS Established, but Did Not Consistently Implement, a Sound Acquisition Policy**

In November 2008, DHS issued the initial version of Acquisition Management Directive 102-01—the policy in effect today—in an effort to establish an acquisition management system that effectively provides required capability to operators in support of the department’s missions.<sup>18</sup> DHS Acquisition Management Directive 102-01 and DHS Instruction Manual 102-01-001, which includes 12 appendixes, establish the department’s policies and processes for managing these major acquisition programs. In September 2012 we found that these documents reflect many key program management practices that could help mitigate program risks. Table 3 presents our 2012 assessment of the policy.

**Table 3: GAO Assessment of DHS’s Acquisition Policy Compared to Key Program-management Practices**

GAO key practice area	Summary of key practices	GAO assessment of DHS acquisition policy
Identify and validate needs	Current capabilities should be identified to determine if there is a gap between the current and needed capabilities. A need statement should be informed by a comprehensive assessment that considers the organization’s overall mission.	●
Assess alternatives to select most appropriate solution	Analyses of Alternatives should be conducted early in the acquisition process to compare key elements of competing solutions, including performance, costs, and risks. Moreover, these analyses should assess many alternatives across multiple concepts.	●
Clearly establish well-defined requirements	Requirements should be well defined and include input from operators and stakeholders. Programs should be grounded in well-understood concepts of how systems would be used and likely requirements costs.	●
Develop realistic cost estimates and schedules	A cost estimate should be well documented, comprehensive, accurate, and credible. A schedule should identify resources needed to do the work and account for how long all activities will take. Additionally, a schedule should identify relationships between sequenced activities.	●
Secure stable funding that matches resources to requirements	Programs should make trade-offs as necessary when working in a constrained budget environment.	●
Demonstrate technology, design, and manufacturing maturity	Capabilities should be demonstrated and tested prior to system development, making a production decision, and formal operator acceptance.	●

<sup>18</sup>The interim version of Acquisition Management Directive 102-01 replaced Management Directive 1400, which had governed major acquisition programs since 2006. DHS originally established an investment review process in 2003 to provide departmental oversight of major investments throughout their life cycles, and to help ensure that funds allocated for investments through the budget process are well spent. DHS issued updated versions of Acquisition Management Directive 102-01 in January 2010 and July 2015.

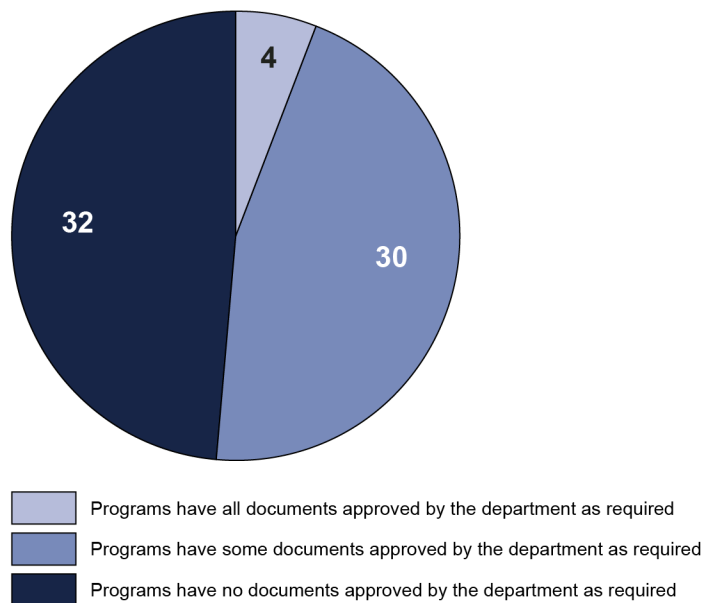
GAO key practice area	Summary of key practices	GAO assessment of DHS acquisition policy
Utilize milestones and exit criteria	Milestones and exit criteria—specific accomplishments that demonstrate progress—should be used to determine that a program has developed required and appropriate knowledge prior to a program moving forward to the next acquisition phase.	●
Establish an adequate workforce	Acquisition personnel should have appropriate qualifications and experience. Program managers should stay on until the end of an acquisition life-cycle phase to assure accountability. Government and contractor staff should also remain consistent.	●

Legend: ● DHS policy reflects key practices; ● DHS policy substantially reflects key practices; ● DHS policy partially reflects key practices.

Source: GAO analysis of DHS acquisition policy. | GAO-16-507T

However, in September 2012 we also found that DHS had not consistently met the policy’s requirements. At the time of our 2012 review, the department had only verified that 4 of 66 programs documented all of the critical knowledge the policy requires to proceed with acquisition activities. See figure 1.

**Figure 1: Programs That Had Key Acquisition Documents Approved in Accordance with DHS Acquisition Policy, as of September 2012**



Source: GAO analysis of survey data, DHS acquisition decision memoranda, and DHS acquisition policy. | GAO-16-507T

In 2012, most major programs lacked reliable cost estimates, realistic schedules, and agreed-upon baseline objectives, limiting DHS leadership's ability to effectively manage those programs and provide information to Congress. As a result, we were only able to gain insight into the magnitude of the cost growth for 16 of 77 programs we reviewed, but we found that their aggregate cost estimates had increased by 166 percent.

Additionally, we found that nearly all of the DHS program managers we surveyed in 2012 reported their programs had experienced significant challenges. Sixty-eight of the 71 respondents reported they experienced funding instability, faced workforce shortfalls, or their planned capabilities changed after initiation, and most survey respondents reported a combination of these challenges.

**2012 to 2015: DHS Continued to Strengthen Acquisition Management, Which Highlighted Remaining Issues**

DHS has concurred with and presented plans for addressing all of the acquisition management recommendations that we have addressed to the Secretary since September 2012, the implementation of which will enhance acquisition management. For example, in April 2014, we found that the department's Acquisition Review Board rarely directed programs to make tradeoffs for affordability. We recommended that this board assess program-specific tradeoffs at all of its meetings, particularly in light of the fact that the department had identified a 30-percent gap between the 5-year funding needed for its major acquisitions and the actual resources expected to be available. DHS has since implemented this recommendation.

Furthermore, in reviews completed in March, April, and October of 2015, we found that DHS had taken steps to improve oversight of its major acquisition programs and that it had begun to implement its 2008 acquisition policy more consistently. Many of DHS's recent actions correspond to the high risk outcomes, as shown in the table 4.

**Table 4: Recent Efforts by DHS to Improve Acquisition Management**

GAO review date	GAO finding	Related high risk outcome
March 2015	DHS defined the role of the Component Acquisition Executive, the senior acquisition official within each component.	Outcome 2
March 2015	DHS was taking steps to improve the process for tracking major acquisition programs for oversight purposes.	Outcome 5
March 2015	DHS concurred with the GAO recommendation to produce operations and maintenance cost estimates for programs in sustainment.	Outcome 1

GAO review date	GAO finding	Related high risk outcome
March 2015	DHS concurred with the GAO recommendation to improve the quality of acquisition program data reported by the components.	Outcome 5
April 2015	Sixteen of the 22 programs GAO reviewed had agreed-upon acquisition program baseline cost, schedule, and performance objectives.	Outcome 1
April 2015	Seven of the 22 programs GAO assessed had experienced cost growth, but their life-cycle cost estimates had only increased by about 18 percent, far less than the growth rate GAO identified in 2012.	Outcome 5
October 2015	We noted that DHS should continue to improve its acquisition program management by effectively using the Joint Requirements Council, which was reinstated in 2014, to identify and eliminate any unintended redundancies in program requirements.	Outcome 3

Source: GAO. | GAO-16-507T

DHS faced a unique challenge when it was formed—merging 22 separate entities into a single department—which included integrating the acquisition functions of its numerous organizations into an effective whole. The department is to be commended for the efforts its leadership has taken to address the acquisition management shortcomings we have identified over the past 10 years. However, in our April 2015 review, we continued to find enduring challenges to acquisition programs, such as:

- Staffing shortfalls—DHS reported that 21 of the 22 programs we reviewed faced program office workforce shortfalls pertaining to such positions as program managers, systems engineers, and logisticians.
- Program funding gaps—we found that 11 of the 22 programs we reviewed faced funding gaps (projected funding vs. estimated costs) of 10 percent or greater, including five programs that faced gaps of 30 percent or greater.
- Inconsistencies in how components were implementing the department’s acquisition management policy—for example, we found that the funding plans for Coast Guard programs continued to be incomplete, in that they did not account for all of the operations and maintenance funding the Coast Guard planned to allocate to its major acquisition programs. These gaps in information reduce the value of the funding plans presented to Congress and obscure the affordability of Coast Guard acquisition programs.

Further, as we noted in our most recent high risk update, the department has additional work to do to fully address the remaining acquisition management outcomes. To address these issues, we have, among other things, recommended that DHS assess program-specific affordability

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tradeoffs at all acquisition review meetings and ensure that funding plans submitted to Congress are comprehensive and clearly account for all operations and maintenance funding that DHS plans to allocate to its programs. DHS concurred with these recommendations and is taking actions to implement them. For example, DHS established that department leadership would, during all acquisition program reviews, specifically address affordability issues and make explicit tradeoffs as necessary, and DHS officials told us that DHS leadership is discussing affordability at all program reviews to help ensure adequate funding exists. Additionally, DHS has continued to obtain department-level approval for program baselines as needed, and has initiated efforts to improve the quality of acquisition data reported by components.

To ensure that recent efforts are sustained, the department must continue to implement its sound acquisition policy consistently and effectively across all components. We continue to track DHS's progress through ongoing reviews of the Joint Requirements Council, non-major program acquisitions, and our annual assessment of major acquisition programs, in addition to our high risk updates.

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Chairman Johnson, Ranking Member Carper, and members of the committee, this completes our prepared statement. We would be happy to respond to any questions you may have at this time.

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## GAO Contact and Staff Acknowledgments

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*Immigration Benefits System: Better Informed Decision Making Needed on Transformation Program.* [GAO-15-415](#). Washington, D.C.: May 18, 2015.

*Homeland Security Acquisitions: Major Program Assessments Reveal Actions Needed to Improve Accountability.* [GAO-15-171SP](#). Washington, D.C.: April 22, 2015.

*Homeland Security Acquisitions: DHS Should Better Define Oversight Roles and Improve Program Reporting to Congress.* [GAO-15-292](#). Washington, D.C.: March 12, 2015.

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