TESTIMONY OF
ELAINE C. DUKE
U.S. DEPARTMENT OF HOMELAND SECURITY
CHIEF PROCUREMENT OFFICER
BEFORE THE U.S. HOUSE OF REPRESENTATIVES
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
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Chairman Waxman, Congressman Davis, and Members of the Committee, I am Elaine Duke, the Chief Procurement Officer (CPO) for the Department of Homeland Security (DHS). I am pleased to be here today with Admiral Thad Allen, U.S. Coast Guard Commandant and Mr. Gregory Giddens of U.S. Customs and Border Protection (CBP), who is the Director of SBI. Thank you for the opportunity to appear before you to discuss DHS procurement practices, and the management and oversight of its complex acquisitions, specifically the Integrated Deepwater System and the SBI*net* contracts.

My vision as CPO, is to create a high performance acquisition organization that is aligned with the DHS mission. My top priorities, in implementing this vision are:

- First, to make good business deals. Meeting mission requirements while being good stewards of tax payer dollars involves the entire acquisition team.

- Second, to continue to build and strengthen the DHS acquisition workforce to manage risk. This requires developing and maintaining a workforce that is the right size and has the requisite skill mix and talent.

- Third, to strengthen contract administration. The acquisition team can take proactive measures to make the deal work and ensure that products and services purchased meet contract requirements and mission needs. Here, we can also leverage resources through partnering with technical experts such as the Defense Contract Management Agency and the Defense Contract Audit Agencies.

My initial focus in providing Departmental oversight is to design an acquisition management infrastructure that will optimize our human capital talent in these program and contracting offices. Additionally, I will ensure that processes are in place to oversee the effective issuance and administration of task orders under these Indefinite-Delivery Indefinite Quantity contracts.

Integrated Deepwater System Program

The Integrated Deepwater System Program is a $24 billion acquisition program designed to modernize the Coast Guard's aging and deteriorating fleet of ships and aircraft. This program is intended to modernize all of these assets, to include everything from patrol boats and high endurance cutters to helicopters and C-130 aircrafts. The program uses a "system-of-systems" approach by which a private sector Systems Integrator is encouraged to develop an optimal mix of assets designed to accomplish all defined Coast Guard Deepwater missions.

Integrated Deepwater System Acquisition Overview
This is a performance-based contract that focuses on outcomes that are more competitive, entrepreneurial, flexible, and performance oriented, linking mission requirements to industry solutions. The Deepwater contract was awarded on June 25, 2002 to Integrated Coast Guard Systems (ICGS), which is a joint venture partnership between Northrop Grumman Ship Systems (NGSS) and Lockheed Martin Corporation (LM). This is a five-year contract with five separate award terms, exercisable up to 60 months per award term. The current contract expires in January 2011, and is based upon the first award term being awarded for 43 months.

SBI*net* Program
U.S. Customs and Border Protection (CBP) is the executive agent for DHS in the development of the SBI*net* solution. SBI*net* requires a comprehensive and aggressive strategy to deploy the optimum mix of personnel, technology, and infrastructure in a manner that will significantly reduce the probability of illegal entries and successful cross-border violations into the United States. The initial focus of SBI*net* will be where the most serious vulnerabilities to border security exist. It requires integrating a common operating picture (COP) of the border environment within a command and control center that will provide DHS components and stakeholders external to DHS an unprecedented level of interoperability. This comprehensive solution carries out the goal of securing the border, which requires that four key elements be met:

- Detect an entry when it occurs;
- Identify what the entry is;
- Classify its level of threat (who they are, what they are doing, how many, etc); and
- Effectively and efficiently respond to the entry, bringing the situation to an appropriate law enforcement resolution.

SBI*net* Acquisition Overview
CBP will use the SBI*net* contract to acquire, deploy, and sustain the technology and tactical infrastructure necessary to achieve control at and between ports of entry (POE). The SBI*net* Program incorporates acquisition best practices and lessons learned from previous border technology procurements to provide the most cost and operationally effective solution for securing the border. CBP selected an indefinite delivery, indefinite quantity (IDIQ) contract vehicle because the vastly different terrain, threats, and evolving nature of the operational environment require a solution that is flexible, adaptable, and tailored to specific needs.

The SBI*net* acquisition was conducted using full and open competition and resulted in a performance-based IDIQ contract being awarded to Boeing in September 2006. Several businesses submitted proposals that provided solutions for securing the borders and detailed the partnering relationships they intended to utilize to meet the Government's program objectives.

The contract has a base period of three years and three one-year option periods for a total of six years. The maximum that the Government may obligate under the contract covers the full panoply of supplies and services necessary to provide 6,000 miles of secure border. The Government has already met its minimum obligation under the contract (i.e., $2 million). It is expected that the supplies and services required for this effort are, for the most part,

commercially available. Major components consist of sensors, communication technologies and equipment, command and control systems and subsystems, infrastructure and response capabilities, and the integration of all of the above.

Task and delivery orders will be negotiated and may range from cost reimbursement to firm fixed price with appropriate risk-sharing between the Government and the contractor and award/incentive fee structures. It is anticipated that DHS will accept more of the risk during the design and development phases, which are expected to be cost reimbursement tasks. After the development phase has been completed, the contract task and delivery orders may shift to other types of arrangements. The SBI*net* contract, therefore, allows DHS to structure the acquisition into discrete, workable phases, implemented through task and delivery orders. This approach will provide the greatest amount of flexibility to respond to evolving requirements.

Further, the contract with Boeing is not an exclusive contract. DHS may at its discretion use other contract vehicles for the goods and services required for the SBI*net* Program. The Government reserves the right to compete SBI*net* requirements through the use of other contract vehicles or methods when it is in the best interest of the Government. This includes using other DHS contracts or Government-wide acquisition contracts, as appropriate. All such requirements will be carefully reviewed for small business set-aside potential. DHS will work with Boeing to ensure that requirements awarded under the contract are evaluated for make-or-buy decisions, i.e., subcontracting versus Boeing completing the work itself.

General Overview of DHS Procurement Practices

The Office of the Chief Procurement Officer (OCPO) is responsible for approximately $16 billion in contracts and $11 billion in financial assistance programs that provide products and services that are essential to the success of Departmental operations. Also, my office is responsible for overall management, administration and oversight of Department-wide acquisition, financial assistance, strategic sourcing and competitive sourcing programs.

Staffing

Historically, balancing the appropriate number of DHS contracting officials with the growth of DHS contracting requirements has been a challenge. The gap between DHS acquisition spending and acquisition staffing levels has placed increased demands on acquisition officials. The challenges stretch across the entire DHS acquisition organization and are not limited to one major acquisition program such as Deepwater and SBI*net*. Efforts are ongoing in implementing a strategic career development plan that addresses recruitment and retention issues. The cornerstone of this plan identifies location, training, experience and education requirements for the acquisition workforce and professional certification.

Within the Washington, D.C., area, competition for procurement personnel is intense. The FY 2007 Budget provided funding to hire additional acquisition personnel. Higher staffing levels will improve DHS' ability to monitor Department contracts and effectively identify and correct poor contractor performance. Other examples of our efforts to address contracting staff shortages are:

- As part of Departmental oversight, we intend to focus on contract management to ensure that acquisition and program offices adequately monitor contractor performance. With respect to oversight and management of contractors, the CPO has established agreements

with the Defense Contract Audit and Administrative agencies to provide supplementary contract audit and administrative support.

- We have also established training requirements for our Contracting Officer Representatives (COR) and program and project management staff to strengthen oversight and management of contractor performance

Acquisition Oversight

The Department, USCG and CBP are committed to acquisition management and oversight of the Deepwater and SBI*net* contracts. My senior staff and I have been working very closely with both USCG and CBP to ensure appropriate planning, execution, and management of the contract. From solicitation through contract award and task order issuance, my senior staff and I have been involved throughout the acquisition. My Acquisition Oversight Directorate will be actively involved in reviewing both programs. My office will participate in all Departmental program review activities, including the meetings of the Investment Review Board. Also, we will routinely review acquisition planning documents, solicitations, task order awards, and contract administration activities. The Deepwater and SBI*net* Programs will also be checked quarterly as part of the CBP Operational Assessment review in accordance with the DHS Acquisition Oversight Program. There will be a comprehensive acquisition management review of Deepwater and SBI*net* in conjunction with the Tri-annual Component review. Additionally, my oversight office has been, and will continue to be, available to consult with the Deepwater and SBI*net* Program Managers and Contracting Officers, respectively, as needed.

Program Management

DHS has formed a Program Management Council (PMC) as part of the Procurement Program Management Center of Excellence. The PMC is working to develop the policies, procedures, and other tool sets needed for DHS Program Managers to succeed. On a semi-annual basis, the current PMC Chairman, Gregory Giddens, and I will report to the Deputy Secretary on Department-wide progress in key areas of program management.

Conclusion

We recognize the critical role the acquisition workforce plays in successfully achieving the Department's missions, and I am committed to working with the Coast Guard and CBP to ensure effective oversight of these major programs. Mr. Chairman, I thank you and the members of the committee for your interest in our efforts, and I am happy to address any questions that you may have for me. Thank you.