

DOD AND DHS: IMPLEMENTING AGENCY WATCH-DOGS' RECOMMENDATIONS COULD SAVE TAX-PAYERS BILLIONS

HEARING

BEFORE THE

COMMITTEE ON OVERSIGHT
AND GOVERNMENT REFORM

HOUSE OF REPRESENTATIVES
ONE HUNDRED THIRTEENTH CONGRESS

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DOD AND DHS: IMPLEMENTING AGENCY WATCHDOGS' RECOMMENDATIONS COULD SAVE TAXPAYERS BILLIONS

Tuesday, March 19, 2013

HOUSE OF REPRESENTATIVES,
COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM,
WASHINGTON, D.C.

The committee met, pursuant to call, at 10:00 a.m., in Room 2154, Rayburn House Office Building, Hon. Darrell E. Issa [chairman of the committee] presiding.

Present: Representatives Issa, Mica, Duncan, Jordan, Walberg, Lankford, Amash, Gosar, DesJarlais, Gowdy, Farenthold, Woodall, Meadows, DeSantis, Cummings, Maloney, Norton, Tierney, Clay, Connolly, Speier, Pocan, Duckworth, Cardenas, and Horsford.

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Chairman ISSA. The committee will come to order.

The Oversight Committee exists to secure two fundamental principles: first, Americans have a right to know that the money Washington takes from them is well spent and, second, Americans deserve an efficient, effective Government that works for them. Our duty on the Oversight and Government Reform Committee is to protect these rights.

Our solemn responsibility is to hold Government accountable to taxpayers, because it is taxpayers that have a right to know what they get from their Government. We will work tirelessly, in partnership with citizen watchdogs and our inspectors general, to deliver the facts to the American people and bring genuine reform to the Federal bureaucracy.

Today I want to thank our ranking member, Mr. Cummings, for joining me in this ongoing effort to offer up a fact-based blueprint for the conversation unfolding about controlling Government spending and waste.

Two weeks ago we examined the Department of Transportation and the Department of Education. Today we will hear from witnesses from two of the largest Government agencies: the Department of Defense and the Department of Homeland Security.

With the attention of policymakers on how to best manage sequestration, this is a time to lead the discussion by finding and eliminating waste as part of that savings. For weeks, the Administration has made a concerted public relations effort to speak about the dire consequences of sequestration, and there will be some areas that will be, quite frankly, missed. But, candidly, the claims of a dire consequence have been disproven.

We are not here to argue over sequestration directly. As a matter of fact, we are most interested in the \$67 billion that have been identified by the IGS that, if implemented, could save most of the cost of sequestration.

We certainly understand that some of that \$67 billion is one-time. But, this year, this cut is essential and we can do some of it through means less painful to the American people than across-the-board cuts.

Recognizing that we are dealing with two of the larger pockets of money and, in the case of Homeland Security and our Department of Defense, we are dealing with the very security of the American people. So today, as we focus on unimplemented IG recommendations, I want to remind all of our members on both sides of the dais that this is an area where the largest amount of dollar reduction is occurring and that \$2.3 billion into the size of these budgets is a lot of money. Additionally, it is not surprising that the greatest amount of unimplemented savings also occurs with the men and women in front of us.

So I am hoping this hearing will refocus us again on common sense reform in savings, and finding ways to have reduction in cost without a reduction in the services we count on and the protection we so much need.

With that, it is a pleasure to recognize the ranking member for his opening statement.

Mr. CUMMINGS. Thank you very much, Mr. Chairman.

Today's hearing falls on the 10-year anniversary of the invasion of Iraq. Ten years ago today our Nation entered a war that has now cost the American taxpayers more than \$2 trillion. Obviously, this staggering amount will be even higher when we calculate the final cost of the war in Afghanistan, which is still going on today.

During these wars, billions of dollars have been paid through contracts with private defense companies. According to the Com-

mission on Wartime Contracting, just one company, Kellogg Brown & Root, was paid more than \$40 billion.

Under so-called sole-source contracts, many companies never competed for a single task order. Because these cost-plus contracts guaranteed corporate profits, they incentivize companies to pad their bills.

Rather than raising revenues to pay for these trillion dollar wars, the Bush administration slashed taxes, primarily benefitting the richest members of our society. From 2001 to 2010, Bush tax cuts reduced our Nation's revenues by nearly \$1 trillion.

So now that we have ended the war in Iraq, are winding down the war in Afghanistan, and are facing record deficits, it would be logical to seek additional revenues and reduce defense spending, particularly on wasteful defense contracts. Instead, our House Republicans propose something vastly different.

The Ryan budget, unveiled last week, would eliminate health insurance for tens of millions of Americans, slash Medicaid for the poorest among us, reduce education funding for children with disabilities, kick tens of thousands of kids out of Head Start, and abandon our commitment to seniors who rely on Medicare. House Republicans would rather do all of these things than ask the richest among us to contribute a penny more to address our Nation's fiscal challenges.

Although most people agree that it is time to rein in wasteful defense spending, the Ryan budget would increase the Pentagon's budget to \$645 billion next year. Although our wars are ending and the Pentagon's contract management system is broken, the Ryan budget would pump tens of billions of dollars more into defense spending each year for the next decade.

Today's hearing offers a prime opportunity to take a step back and identify massive savings at the largest agency in the Federal Government, the Department of Defense. The Pentagon's inspector general and the Government Accountability Office have warned repeatedly that the Defense Department continues to squander billions of dollars on wasteful contracts. Let me highlight just one example.

Over the past 10 years, the Pentagon has severely mismanaged the biggest weapons acquisition program in history, the F-35 Joint Strike Fighter. It rushed to buy aircraft without adequate testing and it disregarded recommendations to slow down the acquisition process. As a result, the program now faces skyrocketing costs, expensive retrofits, and unacceptably poor performance. Experts have challenged the need for this aircraft and the Simpson-Bowles Commission recommended counseling the Marine variant, reducing other variant purchases, and outfitting planes already in service with less expensive upgrades.

According to the Pentagon's Office of Operational Test and Evaluation, testing for the Joint Strike Fighter has been extremely limited due to restrictions, including no night or weather capability and no combat capability. The Navy's version of this plane cannot land on aircraft carriers, the radar does not appear to work, and no version of this plane has been cleared to fly at night.

Last year, the Pentagon's own acquisition chief called this acquisition malpractice. Nevertheless, the Department is forging ahead

with plans to buy nearly 2,500 planes for \$400 billion, and the American taxpayers will be on the hook for another \$1 trillion just to maintain these planes over their service lives.

Mr. Chairman, I am thankful that today, before we consider Draconian cuts to core services that Americans across the Country rely on every single day, we will have an opportunity to closely examine this program and others at DOD and DHS in order to break our Nation's addiction to wasteful contract spending.

I thank our witnesses very much for being here today and I look forward to hearing their testimony. And, Mr. Chairman, with that, I yield back.

Mr. MICA. [Presiding.] I thank the ranking member for his opening statement and recognize myself for a couple minutes.

First, I want to say that we look forward to working with the Minority, particularly as chair of the Government Operations Subcommittee. I look forward to working with Mr. Connolly as we drill deeper into some of the issues of waste, fraud, and abuse, and how we can eliminate some of that unnecessary spending and cost and actually do a better job in a time of sequestration and budget cuts.

However, since the sequestration went into effect, rather than identify wasteful and redundant programs that can be cut, the Administration, unfortunately, has gone around touting the alleged harmful consequences of sequestration. Some of them are over the top. They have threatened thousands of teachers will get a pink slip, federal prosecutors would have to close cases and let criminals go.

Even programs like Meals on Wheels, that provide our seniors with assistance, would be cut; millions of seniors would lose this assistance, another claim. Thousands of students, I think 70,000 they said, would lose access to Head Start programs. I think I even saw the DHS secretary threaten long lines and delays at our airports because of TSA cutbacks.

Unfortunately, all of these statements I believe to be exaggerations. We have people who can speak to some of these claims here today, and that is part of the purpose of this hearing, is to identify some common sense ways that we can cut costs and improve efficiency in Government. Now, I know that sounds like a radical idea, but we can do it together.

There are plenty of obvious candidates to cut wasteful spending, such as a \$27 million project to help fund pottery classes in Morocco. Now, I know that is essential, but I think it could be a candidate that we could look at for eliminating wasteful spending. Half a million dollars to support specialty shampoo products for dogs and cats. Now, that is one, we have to keep that program going; \$141,000 to fund a Chinese study on swine manure has to be absolutely essential to the continuation of the Republic as we know it; a \$3,700 grant to build a miniature street in West Virginia out of Legos. I know how critical that is to the continuation of humanity.

Then we have 3,986 TSA headquarter employees, and I believe I saw the figure, 26.8 percent of their headquarter employees are supervisors. These folks are all making in excess of \$100,000 a year and we have only 457 airports in the entire Country that have any TSA presence. That is 3,986 TSA headquarter employees, but we can't service the public at our airports.

We are going to hear from two inspectors general today, who will testify and have identified \$2 billion worth of potential savings at their agencies that have not been implemented. So I think we could have a very productive session today, working in a very bipartisan manner, not in an alarmist manner, and eliminate some of these false claims and shed some light on where we can save money.

So, with that, I would like to leave the record open for seven days, if it is okay with the ranking member, for members to submit statements for the record.

Now I would like to turn to recognizing our witnesses.

Mr. Tierney, oh, I am sorry, did you want to make an opening statement?

Mr. TIERNEY. Yes, I would, Mr. Chairman.

Mr. MICA. Okay.

Mr. TIERNEY. Yes, if I might. Thanks.

Mr. MICA. We will yield five minutes to Mr. Tierney.

Mr. TIERNEY. Thank you. I notice that Mr. Chaffetz isn't here, the chairman of the Subcommittee on Oversight for the National Security and Homeland Security. We have been working in a very bipartisan manner for some time now. I just want to make a couple of quick statements off the top on sequestration.

Of course, when you read the sequestration order, you understand that there is not as much discretion to the executive branch as some might think; that, by its very nature, it dictates what must be cut and how it must be cut, down to the program level, and excludes a number of different things. So it is not a question of just giving over to the executive and having them make great decisions; many things they are sort of restricted from doing that.

But I welcome these hearings. I would have hoped we would have had these hearings before sequestration went into effect. We should have been looking together to try to identify common ground that we could get rid of some things that we think are waste, fraud, or abuse on that. Certainly, the Department of Defense, which has not passed an audit in some time, if ever, would be a good place to start looking on that; it has been a problem in contracting.

A lot of our subcommittee hearings have identified that. The cost and time and scope elements of looking at every contract, and oftentimes lose track of the time, the cost of time, when it gets extended out; changing the specifications during the course of contracts. The problems just go on and on: not having enough contract managers, not having enough that are trained, losing control of the project and continuing to go on in that basis. So we have a lot to work on.

But 10 years ago today the United States began its invasion of Iraq based on flawed intelligence from the Bush administration, and since that time hundreds of billions of dollars of U.S. taxpayers have poured into Iraq and Afghanistan to support the wars and finance our reconstruction efforts there. We were concerned with the staggering sums of money that were provided and the lack of oversight, so, in 2005, Jim Leach, Republican from Iowa, and I coauthored bipartisan legislation that led the way to creating the Commission on Wartime Contracting. According to that Commission's

final report, up to \$60 billion in taxpayer funds were lost in Iraq and Afghanistan due to waste, fraud, and abuse.

In response to these findings, I introduced the Oversight and Accountability in Wartime Contracting Act last Congress to strengthen the system for awarding and overseeing contractors in war zones and to reduce our reliance on no-bid contracts, both of which are serious issues. The bill adopted key recommendations of the Commission and included some of the same reforms that ended up in the National Defense Authorization Act. We worked across the aisle; we have long championed efforts to increase viability into contracts, to reduce the reliance on sole-source contracts, and to strengthen oversight mechanisms, but all of those problems continue to remain and continue to need our attention.

This committee and the Subcommittee on National Security have long played an important role in identifying and preventing waste, fraud, and abuse in our Government programs, particularly in Iraq and Afghanistan. The subcommittee previously led a bipartisan investigation of jet fuel contracts in Kyrgyzstan and the multibillion dollar host nation trucking contract in Afghanistan. We worked on those with Mr. Flake over a series of years.

Our investigation found that the trucking contract had spawned a vast extortion racket in which warlords, criminals, and insurgents extorted contractors for protection payments. Too often our contracts were developed without any insight not only into the base contract, but certainly into the subcontracts and the contracts at levels below those.

Congressman Chaffetz has continued this tradition and he and I have introduced legislation seeking accountability over the \$3 billion in U.S. plans to spend on fuel for the Afghan Army. We are also now leading a bipartisan investigation of the multibillion dollar food contract in Afghanistan that has led the Government to demand more than \$750 million in overpayments.

Given the fiscal challenges that are facing this Country, I welcome the opportunity to work on additional ways to reduce waste in the departments and protect the taxpayer dollars.

So I thank you, Mr. Chairman, for the time and I look forward to working together on this committee to identify at least as healthy a portion as we can of the waste, fraud, and abuse that passes through the Department of Defense and Homeland Security budgets. Thank you.

Mr. MICA. I thank you, Mr. Tierney, and, again, your counterpart, I guess, Mr. Chaffetz, National Security Subcommittee, and your willingness to work as the ranking member with him and the committee and Mr. Cummings.

As I said, members will have seven days to submit opening statements for the record.

So, with those comments, I will now recognize our panel today. Our witnesses include The Honorable Robert Hale. He is Under Secretary of Defense and Chief Financial Officer at the Department of Defense. We have Ms. Lynne Halbrooks, the Principal Deputy Inspector General for the Office of the Inspector General at the Department of Defense. We have the Honorable Rafael Borras. He is the Under Secretary of Management for DHS, Department of Homeland Security; and Mr. Charles Edwards. He is the Inspector

General for the Office of Inspector General at the Department of Homeland Security. So those are our first four witnesses.

Witnesses, as is customary, this is an investigations oversight panel of Congress. If you will stand and be sworn, please. Raise your right hand.

Do you solemnly swear or affirm that the testimony you are about to give before this committee of Congress is the whole truth and nothing but the truth, so help you God?

[Witnesses respond in the affirmative.]

Mr. MICA. Let the record reflect that the witnesses all answered in the affirmative.

I thank you so much for being with us and we will now recognize each of you. The customary procedure is you get five minutes to present your remarks. If you have lengthy additional information or testimony you would like submitted as part of the record, just redress that through the chair and it will be included.

With that, let me first recognize Mr. Hale and welcome you. Mr. Hale, again, is the Under Secretary of Defense and Chief Financial Officer for the Department of Defense. Welcome, sir, and you are recognized.

WITNESS STATEMENTS

STATEMENT OF THE HONORABLE ROBERT HALE

Mr. HALE. Well, thank you. I do have a statement, if you would include it in the record.

Mr. MICA. Without objection, your statement will be part of the record. Proceed.

Mr. HALE. So good morning to all the members of the committee and thank you for the opportunity to discuss efforts to improve efficiency at the Department of Defense. I am joined today by Lynne Halbrooks, the acting inspector general for the Department.

Our offices share a common goal, which is to support the national security mission while making the best possible use of every taxpayer dollar. And I can tell you we review and make use of the many IG reports that are issued each year.

Like Congress, DOD is mindful that our Nation is dealing with significant fiscal pressures. If I could borrow a line from Dwight Eisenhower, the patriot today is the fellow who can do the job with less money. That statement is, if anything, even more valid in our time than it was in the 1950s.

Accordingly, our budget requests at DOD in recent years have included steps to curtail or eliminate programs that fail to meet needs or which were seriously troubled or provided capabilities too narrow to justify their expense. As a result, more than 20 DOD weapons programs have been restructured or eliminated in recent years, including the VH-71 Presidential helicopter, the Navy's DDG-1000 ship program, the Air Force's TSAT satellite, the Army's Future Combat System, and the Marines' Expeditionary Fighting Vehicle. We also ended production of two aircraft that have met their inventory objectives, the F-22 and C-17.

DOD has eliminated lower priority organizations, such as the Joint Forces Command, the first time we have ever disestablished a combatant command. We have disestablished other organizations,

including the Second Fleet headquarters in Norfolk and two Air Operations Centers in Europe. We have cut costs through improved business practices and greater reliance on multi-year procurements, fuel saving initiatives, contract consolidation, and reliance on the VA's drug pricing schedule for pharmaceuticals.

These and other initiatives have led to planned savings in the President's budget for fiscal year 2012 of about \$150 billion over the five-year period 2012 to 2016. The 2013 budget projected another \$60 billion in savings for the period 2013 through 2017.

In addition, DOD has sought to slow the growth in military compensation while fully supporting the All-Volunteer Force. We proposed modest increases in the fees that military retirees pay for health care and proposed altering pharmacy co-pays in ways that encourage the use of generic brands and mail order delivery, which are much cheaper for us. We also proposed slowing the growth in military basic pay. In the President's budget for 2013, these initiatives save \$29 billion over five years.

Finally, in our most recent budget, we proposed cutting back on selected Air Force aircraft and retiring nine Navy ships early.

Looking ahead, we will continue these efforts to make more disciplined use of resources. Because the President's budget for 2014 hasn't been sent to Congress, I can't be specific, but I can tell you that we will again propose a package of changes.

While DOD can propose efficiencies, I need your help on this committee and the Congress. Congress must approve them before they can take effect. In recent years, Congress denied a number of proposals to eliminate lower priority weapons programs and military units. Congress has also rejected some proposals to consolidate infrastructure and to slow the growth in military compensation, including partially rejecting increases in fees and co-pays for military retiree health care. These congressional actions, if sustained, will add billions to our budget over the coming years, and we hope that, during this period of downward pressure on our budgets, that Congress will reconsider and approved these efficiency initiatives.

Unfortunately, these improvements alone aren't going to be enough to meet the budget cuts imposed by sequestration. We are facing \$46 billion of savings in less than seven months. We will do everything we can to use efficiencies, to use IG reports. Our goal is to minimize adverse effects on the mission. But the law itself is mindless and across-the-board, and efficiency initiatives aren't going to be able to meet a number of these cuts.

In 2013, we are also wrestling with a misallocation of funds under the current Continuing Resolution. We don't have enough operations and maintenance money, which is key to military readiness. We actually have too many investment dollars.

The bottom line of this sequestration and the Continuous Resolution problems is going, unfortunately, to be a crisis in military readiness, and you have heard that testimony from the Joint Chiefs in many forms.

In view of the serious economic problems facing our Nation, we hope Congress will support all our efficiency initiatives, even the ones that are hard. We also hope that Congress will replace the current CR with appropriations bills, and they seem to be heading in that direction, at least for DOD. Finally, we urge Congress to

pass a deficit reduction package that the President can sign that permits the de-triggering of this mindless sequestration. The continued strength of our national security depends on successful action in all of our initiatives.

That completes my statement, Mr. Chairman. After the other witnesses have spoken, I would be glad to answer questions.

[Prepared statement of Mr. Hale follows:]

Statement
of
Robert F. Hale
Under Secretary of Defense (Comptroller)

before the
House Committee on Oversight and Government Reform

March 19, 2013

Embargoed Until Released
by the House Committee on Oversight and Government Reform

Good morning, Mr. Chairman, members of the committee. Thank you for this opportunity to discuss our efforts to improve efficiency at the Department of Defense (DoD).

I am joined today by Lynne Halbrooks, the acting Inspector General for DoD. Lynne and I share a common goal – that is, supporting the national security mission while also ensuring that we make the best possible use of every dollar. We take the DoDIG reports seriously and act on the great majority of recommendations stemming from the hundreds of reports that her dedicated team produces each year.

I would begin by noting that – like Congress – the leadership of the Department of Defense is mindful that our nation is dealing with significant fiscal and economic pressures. We recognize that we owe it to the taxpayers to make the most of every dollar they entrust to us for the defense of the United States. To borrow a line from Dwight Eisenhower, “The patriot today is the fellow who can do the job with less money.” That statement is, if anything, truer in our time than it was in the 1950s.

Initiatives to Improve Efficiency

Consistent with this philosophy, the Department’s budget requests in recent years included steps to curtail or eliminate programs where we felt we had met our procurement needs, or where programs were seriously troubled or provided capabilities that were judged too narrow to justify their expense. While these proposals are often referred to as efficiencies, they are better described as efforts to make more disciplined use of resources. Whatever the short-hand title, I would like to describe some of our efforts which have included termination of weapon programs, elimination of lower-priority organizations, and improvements in business processes.

Over the past several years, more than 20 DoD weapons programs have been restructured or eliminated. They included termination of the second engine program for the Joint Strike Fighter, as well as the VH-71 Presidential helicopter which will be replaced with a more-limited aircraft. We also terminated the Navy’s DDG-1000 ship program in favor of continued buys of the DDG-51 destroyer, terminated the Air Force’s TSAT satellite in favor of continued buys of the AEHF satellite, and ended the Army’s Future Combat System (FCS) and the Marines’ Expeditionary Fighting Vehicle in favor of, respectively, a more focused Ground Combat Vehicle program and Amphibious Combat Vehicle development efforts. DoD also ended production of the F-22 and C-17 aircraft, both of which had met their inventory objectives.

DoD has eliminated lower-priority organizations in an effort to streamline operations and save money. We disestablished the Joint Forces Command, the first time a combatant command has ever been eliminated. The Navy disestablished the Second Fleet headquarters in Norfolk, a Cold War organization whose mission was transferred to Fleet Forces Command. The Air Force consolidated two Air Operations Centers in Europe and inactivated three numbered Air Forces, with the associated staff functions absorbed into existing major command headquarters. The Army is consolidating six installation management command regions into four.

In recent budget proposals we have focused on cost-cutting actions related to business processes. The Navy is pursuing acquisition savings through multiyear procurement approaches for the FA-18 E/F, EA-18G, MH-60R/S, V-22 tilt-rotor aircraft, Virginia-class submarines and

DDG Arleigh Burke Class ships. The Army is pursuing acquisition savings through multi-year procurement approaches for the UH-60 and CH-47 airframes. The Air Force has sought acquisition savings through adoption of a new method for acquiring both space launch vehicles and satellites – emphasizing block buys, sustained funding for engineering, and fixed-price contracts. Various Services have sought IT efficiencies through initiatives such as consolidation of e-mail servers.

Specific initiatives have led to a more efficient Department. For example, the Air Force has introduced numerous fuel-saving initiatives including use of commercial flight-planning software to make real-time flight adjustments in air speed and altitude in order to reduce fuel requirements. The Navy has consolidated numerous contracts into four Navy-wide contracts with major carriers for wireless services, thereby achieving better prices and savings through “minute pooling.” DoD’s Transportation Command reduced shipping costs by using 40-foot rather than 20-foot shipping containers. DoD’s health care agency reduced costs sharply by utilizing the Veterans Administration pharmaceutical pricing schedule and by using Medicare payment rates for certain hospitals.

In some cases, Services have made difficult decisions to emphasize certain approaches to support activities in order to cut costs. The Army, for example, has sharply reduced military construction funding in favor of maintaining existing facilities. Other Services have also cut back on military construction.

What have we saved? The initiatives described above, and many others, led to planned savings in the President’s Budget for FY 2012 of about \$150 billion in FY 2012-2016. In the budget for FY 2013, savings of about \$60 billion were planned in FY 2013-2017. The Services are monitoring these planned efficiency initiatives to be sure that they are implemented. Along with the Department’s Deputy Chief Management Officer, I lead twice-yearly DoD-wide reviews to verify implementation.

In addition to these changes, DoD has pursued a program to slow the growth of military compensation while still fully supporting the All-Volunteer Force. Military pay and benefits have grown sharply in recent years, outstripping both end-strength growth and wage growth in the private sector. DoD has proposed initiatives to raise by modest amounts the fees that military retirees pay for health care and to modify pharmacy co-pays in a manner that promotes use of cheaper alternatives including generic-brand pharmaceuticals and mail order delivery. In the FY 2013 President’s Budget, we also proposed to slow the growth in military basic pay in 2015 and beyond. In the President’s Budget for FY 2013 these proposed initiatives saved about \$29 billion over five years. More recently, we announced a plan to slow the growth in military basic pay for 2014.

Finally, in its FY 2013 budget DoD proposed to eliminate some lower-priority military units. Our proposals would have disestablished certain Army units, cut back on selected Air Force aircraft, and retired nine Navy ships early.

Support from Congress

Despite the far-reaching nature of these initiatives, we are by no means done with our efforts to make more disciplined use of resources. Because the President's Budget for FY 2014 has not yet been sent to Congress, I cannot discuss its specific content. But I can tell you that DoD will again propose a substantial package of initiatives aimed at improving efficiency.

DoD can propose, but Congress must dispose. We need the support of Congress in our efficiency efforts. In recent years Congress has denied a number of our proposals including elimination of lower-priority weapons programs (such as the Global Hawk Block 30) and elimination of lower priority military units (including Navy ships and some Air Force aircraft such as the C-27J). Congress has also rejected some of our proposals to slow the growth in military compensation, including certain increases in fees and co-pays for military retiree health care, and has rejected our efforts to pursue consolidation of our infrastructure. Together these Congressional actions, if sustained, will add billions to our costs over the next five years. We hope that, in view of the serious economic problems facing our Nation, the Congress will allow us to implement these and other important changes.

Improving Financial Controls and Processes

In addition to initiatives that achieve specific budgetary savings, the Department is pursuing improved financial information and controls for all of our programs and operations. The Financial Improvement and Audit Readiness (FIAR) plan will lead to audit-ready financial statements and will document the accuracy and reliability of the financial information used by DoD's decision makers.

The Department will achieve its FIAR goals by improving business systems, controls, and processes across all functional areas. By better controlling operations and better understanding our spending, the Department will improve its ability to identify efficiencies. Organizations that have already achieved audit readiness report that the improved financial visibility allows them to more efficiently allocate unobligated resources to urgent mission needs before the funds expire. They also have more timely and better documented information to use in judging the success of programs.

Let me mention one other area related to financial controls – namely, control of improper payments. Improper payments have declined since DoD first reported on them in FY 2004. The Office of Management and Budget reported that the overall government-wide error rate for improper payments stood at about four percent in FY 2012, while DoD's error rate is significantly less than one percent. I believe that our program to control improper payments is sound, and I remain committed to complying in all respects with current statutory requirements.

Efficiencies and Sequestration

I conclude by noting that, important though they are, efficiencies will unfortunately not be enough to meet the sudden and arbitrary FY 2013 budget cuts imposed by sequestration. If sequestration lasts for the remainder of the fiscal year, it would result in a reduction of as much

as \$46 billion from our budgetary topline in FY 2013 alone. In the few months remaining in FY 2013, we would not have nearly enough time to identify and secure Congressional approval for the far-reaching changes that would be required to achieve these large savings. Moreover, the law requires that sequestration changes be made in a mindless, across-the-board manner. Sensible efficiency proposals would be unlikely to meet the details of the required reductions.

In FY 2013 we are also wrestling with a misallocation of funds under the current Continuing Resolution (CR) – which provides too many dollars for investment and not enough for the Operation and Maintenance accounts that most influence military readiness. A year-long sequestration and CR, coupled with higher-than-expected costs in overseas contingency operations, would leave us with enormous shortfalls in the Operation and Maintenance funds that sustain military readiness. It will drive us to major cutbacks in training and maintenance that will in turn lead to a crisis in military readiness. We would also be forced to disrupt as many as 2,500 investment programs – driving up unit costs at the very time we are trying to hold them down.

We will continue our efforts to improve efficiency in the Department of Defense. In turn we hope the Congress will support our efficiency proposals. We also hope that the Congress will replace the current CR with appropriations bills for Defense and other Federal agencies. And we urge that Congress pass a balanced-deficit reduction package that the President can sign and that permits a de-triggering of sequestration. The continued strength of our national security depends on successful action on all these initiatives.

Chairman ISSA. [Presiding.] Thank you, Mr. Hale

We now go to Lynne Halbrooks, the Principal Deputy Inspector General of the Office of Inspector General of the Department of Defense. Welcome again.

I apologize for being off, testifying at another hearing. I had no questions, so I came back quickly.

The gentlelady is recognized.

STATEMENT OF LYNNE HALBROOKS

Ms. HALBROOKS. Thank you, Chairman. Chairman Issa, Ranking Member Cummings, and distinguished members of the committee, good morning and thank you for the opportunity to be here today to appear before you to discuss our efforts to reduce waste and improve efficiency within the Department of Defense.

I would like to thank this committee for its critical work and sustained focus over the last several years to highlight the issues of unimplemented inspector general recommendations. It is essential to good government and effective stewardship of taxpayer dollars that IG recommendations are implemented.

I am proud to be here today to represent the hundreds of dedicated DOD Office of Inspector General employees who, for 30 years, have been committed to conducting critical audits, investigations, inspections, and evaluations.

Over the past 10 years, our office has issued more than 1300 reports addressing a wide variety of challenges within the Department and providing 7,684 recommendations to correct deficiencies. Of those, 95 percent have been addressed and closed and 5 percent, or 386 recommendations, remain open. Collectively, these reports have resulted in \$37.3 billion in achieved monetary benefits to the Department, with additional potential monetary benefits of \$3.5 billion based on open recommendations.

We have a strong follow-up program for tracking the status and implementation of recommendations and have found DOD leadership to be responsive to our recommendations. I believe the high level of responsiveness is a direct result of our focused oversight efforts.

We prioritize our activities to ensure oversight is timely, relevant, and responsive to the dynamic environment within the Department and annually we prepare and submit our summary of what we consider to be the most serious management and performance challenges facing the Department. These challenges include acquisition processes and contract management; financial management; joint war fighting and readiness; information assurance, security and privacy; health care; equipping and training Iraq and Afghan security forces; and the nuclear enterprise.

Additionally, we treat oversight pertaining to life and safety issues as a top priority. For example, over the past several years our office has found faulty testing of personal protective equipment, as well as electrical and fire safety issues.

My prepared statement provides a number of recent examples that illustrate how our recommendations have identified ways for the Department to be more efficient and save money. For example, in September of 2012, we issued a report on the Missile Defense System that questioned the planned procurement and identified

over \$2.5 billion in potential savings. Management agreed with our report and recommendations, stating, "the impact of the current fiscally-constrained environment compels redirection of funding to other systems."

We are currently following up with management to document the actions taken and the actual savings realized.

We have also identified \$423.7 million in potential monetary benefits that could be achieved through more effective use of existing inventory and procurement in spare parts. The Department is also currently taking action on those recommendations.

Financial management is another challenge area where potential monetary benefits and savings can and have been identified. Our office has issued a series of reports which address concerns with the Department's financial systems. In these reports, we recommend that DOD halt deployment of specific systems until our concerns are addressed.

While the Department continues to take action to improve these processes, my staff and I remain concerned that the Department will have difficulty in meeting their financial readiness goals.

I thank the committee for inviting me to testify on opportunities to reduce waste and improve efficiencies at DOD through implementation of our recommendations. We look forward to working with Department leadership to ensure our concerns are addressed in a timely manner. Given the fiscal challenges the Country is facing, every dollar we can save and put to better use is critical.

This concludes my statement today. I request my written statement be included in the record and welcome any questions the committee may have.

[Prepared statement of Ms. Halbrooks follows:]

— March 19, 2013 —



Expected Release

10:00 a.m.

Statement of
Ms. Lynne M. Halbrooks
Principal Deputy Inspector General
Department of Defense Inspector General

before the
Committee on Oversight and Government Reform

on

"Opportunities to Reduce Waste and Improve Efficiency at the
Department of Defense and Other Federal Agencies"

Chairman Issa, Ranking Member Cummings, and distinguished members of the Committee: Good morning and thank you for the opportunity to appear before you to discuss opportunities to reduce waste and improve efficiency within the Department of Defense. As requested, my testimony will focus on the status of reports with pending action, which include recommendations that have not yet been implemented, as well as opportunities to improve efficiencies within the Department. I would like to thank this Committee for its critical work and sustained focus over the last several years to highlight the issue of unimplemented OIG recommendations. It is essential to good government and effective stewardship of taxpayer dollars that IG recommendations are implemented.

Today I will discuss DoD OIG oversight and follow-up, the status of open recommendations, and opportunities to improve efficiencies within the Department.

DoD OIG OVERSIGHT AND FOLLOW-UP

This year, we are commemorating 30 years of carrying out our mission to promote economy, efficiency, and effectiveness; and detect fraud and abuse in the programs and operations of the Department. I am proud to be here today to represent the hundreds of dedicated OIG employees who for 30 years have been committed to conducting critical audits, investigations, inspections, and evaluations. When a problem or weakness is identified through our oversight efforts, we make recommendations to responsible DoD officials for correcting the problems. Complete and effective oversight also includes monitoring management officials' corrective actions and assessing whether those actions effectively address the recommendations.

The DoD OIG follow-up process monitors the Department's efforts to address open recommendations. Over the past 10 years, DoD OIG has issued over 1,300 reports addressing a wide variety of challenges within the Department and providing 7,684 recommendations to correct noted deficiencies. Of those 7,684 recommendations, 95 percent were addressed and closed, and 5 percent (or 386 recommendations) remain open. Collectively, those reports

have resulted in \$37.3 billion in achieved monetary benefits to the Department with additional potential monetary benefits of \$3.5 billion based on open recommendations.¹

In most cases, the open recommendations are from more recent reports where management has concurred with our recommendations and is in the process of implementing corrective actions. However, in some instances the Department has not implemented recommendations in a timely manner. For example, DoD OIG is still tracking a recommendation made in a FY 2006 report.

FOLLOW-UP PROCESS

DoD OIG has a strong follow-up program for tracking the status and implementation of recommendations. Unlike other OIGs, DoD OIG is also statutorily² required to monitor recommendations the Government Accountability Office makes to DoD.

DoD OIG is primarily responsible for recording, tracking, closing, and reporting on corrective actions management has taken to implement agreed-upon recommendations contained in DoD OIG and Government Accountability Office reports. DoD OIG is also developing a plan to provide follow-up on recommendations provided to DoD from the Special Inspector General for Iraq Reconstruction when it wraps up its operation later this year.

WORKING WITH THE DEPARTMENT ON RECOMMENDATIONS

The Department is generally responsive to addressing DoD OIG recommendations, with only 5 percent of recommendations over a 10 year span still open. However, over the years, unresolved recommendations had accumulated. In 2010, we elevated our aging inventory of open recommendations to the Department to resolve recommendations, as well as determine what recommendations were still viable. As we reported to the Secretary of Defense in December 2010, we reduced the number of open reports from 230 in March 2010, to 85 in

¹ One recommendation accounts for \$2.5 billion of the \$3.5 billion in potential savings.

² Inspector General Act of 1978, as amended, Section 8, (c)(7)

September 2010. We continue to work closely with the Department not only on recommendations with monetary benefits, but on all recommendations, especially those affecting the safety and welfare of the warfighters.

I look forward to working with Secretary Hagel and Deputy Secretary Carter to continue to ensure that the Department implements recommendations to improve efficiency of its programs and operations.

During the course of an audit or evaluation, if we identify issues that we believe require immediate management attention, we issue memorandums that advise management of our concerns so they can take action to address life and death; health and safety; and time-sensitive concerns. Follow-up on management actions is conducted during the course of the oversight and then addressed fully in the report issued at the end of the project. For example, last year, we issued a quick-reaction memorandum on the procurement of spare parts for G222 aircraft³ for the Afghan Air Force. Our concern was that program officials were acquiring spare parts before they had the critical data needed to accurately determine if the spare parts were needed to sustain the G222 aircraft. The Department agreed with our suggestion to delay the procurement of the spare parts. They subsequently determined not to issue a new delivery order for G222 sustainment support and decided to use an alternate aircraft to meet the Afghan's long-term medium airlift requirement. It is estimated that, if the program had continued without corrective action, sustainment costs for the G222 would have exceeded \$1 billion. We have found the use of these quick-reaction memorandums to be an effective means for initiating corrective action by management and ensuring that efficiencies are not lost during the timeframe of an on-going review.

STATUS OF OPEN RECOMMENDATIONS

The Committee requested we provide an update on the recommendations we submitted in our January 2013 response as well as a status on previously listed priority recommendations.

JANUARY 2013 RESPONSE

³ The G222 is manufactured by Alenia Aermacchi in Naples, Italy. The U.S. Air Force uses a modified G222 airframe, known as the C-27A, and the Afghan Air Force uses the G222.

In January 2013 we provided our response to this Committee's request for "information about the IG community's highest priority recommendations for reducing waste and increasing efficiency in Executive Branch departments and agencies." We provided a list of ten recommendations that we deemed critical. Of those recommendations, DoD OIG has recouped \$81.6 million of the estimated \$373 million in potential savings.

UPDATE TO RESPONSE

Since 2008, DoD OIG has provided the Committee a total of 47 recommendations considered to be high priority. As of today, 33 of the 47 recommendations are closed and have resulted in monetary benefits of \$298.2 million. The remaining 14 open recommendations have potential monetary benefits of \$315.5 million. We will continue to work with the Department to monitor and track the status of implementation.

OPPORTUNITIES TO IMPROVE EFFICIENCIES WITHIN DoD

DoD OIG prioritizes its activities to ensure oversight is timely, relevant, and responsive to the dynamic environment within the Department. DoD OIG oversight priorities correspond to the high-priority areas of the Department, including contingency operations; the health and safety of warfighters; major weapons systems acquisitions; investigating allegations of contract fraud; financial management; critical intelligence activities; and identifying opportunities to improve the efficiency of the Department.

As required by "*The Reports Consolidation Act of 2000*," we annually prepare and submit our summary of what we consider to be the most serious management and performance challenges facing the Department. This is commonly referred to as IG management challenges. These are generally persistent and significant recurring challenges within the Department. For FY 2012, DoD OIG identified seven management and performance challenges facing the Department. These challenges include acquisition processes and contract management; financial management; joint warfighting and readiness; information assurance, security, and privacy; health care; equipping and training Iraq and Afghan Security Forces; and the nuclear enterprise.

Today, I will highlight work in four areas in order to illustrate how our audit recommendations have identified ways for the Department to be more efficient and save money.

1. ACQUISITION PROCESSES AND CONTRACT MANAGEMENT

The Department continues to address challenges with acquisition and contracting for goods and services necessary to support the Department's mission. Challenges include obtaining adequate competition in contracts; defining contract requirements; obtaining fair and reasonable prices; oversight of contract performance; and maintaining contract documentation for payments. The following are specific examples of such related oversight work.

MAJOR DEFENSE ACQUISITION PROGRAMS (WEAPON SYSTEMS)

During FY 2012, the Department spent, or was projected to spend, \$26.9 billion on major defense acquisition programs (MDAPs) for acquisition category I and II programs. The Department continues to reprioritize and rebalance its investments in weapon systems and has made progress toward improving efficiency. As budgets continue to come under increasing scrutiny, the Department must continue to evaluate the merits, additional capabilities, and cost of MDAPs. Oversight of these programs continues to remain a high priority within DoD OIG due to a number of high-profile programs being over cost and behind schedule. As a result of our work, senior leadership has agreed to further review the viability or terminate acquisition programs.

For example, in September 2012, we issued a report⁴ on the DoD Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System. While the specifics of the finding are restricted from public disclosure, we can say that we questioned the planned procurement of additional assets beyond the requirements and identified over \$2.5 billion in potential savings. Management agreed with our report and recommendations stating "the impact of the current fiscally-constrained environment compels redirection of funding to other systems."

⁴ Report No. DODIG-2012-121, "Acquisition of the Joint Land Attack Cruise Missile Defense Elevated Netted Sensor System," September 7, 2012

We are following up with management to document actions taken and the actual savings realized.

In another example, we are auditing the Army's acquisition of the individual carbine program, which is an acquisition the Department may want to re-evaluate. We expect to report concerns that DoD may not have an established need for this weapon nor developed performance requirements for the \$1.8 billion acquisition. Currently, the Army is modifying its existing M4 rifle and, at the same time, seeking to develop a new rifle. However, key performance parameters such as accuracy, reliability, and lethality have not been established. In addition, it is unclear what additional capability this new rifle will have over the modified M4. Further, the Army is seeking to acquire more rifles during a time when their total force structure will be reduced. We expect to issue our draft report within the next two months that will further elaborate on these concerns and provide recommendations for the Department to increase efficiencies.

PERFORMANCE BASED LOGISTICS/SPARE PARTS PRICING

In 2004, as a cost savings initiative, the Department moved to performance-based logistics (PBL). DoD adopted PBL to implement performance-based life-cycle support strategies for weapon systems, while minimizing cost. However, DoD OIG has found that this cost savings initiative has, in some instances, affected the Department's ability to obtain fair and reasonable prices for spare parts; the Services unnecessarily buy parts from PBL contractors instead of exhausting substantial unused DoD inventory available at the Defense Logistics Agency; and the Services have been buying parts from contractors at extraordinarily higher unit prices than comparable parts obtained from the Defense Logistics Agency. In total, DoD OIG has made 124 recommendations addressing PBL issues. Of those 124 recommendations, 56 recommendations are currently open. DoD OIG identified \$423.7 million in potential monetary benefits through effective use of existing inventory and procuring spare parts from more cost effective sources.

A series of recent audit reports⁵ on contracts with Boeing and Sikorsky to support Corpus Christi Army Depot identified that DoD did not use existing inventory and overpaid for spare parts. For example, DoD OIG identified \$287.7 million in potential monetary benefits because the Army did not effectively use existing DoD inventory before procuring the same parts from Boeing. To illustrate, as shown below, we found Boeing charged the Army \$1,678.61 for a ramp gate roller assembly used on the Chinook helicopter, when the DLA price was \$7.71.



Ramp Gate Assembly

DLA 2009 Unit Price: \$7.71

Boeing 2009 Unit Price: \$1,678.61

Boeing Refunded: \$76,849

As a result of the problems identified in the report, Army Materiel Command issued new guidance requiring the use of DoD inventory before procuring more parts from private contractors and will address the excess inventory identified.

CONTRACT MANAGEMENT

The Department continues to face persistent and significant challenges in contracting for goods and services, especially in support of contingency operations in Southwest Asia. In September 2012, DoD OIG published the second issuance of our summary report⁶ of contracting related challenges to provide DoD field commanders and contract managers with information on contracting problems related to contingency operations. We identified nine

⁵ Report No. D-2011-061, "Excess Inventory and Contract Pricing Problems Jeopardize the Army Contract With Boeing to Support the Corpus Christi Army Depot," May 3, 2011, and

Report No. DODIG-2012-004, "Changes Are Needed to the Army Contract With Sikorsky to Use Existing DoD Inventory and Control at the Corpus Christi Army Depot," November 3, 2011

⁶ Report No. DODIG-2012-134, "Contingency Contracting: A Framework for Reform - 2012 Update," September 18, 2012

systemic contracting problem areas relating to contingency contracting from reports issued by DoD OIG. The most pertinent issue in terms of saving taxpayer dollars is the lack of effective contract oversight in overseas contingency operations. Of the 72 collective reports analyzed, DoD OIG issued 48 reports that identified concerns with contract oversight and surveillance. Those 48 reports included 264 recommendations to address identified issues. As of August 2012, of those 264 recommendations, 22 recommendations were open. Without careful review by contracting officer representatives, the Department lacks the appropriate assurance that billions of dollars in goods and services were actually received or were delivered in a manner that meets the mission requirements of DoD.

In March 2011, DoD OIG identified about \$125 million in potential monetary benefits based on its audit of the prime vendor contract for subsistence in Afghanistan.⁷ Our report found the Defense Logistics Agency needed to improve contract management of the subsistence contract for Afghanistan. Among several notable contract management deficiencies, DoD OIG found that DLA overpaid \$125 million to the prime vendor for transportation and shipping container costs. DLA agreed with all the recommendations and stated they were making every effort to determine fair and reasonable prices and recover the difference between the reimbursement rates paid to the prime vendor and the finalized rates.

Because of the magnitude of the finding, DoD OIG is currently performing follow-up to determine whether management took sufficient action to address the recommendations and recover the monetary savings. Preliminary information provided by the Department indicates that the original \$125 million in potential monetary savings identified may actually be significantly higher. In December 2011, the Department requested the contractor repay over \$756 million. The contractor then filed a claim with the Armed Services Board of Contract Appeals. In March 2012, the Department began recoveries at a rate of approximately \$21 million per month. This is an example of where recommendations and aggressive management attention, including more broadly applying DoD OIG recommendations, could result in the Department recouping a significant overpayment.

⁷ Report No. D-2011-047, "Improvements Needed in Contract Administration of the Subsistence Prime Vendor Contract for Afghanistan," March 2, 2011

2. FINANCIAL MANAGEMENT

Financial management is another management challenge area where potential monetary benefits and savings can be found. DoD is undertaking significant efforts to develop auditable financial statements by the 2014 and 2017 deadlines. As part of this effort, the Department plans to spend more than \$15 billion to further develop and implement new computer systems called Enterprise Resource Planning (ERP) systems that are intended to meet the needs of the financial management and functional communities. These ERP systems have experienced cost increases and schedule delays up to 13 years. As a result, DoD continues to use outdated legacy systems and this diminishes the estimated savings associated with transforming business operations through business system modernization. In addition, the impact of schedule delays increases the risk that DoD will not achieve an auditable Statement of Budgetary Resources by FY 2014 or accomplish its goal of full financial statement audit readiness by FY 2017.

DoD OIG has issued eight reports with a total of 82 recommendations, which address concerns with the Department's ERPs. In this series of reports, we recommended that DoD halt deployment of specific ERPs until our stated concerns have been addressed.⁸ A July 2012 report⁹ we issued highlights the need for improved oversight over the business process reengineering efforts for the ERPs and better alignment of ERPs to material weakness resolution within the Financial Improvement and Audit Readiness Plan.

Continuing our oversight efforts, in February 2013, we announced an audit to determine whether additional ERP Systems cost increases and schedule delays have occurred since our July 2012 audit report. We will also determine whether DoD has implemented corrective actions to ensure the integrity of business process reengineering assessments submitted for DoD ERP programs.

⁸ Report No. D-2012-072, "Previously Identified Deficiencies Not Corrected in the General Fund Enterprise Business System Program," June 15, 2011

⁹ Report No. DODIG-2012-111, "Enterprise Resource Planning Systems Schedule Delays and Reengineering Weaknesses Increase Risks to DoD's Auditability Goals," July 13, 2012

Additionally, reducing improper payments can produce significant efficiencies and savings. Improper payments are often the result of unreliable data and poor internal controls. These conditions create an environment where fraud and waste is more likely, and as a result, the Department lacks assurance that it is making proper payments. Once the Department identifies improper payments, DoD can use various payment mechanisms such as contract payment offset or recovery auditing.

For FY 2012, the Department estimated \$882 million in improper payments. DoD OIG remains concerned with the accuracy and completeness of the Department's estimation process. In response to our oversight dating back to 2011, the Department improved its improper payment estimation process, including implementing a program to statistically sample contract and vendor payments and review additional military health benefit programs that had previously not been included in Improper Payments Elimination and Recovery Act reviews. However, as we discuss in our March 2013 report,¹⁰ challenges remain, including \$12.3 billion in outlays that were not reviewed for improper payments but should have been. Further, we remain concerned that the FY 2012 estimated amount of improper payments is not complete.

3. EQUIPPING AND TRAINING IRAQ AND AFGHAN SECURITY FORCES

An immeasurable potential savings lays in the speed in which the United States can equip and train Iraq and Afghan forces to be self-sufficient and able to defend their sovereign countries. For example, in Afghanistan, the United States spends several billion dollars a year to build the Afghan National Security Forces. DoD OIG oversight of U.S. efforts to train, equip, and mentor the Afghan National Security Forces has identified challenges in building those forces which may adversely impact the ability and timeliness of establishing self-sufficient and capable sovereign forces. For example, during the course of the OIG assessment of the development of the Afghan Air Force (AAF),¹¹ we received multiple

¹⁰ Report No. DODIG-2013-054, "DoD Efforts to Meet the Requirements of the Improper Payments Elimination and Recovery Act in FY 2012," March 13, 2013

¹¹ Report No. DODIG-2012-141, "(U) Assessment of U.S. Government and Coalition Efforts to Train, Equip and Field the Afghan Air Force," September 28, 2012.

specific reports that the G-222/C-27A medium transport training aircraft were not safe to fly. On February 27, 2012, we sent a quick reaction memorandum¹² listing concerns over the safe operation of the AAF-assigned G-222/C-27A aircraft to the Commanding General, NATO Training Mission-Afghanistan (NTM-A), and the Commander, USAF Central Command (USAFCENT). The U.S. Air Force commands initiated command directed investigations, completed in April 2012, and are implementing recommendations. Per our recommendations, the USAF decided that the G-222/C-27A should cease flying in February 2013 and a DoD initiative to replace the aircraft is underway. DoD OIG has also conducted assessments on the establishment of the Office of Security Cooperation-Iraq within U.S. Embassy-Baghdad that have facilitated discourse on best practices during periods of transition.

4. LIFE AND SAFETY

While not a specific management challenge, we ensure that oversight pertaining to life and safety issues is a top priority. In the past several years, DoD OIG has found faulty testing of personal protective equipment as well as electrical and fire safety issues. We also identified faulty testing of body armor procured under an Army contract, to which the Secretary of the Army responded by ordering the identification and collection of the ballistic insert designs.¹³

Earlier this month we issued a report¹⁴ on inadequate contractor oversight of military construction projects valued at \$36.9 million in Afghanistan. The Air Force Center for Engineering and the Environment Contingency Construction Division did not conduct effective contractor oversight. AFCEE officials relied completely on the technical expertise of contractor personnel. This resulted in conflicting electrical standards, incorrect fire standards, and significant deficient work being performed. The deficiencies led to serious increased hazards to the life and safety of coalition forces at these installations.

¹² Quick Reaction Memo, "(U) Concerns Over the Safe Operation of the C27 Aircraft in Afghanistan," February 27, 2012.

¹³ Report No. D-2009-047, "DoD Testing Requirements for Body Armor," January 29, 2009

¹⁴ Report No. DODIG-2013-052, "Inadequate Contract Oversight of Military Construction Projects in Afghanistan Resulted in Increased Hazards to Life and Safety of Coalition Forces," March 8, 2013

CONCLUSION

I thank the Committee for inviting me to testify on opportunities to reduce waste and improve efficiencies at DoD through implementation of recommended actions from our oversight efforts. Senior Department leadership must remain vigilant in advocating and supporting the value of the Inspectors General and the oversight community including taking necessary actions to address recommendations and, when necessary, apply those lessons to programs and operations across the Department.

We look forward to working with DoD leadership to ensure recommendations made by DoD OIG continue to be addressed in a timely manner. With the given fiscal challenges the country is facing, every dollar we can save and put to better use is critical.

This concludes my statement today, and I welcome any questions the Committee may have.

Chairman Issa. Without objection, all opening statements will be placed in the record.

With that, we recognize Secretary Borras.

STATEMENT OF THE HONORABLE RAFAEL BORRAS

Mr. BORRAS. Chairman Issa, Ranking Member Cummings, and other distinguished members of the committee, thank you for the opportunity to discuss the efforts to improve efficiency across the Department of Homeland Security.

As the chief management official at DHS, I oversee policy, operations, and oversight for each of the critical management lines of businesses. These include acquisition, human capital, budget and finance, information technology, capital assets, and security.

One of the top priorities during my three-year tenure has been to lay the groundwork to systematically integrate the Department's management infrastructure. My personal experience as an executive in the private sector, as well as in the previous Federal and local government positions, has shown that building a strong and accountable management foundation is the best way to ensure that any organization operates at peak efficiency. Expanding on the work of my predecessors at DHS, I believe we are making significant progress to strengthen and mature that foundation.

When the current administration arrived in 2009, the management infrastructure was relatively decentralized and some of the basic management authorities and delegations at the headquarters level to the Components needed to be updated. Working with the Components, we made lines of authority in oversight much clearer, providing headquarters with better visibility into the Components day-to-day operations. This has resulted in significant improvements to both the financial and acquisition management areas.

The Government Accountability Office's 2013–15 high-risk report acknowledges that significant progress has been made over the past three years to transform and integrate our management functions. We value the independent analysis provided by both the GAO and the OIG, and use their assessments as a barometer to measure our progress and to continue to make improvements.

I am pleased to be joined today by Acting Inspector General Edwards. The Department has fostered an open and collaborative relationship with the OIG to find and reach resolution on their recommendations. Since March 2011, DHS has concurred on over 95 percent of the OIG's recommendations and has increased the rate of closeout in findings from recommendations from 56 percent to nearly 75 percent. We expect this positive trend to continue. It is clear to me that we share the same goal: to improve the quality of management at the Department.

I would like to take this opportunity to describe how enhancements for our management infrastructure are improving efficiency, specifically in the areas of acquisition and financial management.

The acquisition management function plays a key role in supporting the Department's mission goals. As a DHS chief acquisition officer, I oversee annual expenditures of roughly \$18 billion and have instituted several changes to improve the quality and the accountability of the Department's acquisition structures and processes. In 2011, I restructured and strengthened oversight of all

major acquisition programs, which included creating an Office of Program Accountability and Risk Management, or PARM, and requiring the office to report directly to me. PARM ensures that all programs comply with Management Directive 102–01, which is the principle policy guiding the governance and the development and the execution of all programs.

In the financial management area, for fiscal year 2012, DHS received its first qualified audit opinion on all five of its financial statements. This full-scope audit opinion is a pivotal step towards increasing transparency and accountability for the Department's resources and is a result of DHS's ongoing commitment to instituting sound financial management practices. We are focusing resources to obtain an unqualified opinion for 2013.

The Department has also made significant improvement in its efforts to eliminate improper payments above and beyond the statutory requirements. Since 2009, DHS has been found compliant with the Improper Payments and Elimination Recovery Act of 2010 and its predecessor, the Improper Payments Information Act of 2002. Since mid-2010, we have recouped or resolved 95 percent of the \$21 million reported as high dollar overpayments. We continue to improve payment controls and to process and maintain good stewardship of taxpayer dollars.

Since the beginning of the administration, DHS has made an unprecedented commitment to efficiency, fiscal discipline, and accountability. Since 2009, DHS has identified over \$4 billion in cost avoidances and reduction, and have redeployed those funds to mission critical initiatives across the Department.

Driving consolidation, integration, and standardization across the IT infrastructure is critical to realizing additional efficiencies. We have, for example, consolidated 18 legacy data centers into two state-of-the-art enterprise data centers. A CFO audit revealed that these migrations have resulted in average annual savings of \$17 million.

Concluding, in the past four years the Department has made substantial strides to integrate management, improve efficiency, and maintain our service levels, despite operating with a relatively flat budget. We take seriously our responsibility to be good stewards of taxpayer money and I firmly believe we have a stronger, more integrated management structure that will continue to yield positive results.

I thank you for the opportunity to appear here today and I look forward to answering your questions.

[Prepared statement of Mr. Borras follows:]

**TESTIMONY OF
The Honorable Rafael Borras
Under Secretary for Management
U.S. Department of Homeland Security**

**Before the
U.S. House of Representatives
Committee on Oversight and Government Reform**

**Tuesday, March 19, 2013
Rayburn House Office Building, Room 2154**

Chairman Issa, Ranking Member Cummings and other distinguished members of the Committee, I thank you for the opportunity to appear today to discuss efforts to improve efficiency across the Department of Homeland Security (DHS).

Secretary Napolitano has delegated me, as the chief management official at DHS, the responsibility to oversee the promulgation of policy, operations and oversight for each of the critical management lines-of-business (LOB). These include: acquisition, human capital, budget & finance, information technology, capital assets, and security. Collectively, these functions form the backbone of the Department's management infrastructure as they support and sustain the people, processes, programs and systems that drive our Department.

One of the top priorities during my now three-year tenure has been to lay the groundwork to systematically integrate the Department's management infrastructure. My personal experiences as an executive in the private sector, as well as in previous federal and local government assignments, have shown that building a strong and accountable management foundation is the best way to ensure any enterprise operates at peak efficiency. Expanding on the work of my predecessors, I believe that we are making significant progress maturing that foundation.

When the current administration arrived at the Department in early 2009, the management infrastructure was relatively decentralized and some of the basic management authorities and delegations from the Headquarters-level to the Components either did not exist or were inconsistently applied. This was especially true in the areas of acquisition and program management, which led to confusion and other program challenges. Working with the Components, we updated key documents to make the lines-of-authority and oversight clear. As a

result of new and improved management directives and delegations, we have created better Headquarters visibility into day-to-day operations at the Component-level. More importantly, especially in the acquisition area, we have been able to pause or redirect inefficient programs. In fact, the Government Accountability Office's (GAO) bi-annual report, "High-Risk Series: An Update," issued just last month, cites the "significant" progress made over the past three years to transform and integrate the Department's management functions. GAO's independent analysis serves as one of the key barometers we use to measure progress.

I am pleased to be joined by Acting Inspector General Edwards. DHS works closely with the Office of the Inspector General (OIG) to reach resolution on findings and recommendations, including corrective actions and target implementation dates. Of the 900 OIG recommendations issued since March 2011, DHS has concurred with 95 percent. Our working relationship with the OIG continues to be productive as we have increased the percentage of closed findings and recommendations over the past 24 months from 56 percent to nearly 75 percent and expect this positive trend to continue. Most importantly, we have fostered an open and collaborative relationship with the OIG and share the same goal—to improve the quality of management at the Department.

I would like to take this opportunity to provide examples of how enhancements to our management infrastructure are improving efficiency, specifically in the areas of acquisition and financial management.

Acquisition Management

As the DHS Chief Acquisition Officer, I oversee annual expenditures of roughly \$18 billion and have worked to improve the Department's overall acquisition process by developing clearer policies and stronger oversight. Today, acquisition programs undergo a more rigorous requirements-development much earlier in the process, which enhances our ability to manage the implementation and execution phase. In 2011, the Department restructured and strengthened oversight of all major acquisition programs, which included creating the Office of Program Accountability and Risk Management (PARM) and requiring the office to report directly to me. PARM manages and implements Management Directive (MD) 102-01, which is the principle policy guidance that governs the development and execution of all acquisition programs. MD 102-1 was recently updated to institutionalize the role of PARM within the Department and to clarify further the roles and responsibilities of that office. This update has improved the effectiveness of governance and ensures that cost, schedule and performance metrics are more effectively monitored.

This policy has significantly improved program management at DHS and enhanced the effectiveness of governance. For example, since the revision to MD-102, our enhanced governance structure determined that two major programs, Advanced Spectroscopic Portal (ASP) and Transformation and Systems Consolidation (TASC), be cancelled. It was also determined that three other programs, Student Exchange Visitor Information System (SEVIS II), Automated Commercial Environment (ACE), and Biowatch be paused and their strategies be re-evaluated.

In addition, PARM supports programs earlier in their life cycle so they are better positioned for success during the execution phase. One specific example where effective oversight was

applied at the planning phase is the U.S. Immigration and Customs Enforcement (ICE) TECS Modernization program. As a result of a regular program reviews, the program was paused and ICE was directed to re-baseline and re-scope the requirements. This pause resulted in a reduction in the cost of the original estimate by roughly \$46 million.

Finally, each Component must have a Component Acquisition Executive (CAE) to oversee major programs. The new CAE structure establishes a more logical vertical line of authority between the Department and the Components. This allows for uniform implementation of policies, oversight and decision making. As a result of this change, program managers cannot deviate from an approved strategy unless they receive authorization from the designated decision authority. To strengthen the Department's oversight, the Executive Director for PARM has direct input into hiring decisions for key Component acquisition officials, as well as their performance plans and appraisals.

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

We've also improved oversight of IT investments by establishing a tiered governance model that allows for more frequent program reviews between ARBs. In addition, Centers of Excellence have been established to provide "hands-on" expertise to support Components in disciplines such as requirements engineering, cost analysis, and test and evaluation.

One of the most important initiatives during my tenure has been the building of an acquisition business intelligence platform, the Decision Support Tool (DST). The DST became operational in October 2011 and provides leadership, governance boards and program managers with a central dashboard for assessing and tracking the health of major acquisition programs, projects and portfolios, using indicators such as funding profile, cost, schedule, technical performance and risk. As a result of the DST, we have shifted program management oversight to be more data-driven, with an emphasis on business intelligence and maintaining quality data within DHS source systems. The OIG has acknowledged these efforts and noted in its annual “Major Management Challenges” report that DHS has significantly strengthened its acquisition management oversight.

Financial Management

In the financial management arena, DHS recently received its first qualified audit opinion on all five financial statements. This full-scope audit opinion on all five financial statements is a pivotal step towards increasing transparency and accountability for the Department’s resources, and is the result of DHS’s ongoing commitment to instituting sound financial management practices to safeguard taxpayer dollars. DHS also provided qualified assurance of the effectiveness of internal controls over financial reporting for the first time in its history. This effort highlighted the success of the management integration efforts we have been pursuing at DHS. The Office of the Chief Financial Officer (OCFO) did an in-depth risk assessment of the issues, worked closely with our Component agencies to create mitigation plans, met regularly with Component CFOs to ensure adherence to the established milestones and remediation plans and kept the lines of communication open with the OIG. These efforts

represent significant progress in prudent financial management, and I am proud of the hard work of our CFO and employees across the Department that made this audit possible.

The Department will continue to implement a risk-based approach to audit remediation and will work closely with our Components to mitigate risk of new material weaknesses or audit qualifications as a means to sustain our successes. We are committed to obtaining and sustaining an unqualified opinion for the Department in 2013.

For the fourth year in a row, KPMG, LLP, the Department's independent auditor, has not identified any instances of noncompliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA). The Department has also made significant progress in its efforts to eliminate improper payments above and beyond the statutory and regulatory requirements. DHS has been found compliant since Fiscal Year (FY) 2009 with both the Improper Payments Elimination and Recovery Act of 2010 (IPERA) and its predecessor, the Improper Payments Information Act of 2002 (IPIA). Over the last several years, DHS has driven our percentage of improper payments from over eight percent to just fewer than two percent. Since mid-2010, we have recouped or resolved 95 percent of the \$21 million reported as "high" dollar overpayments. DHS has instituted several efforts to improve payment controls and processes, as well as begun the implementation of the statutorily required Do Not Pay Portal databases. In addition, we have organized a Payment Center Work Group, bringing together Department and Component experts in payment management and processing, internal controls, and procurement to identify sources and root causes of improper payments, existing best practices, and to promote their implementation.

The recent OIG report, titled, “Department of Homeland Security’s Compliance with the Improper Payments and Elimination and Recovery Act of 2010,” contained six recommendations for improvement and enhancement of our processes, and DHS has confirmed closure of four of the six recommendations with the OIG. The first open recommendation relates to improving personnel independence during the testing phase, and this finding is partially addressed. The second open recommendation relates to enhancing the Department’s recovery auditing efforts where cost effective. We have found that recovery auditing is not cost effective at the U.S. Secret Service due to security restrictions dictating all recovery audit work be performed on-site, the relatively small size of the U.S. Secret Service, and vendor feedback.

The OIG also made eight recommendations for further enhancements in the Compliance Audit which, when implemented, would further improve the accuracy and completeness of DHS’s improper payments reporting and improve efforts to recover overpayments. DHS concurs with the recommendations and has taken positive actions to address and close these recommendations by March 31, 2013.

Commitment to Efficiency

Since the beginning of the Administration, DHS has made an unprecedented commitment to efficiency to better support frontline operations by building a culture of fiscal discipline and accountability. Through the Department-wide, employee-driven Efficiency Review (ER), which began in 2009, as well as other cost-saving initiatives, DHS has identified over \$4 billion in cost avoidances and reductions, and redeployed those funds to mission-critical initiatives across the Department. To date, DHS ER has launched 46 initiatives designed to streamline operations and

change the way DHS does business. Specifically, the DHS ER has led to significant progress in the areas of physical assets, personnel, and day-to-day expenditures.

In support of the Administration's Campaign to Cut Waste, DHS has established additional conference and travel policies and controls to reduce travel expenses and ensure conferences are cost-effective and that both travel and conference attendance is driven by critical mission requirements. During 2012, DHS issued a new directive that established additional standards for conferences and requires regular reporting on conference spending, further increasing transparency and accountability. We continue to improve our processes in these areas and the Department has undertaken a comprehensive review of all planned spending for the remainder of FY 2013, including additional scrutiny of potential conference expenditures, to ensure that resources continue to be focused on mission-essential needs. Additionally, all DHS-hosted conferences with travel over \$25,000, or conference related expenses over \$10,000 (excluding travel), must be approved by the Deputy Secretary.

DHS has also taken steps to strengthen oversight of those Components which have authority to execute and manage financial assistance, which is the transfer of anything of value for a public purpose, in support of the DHS mission. In DHS, financial assistance constitutes grants, cooperative agreements, training, loans, direct payments and insurance. DHS supports a wide variety of financial assistance, to include disaster assistance, preparedness grants, cybersecurity, research and university centers of excellence.

To ensure proper oversight of the Components and develop Departmental policies, the Financial Assistance Policy and Oversight (FAPO) office was established in 2009 within OCFO.

Since its inception, FAPO has standardized policies and documentation requirements for each of the four phases of the financial assistance lifecycle (pre-award, award, post award, and closeout) including the establishment of a standard Funding Opportunity Announcement (FOA) for grant applications, a standard Notice of Award document, and Standard Terms and Conditions for all DHS awards. Starting in FY 2011, FAPO reviewed all FOAs prior to their postings to Grants.gov to ensure compliance with Congressional mandates and consistency across DHS. We have also issued policies on 24 financial assistance topics. In FY 2012, the CFO issued a total of 11 policies and 27 additional policies are planned to be published in FY 2013. The Financial Assistance Line of Business (FALOB) was created and has been incorporated into DHS directive and instruction. Currently, FAPO is implementing the requirements to strengthen grants management, such as establishing and managing a warranting process for staff responsible for obligation of DHS financial assistance funds and a training program for all DHS financial assistance administrative staff.

For example, the Federal Emergency Management Agency (FEMA), working closely with OCFO, continues to consistently reduce the estimated error rate for its high-risk programs. Two FEMA programs that had estimated error amounts greater than \$10 million are the Disaster Relief Fund Vendor Payments (\$494 million payments tested, 3.09 percent estimated error rate, \$15 million estimated error amount) and the Homeland Security Grant Program (\$1,472 million payments tested, 1.00 percent estimated error rate, \$15 million estimated error amount). Specifically, the overall error rate for FEMA's high-risk programs dropped from 8.0 percent reported in FY 2009 to 1.7 percent in FY 2010. FEMA's overall error rates of 1.04 percent (FY 2011) and 0.82 percent (FY 2012) fell below the reduced agency target rate (1.5 percent) two years in advance of the FY 2014 requirement. This marked improvement is a result of continuous

focus and efforts by OCFO and FEMA, who led and completed corrective action plans to eliminate improper payments. Other FEMA improvements include adding applicant eligibility edit checks, standardizing documentation requirements, and providing training on the root causes of errors and steps to address payment risks.

Small Business Contracting

DHS continues to support small businesses around the country. Since FY 2009, the Small Business Administration has evaluated agencies based on small business prime contracting, small business subcontracting, and a written progress plan. DHS has consistently received a grade of “A.”

Rationalizing the IT infrastructure

Driving consolidation, integration and standardization across the IT infrastructure is a key to realizing additional efficiencies. DHS recently completed a network consolidation to “One Net,” which leverages the buying power of the Department for all network series. To facilitate this, we have consolidated 16 data centers into two state-of-the-art enterprise data centers. A CFO audit showed us that these migrations resulted in an average annual savings of \$17.4 million. As part of the Secretary’s Efficiency Review, we have negotiated more than a dozen enterprise licenses with industry partners resulting in more than \$353 million in cost avoidances.

Conclusion

The Department has made significant strides to integrate management, improve efficiency and reduce risk. I firmly believe we are making, and will continue to make, significant progress in these areas. I thank you for the opportunity to appear before you today, and I look forward to answering any questions you may have.

Chairman ISSA. Thank you.
General Edwards?

STATEMENT OF CHARLES EDWARDS

Mr. EDWARDS. Good morning, Chairman Issa, Ranking Member Cummings, and members of the committee. Thank you for the opportunity to discuss the work of DHS Office of Inspector General.

Since our inception in 2003, DHS's OIG has issued 8,068 recommendations to the Department, of which 1,253 remain open and unimplemented. My testimony today will discuss and address a few high priority open recommendations which require focus on ways the Department can improve its program operations, reduce fraud, waste, and mismanagement.

First, DHS personnel require interoperability to communicate both with other DHS components and external partners. DHS established a goal that all components would be able to communicate using interoperable radio systems by establishing a common radio channel and purchasing standardized equipment.

However, in November 2012, we reported that only 1 of 479 radio users we reviewed could access and communicate using the specified channel, and only 78 of 382 radios tested contained all the correct program settings. We recommended that DHS develop and disseminate policies and procedures to standardize Department-wide radio use to ensure interoperability.

A second example involves CBP's unmanned aircraft system program. Congress appropriated more than \$240 million to establish this program and CBP developed plans to use the unmanned aircraft's capabilities. We reported in May 2012, however, that CBP's approach may underutilize resources and limit CBP's mission. We recommended that CBP analyze requirements and develop plans to achieve the U.S. mission availability objective and acquire funding to provide necessary operations, maintenance, and equipment.

The third example involves FEMA. In January 2012, we reported that only 6.3 percent of the public assistance projects for Louisiana had been closed out in the six years since Hurricane Katrina made landfall. Many of those projects are years past the closeout deadlines. They could involve substantial amounts of obligated funds that could be put to better use. The Federal Government provided 100 percent funding of the public assistance projects and, therefore, the State has no incentive to close completed projects. We recommended that FEMA develop and implement policies, procedures, and time lines to ensure the projects with 100 percent Federal funding are closed timely.

Additional high priority open recommendations focus on the accountability issues of financial management, information technology management, and cybersecurity. For example, although DHS produced auditable financial statements in fiscal year 2012 and obtained a qualified opinion on those statements, challenges remain. DHS's financial management systems are not able to process, store, and report financial data in a manner to ensure accuracy, confidentiality, integrity, and availability.

With respect to IT management, CBP has the largest IT budget among the DHS components. Although the CBP chief information officer has taken several actions to support effective IT manage-

ment, we reported in June 2012 that system challenges remain, including issues of systems availability, interoperability, and functionality.

Finally, in the area of cybersecurity, we have open recommendations regarding the risk of insider threats at TSA and the implementation of international cybersecurity programs.

In conclusion, DHS has a critical role to play in ensuring national awareness, preparedness, and coordinated response to potential emergency situations, suspicious activities, and terrorist threats. Our reports provide the Department Secretary and Congress with an objective assessment of the issues, and at the same time provide specific recommendations to correct deficiencies and improve the economy, efficiency, and effectiveness of the Department's programs.

Our work, however, is only effective if the Department implements corrective actions timely to address deficiencies and weaknesses. Doing so will help ensure that the Department exercises proper stewardship of Federal resources.

Mr. Chairman, this concludes my prepared remarks, and I would be happy to answer any questions that you or the members may have.

[Prepared statement of Mr. Edwards follows:]

STATEMENT OF CHARLES K. EDWARDS

DEPUTY INSPECTOR GENERAL

U.S. DEPARTMENT OF HOMELAND SECURITY

BEFORE THE

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

U.S. HOUSE OF REPRESENTATIVES

MARCH 19, 2013



Mr. Chairman and Members of the Committee:

Thank you for the opportunity to discuss ways to reduce waste and improve efficiency at the Department of Homeland Security (DHS).

My testimony today will address DHS' high priority open recommendations for both the short term and long term. The open recommendations we identified as the highest priority were in eight reports issued between December 2011 and December 2012. These recommendations address critical mission areas, such as the security of our Nation's borders, information sharing to accomplish intelligence and other Department goals, and the response to and recovery from natural disasters. The recommendations also address critical accountability issues, such as financial management, information technology (IT) management, and cybersecurity.

As DHS continues to mature as a Department, it has made progress in addressing its key mission areas and establishing the groundwork for effective stewardship over its resources; yet challenges remain. The open recommendations discussed today illustrate some of the ongoing challenges facing DHS and its component offices. Once these recommendations are addressed, DHS will be in a better position to improve the effectiveness and efficiency of its operations and reduce the potential for waste, fraud, and mismanagement.

Background

As of March 8, 2013, DHS OIG has issued 8,068 of recommendations since its inception in March 2003, and 1,253 (16 percent) of those recommendations remain open. Of the open recommendations, 210 have monetary findings associated with them of \$1.2 billion.

In December 2012, we issued our Major Management Challenges report, which summarized and briefly assessed progress of the most serious challenges facing the Department.¹ These challenges were categorized into two main themes: Mission Areas—Intelligence, Transportation Security, Border Security, Infrastructure Protection, and Disaster Preparedness and Response; and Accountability Issues—Acquisition Management, Financial Management, IT Management, Grants Management, Employee Accountability and Integrity, and Cyber Security.

On December 5, 2012, we received a request from this Committee to identify our office's five highest priority short-term and five highest priority long-term open recommendations to improve agency efficiency and reduce waste; and to describe whether and in what ways DHS management solicits input on how to improve efficiency and reduce waste. We provided this information in a written response on February 11, 2013, identifying our short- and long-term high-priority recommendations; eight of which were also included in our 2012 Major Management Challenges.

¹ DHS OIG, *Major Management Challenges Facing the Department of Homeland Security-Revised* (OIG-13-09, December 2012).

Five of the 10 high-priority open recommendations focus on DHS mission areas of border security, intelligence, and disaster preparedness and response. The remaining five high-priority open recommendations focus on accountability issues of financial management, IT management, and cybersecurity.

Mission Area: Border Security

Securing the Nation's borders from illegal entry of aliens and contraband, including terrorists and weapons of mass destruction continues to be a major challenge. Within DHS, the United States Customs and Border Protection (CBP) is responsible for securing the Nation's borders at and between the ports of entry.

In an effort to accomplish this mission, DHS needs to improve its unmanned aircraft system program. In 2012, we made a high-priority short-term recommendation to improve CBP's program for its unmanned aircraft system (UAS). Also in 2012, we made one high-priority short-term recommendation to address interoperable communications oversight.

CBP's Use of Unmanned Aircraft Systems in the Nation's Border Security

The mission of CBP's Office of Air and Marine (OAM) is to protect the American people and the Nation's critical infrastructure through the coordinated use of integrated air and marine forces. Air and marine forces are used to detect, interdict, and prevent acts of terrorism and the unlawful movement of people, illegal drugs, and other contraband toward or across U.S. borders. The UAS provides command, control, communication, intelligence, surveillance, and reconnaissance capability to complement crewed aircraft and watercraft, and ground interdiction agents.

After the pilot of the UAS program, Congress appropriated more than \$240 million to establish a UAS program within CBP. During our 2012 review, CBP stated it had expended \$152.3 million to purchase nine aircraft and related equipment, and it had seven operational aircraft. CBP received 2 additional aircraft in late 2011 and was awaiting delivery of a tenth aircraft purchased with FY 2011 funds. Each aircraft system cost approximately \$18 million.

We reported that CBP had not adequately planned resources needed to support its current unmanned aircraft inventory. Although CBP developed plans to use the unmanned aircraft's capabilities in its OAM mission, its Concept of Operations planning document did not adequately address processes (1) to ensure that required operational equipment, such as ground control stations and ground support equipment, is provided for each launch and recovery site; (2) for stakeholders to submit unmanned aircraft mission requests; (3) to determine how mission requests are prioritized; and (4) to obtain reimbursements for missions flown on stakeholders' behalf. This approach places CBP at risk of having invested substantial resources in a program that underutilizes resources and limits its ability to achieve OAM mission goals.

Because UAS is a critical aspect of protecting the American people and the Nation's infrastructure, CBP needs to improve the planning of its UAS program to address its level

of operation, program funding, and resource requirements, along with stakeholder needs. We recommended that CBP analyze requirements and develop plans to achieve the UAS mission availability objective and acquire funding to provide necessary operations, maintenance, and equipment.²

DHS' Oversight of Interoperable Communications

The establishment of DHS in 2003 created a network Federal departments and agencies that work together to prevent and respond to terrorist attacks, natural disasters, and other threats. The Department set a goal that all components would be able to communicate using interoperable radio systems, and it planned to achieve that goal by establishing a common radio channel and purchasing standardized equipment. Even though DHS created policies, guidance, and templates to aid in achieving interoperability, and provided more than \$18 million in assistance to State and local agencies, full interoperability remains a distant goal, according to a 2012 Government Accountability Office report.³

In fact, in November 2012, we also reported that, although DHS had established a goal for interoperability and common radio channels, only 1 of 479 radio users we reviewed could access and communicate using the specified channel. Furthermore, only 78 of 382 (20 percent) radios tested contained all the correct program settings, including the name, for the common DHS channel. Additionally, DHS did not establish an effective governing structure with authority and responsibility to oversee the achievement of Department-wide interoperability. Without an authoritative governing structure to oversee emergency communications, DHS has limited interoperability policies and procedures.

Because of this limited progress in interoperability, personnel do not have interoperable communications to rely on during daily operations, planned events, and emergencies. We recommended that DHS develop and disseminate policies and procedures to standardize Department-wide radio activities, including program settings, such as naming conventions, to ensure interoperability.⁴

Mission Area: Disaster Preparedness and Response

The Federal Emergency Management Agency's (FEMA) task of coordinating emergency support following disasters has become more challenging as the number of events to which it responds has risen each year—from 25 to 70 since 1980. From 2008 through 2011, FEMA obligated an average of \$9.5 billion each year in its response efforts. Although the agency has improved its disaster response and recovery, challenges remain. In late 2011 and early 2012, we issued two reports relating to FEMA's response to Hurricane Katrina. One report contained two high priority recommendations— one short-term and one long-term—relating to FEMA's efforts to expedite disaster recovery in

² DHS-OIG, *CBP's Use of Unmanned Aircraft Systems in the Nation's Border Security* (OIG-12-85, May 2012).

³ *Emergency Communications-Various Challenges Likely to Slow Implementation of a Public Safety Broadband Network* (GAO-12-343, February 2012).

⁴ DHS-OIG, *DHS' Oversight of Interoperable Communications* (OIG-13-06, November 2012).

Louisiana. The second report contained a high-priority recommendation to improve FEMA's process for tracking public assistance insurance in the long term.

Efforts to Expedite Disaster Recovery in Louisiana

Under the authority of the *Robert T. Stafford Disaster Relief and Emergency Assistance Act*, as amended (*Stafford Act*), FEMA provides Federal disaster grant assistance to state, tribal, and local governments and certain private nonprofit organizations through the Public Assistance (PA) program. FEMA has an obligation to ensure that Federal disaster funds are used appropriately and timely. In January 2012, we reported that only 6.3 percent of the PA projects for Louisiana had been closed-out in the 6 years since Hurricane Katrina made landfall. Many of these projects are years past the closeout deadlines.

Although FEMA has worked with Louisiana to expedite the recovery effort, several factors have contributed to the slow progress of closing out PA projects. Specifically, the Federal Government provided 100 percent funding of PA projects. The State of Louisiana does not pay the project costs and has no incentive to seek cost effective replacement or repair solutions, close completed projects, or begin reducing the disaster workforce as work is completed. Other factors, such as the project procurement process, inconsistent decisions for applicant eligibility and replacement versus repair determines early in the PA process, and limited state staff resources also contributed to delays in closing PA projects.

Because open PA projects could involve substantial amounts of obligated Federal dollars that could be put to better use, we recommended that FEMA develop and implement specific policies, procedures, and timelines to ensure that 100 percent federally funded projects are closed timely in the short term. Regarding long-term high priority challenges, we recommended that FEMA evaluate the status of all PA projects in Louisiana associated with Hurricane Katrina; and develop, in conjunction with Louisiana, a process to close completed projects and to expedite the completion of open projects.⁵

FEMA has taken several actions to respond to our recommendations. Specifically, FEMA has completed the draft of an updated standard operating procedure for PA program management and grant closeout. In addition, FEMA is implementing a training course, scheduled for a pilot release in FY 2013, to address the PA program process and the roles and responsibilities for closeout activities. FEMA has also developed a procedure to track the progress of recovery and the movement toward programmatic closeout of Hurricanes Katrina, Rita, Gustav, and Ike projects.

FEMA has worked with the State of Louisiana, which developed a closeout process to ensure that each applicant and project meet the eligibility requirements and document standards mandated by Federal and State regulations. In addition, FEMA developed and communicated clear goals for subgrantee certification of project completion, which provide a closeout incentive if certification goals are met. FEMA conducted a complete review of the project closeout process used by the state. The average number of projects

⁵ DHS-OIG, *Efforts to Expedite Disaster Recovery in Louisiana* (OIG-12-30), January 2012.

closed monthly has increased by 300 percent for Hurricanes Katrina and Rita in the first quarter of FY 2013. We will be reviewing these efforts to see whether they have successfully resolved the recommendations.

FEMA's Process for Tracking Public Assistance Insurance Requirements

FEMA PA grant projects totaled more than \$10 billion for all disasters declared between 2007 and 2010. Of that amount, \$1.3 billion were provided for the buildings, contents, and equipment owned by State, tribal, and local governments as well as private nonprofit organizations. Since fiscal year 2009, we have issued 19 financial assistance grant reports that included findings pertaining to PA insurance requirements involving duplicate benefits, incomplete insurance reviews, and applicants who either did not obtain adequate insurance or did not file an insurance claim.

The *Stafford Act* encourages states and local governments to protect themselves by obtaining insurance to supplement or replace government assistance, and requires applicants to obtain insurance on damaged insurable facilities as a condition of receiving PA grant funding, and to maintain insurance on those facilities in order to be eligible for PA funding in future disasters. Yet FEMA's PA program provides disincentives for applicants to carry insurance. For example, the PA program pays for building repair costs following a first disaster, which reduces the incentive for building owners to purchase insurance if they have not previously received disaster assistance. In addition, FEMA reimburses deductible amounts in insurance policies, regardless of the amount of the deductible, which encourages high deductibles.

FEMA has been aware of these and other equity and disincentive problems for more than a decade. In February 2000, FEMA published an advance notice of proposed rulemaking in the *Federal Register* that addressed insurance requirements, procedures, and eligibility criteria with respect to buildings under the PA program. However, FEMA has not issued a final rule and stated that action on these issues has not occurred because regulatory review and rulemaking involving other programs have taken precedence. Consequently, the pertinent PA regulations continue to present the same disincentives and equity issues, and do not provide adequate guidance to those involved in receiving, granting, or overseeing PA grants.

In December 2011, we recommended that FEMA complete the rulemaking process begun in 2000 and issue a final rule that resolves the longstanding problems with PA insurance regulations, including the topics of deductibles, self-insurance, and state insurance commissioners' determinations of reasonably available insurance, among others.⁶ However, in February 2013, FEMA issued a memorandum rescinding the policy of reducing eligible costs by an insurance deductible. Effective immediately, FEMA deducts total insurance proceeds received or anticipated from the total eligible cost of the project. This change in policy provides further incentive for applicants to not carry insurance or, if they do, to choose the highest deductible possible.

⁶ DHS-OIG, *FEMA's Process for Tracking Public Assistance Insurance Requirements* (OIG-12-18, December 2011).

Accountability Issue: Financial Management

DHS is responsible for an annual budget of more than \$59 billion, employs more than 225,000 men and women and operates in more than 75 countries. Sound financial practices and related management operations are critical to achieving the Department's mission and to providing reliable, timely financial information to support management decision-making throughout DHS. Although DHS produced auditable financial statements in FY 2012 and obtained a qualified opinion on those statements, challenges remain for the Department's financial management. One high priority long-term challenge is the improvement of the Department's financial management systems.

Independent Auditors' Report on DHS' FY 2012 Financial Statements and Internal Control over Financial Reporting

An independent public accounting firm, KPMG LLP, performed the integrated audit of the DHS financial statements for fiscal year 2012 and an examination of internal control over financial reporting and compliance. KPMG considered the effects of financial system functionality in its tests, and determined that many key DHS financial systems are not compliant with Federal Financial Management Improvement Act of 1996 (FFMIA) and OMB Circular Number A-127, *Financial Management Systems*, as revised. DHS financial system functionality limitations add substantially to the Department's challenges of addressing systemic internal control weaknesses, and limit the Department's ability to leverage IT systems to effectively and efficiently process and report financial data.

Specifically, KPMG identified persistent and pervasive financial system functionality conditions at all of the significant DHS components in the following areas:

- Inability of financial systems to process, store, and report financial and performance data to facilitate decision making, safeguarding and management of assets, and prepare financial statements that comply with generally accepted accounting principles.
- Technical configuration limitations, such as outdated systems that are no longer fully supported by the software vendors, impaired DHS' ability to fully comply with policy in areas such as IT security controls, notably password management, audit logging, user profile changes, and the restricting of access for off-boarding employees and contractors.
- System capability limitations prevent or restrict the use of applications controls to replace less reliable, more costly manual controls. Or in some cases, require additional manual controls to compensate for IT security or control weaknesses.

Additionally, KPMG determined that the U.S. Coast Guard:

- Is routinely unable to query its various general ledgers to obtain a population of financial transactions, and consequently must create many manual custom queries that delay financial processing and reporting processes.
- Has a key financial system that is limited in processing overhead cost data and depreciation expenses in support of the property, plant, and equipment financial statement line item.
- Uses production versions of financial statements that are outdated and do not provide the necessary core functional capabilities (e.g., general ledger capabilities).
- Has a budgetary module of the core financial system that is not activated. As a result, key attributes (e.g., budget fiscal year) are missing and potential automated budgetary entries (e.g., upward adjustments) are not used. This has created the need for various manual workarounds and the implementation of nonstandard adjustments.
- Has financial systems functionality limitations that are preventing the Coast Guard from establishing automated processes and application controls that would improve accuracy, reliability, and facilitate efficient processing of certain financial data; like receipt of goods and services upon delivery, and ensuring proper segregation of duties and access rights.

KPMG concluded in its report that these findings limit DHS in its ability to process, store, and report financial data in a manner to ensure accuracy, confidentiality, integrity, and availability. KPMG emphasized that some of these weaknesses may result in material errors in financial data that go undetected through the normal course of business. Additionally, because of financial system functionality weaknesses, there is added pressure on mitigating controls to operate effectively. Because mitigating controls are often more manually focused, there is an increased risk of human error that could materially affect the financial statements. We recommended that the DHS Office of the Chief Information Officer, in conjunction with the Office of the Chief Financial Officer, continue the *Financial Systems Modernization* initiative and make necessary improvements to the Department's financial management systems.⁷

Accountability Issue: IT Management

As technology constantly evolves, the protection of the Department's IT infrastructure becomes increasingly more important. The Department's Chief Information Officer has taken steps to mature IT management functions, improve IT governance, and integrate IT infrastructure. However, several DHS components continue to face IT management

⁷ DHS-OIG, *Independent Auditors' Reports on DHS' FY08, 09, 10, 11, and 12 Financial Statements and Internal Control Over Financial Reporting* (OIG-09-09, November 2008; OIG-10-11, November 2009; OIG-11-09, November 2010; OIG-12-07, November 2011; OIG-13-20, November 2012).

challenges. In 2012, we issued a high priority long-term recommendation to address a Customs and Border Protection (CBP) IT management challenge.

CBP Information Technology Management Challenges

IT systems play a critical role in enabling CBP to accomplish its border security, trade, and travel missions. To support its mission, CBP had an IT budget of \$1.5 billion in fiscal year 2012, making it the component with the largest IT budget within the Department.

In June 2012, we reported that the CBP Chief Information Officer has taken several actions to support effective IT management by implementing a strategic planning process, developing an enterprise architecture, and establishing a systems engineering life cycle process to guide and manage CBP's information technology environment. However, system availability challenges exist, due in part to aging infrastructure. Also, interoperability and functionality of the technology infrastructure have not been sufficient to support CBP mission activities fully. As a result, CBP employees have created workarounds or employed alternative solutions, which may hinder CBP's ability to accomplish its mission and ensure officer safety. We recommended that CBP implement a plan to address gaps in the existing requirements and reassess the technology insertion process to address functionality and interoperability challenges in the field.⁸

Accountability Issue: Cybersecurity

Cybersecurity is our Nation's firewall because it is always on alert for constant threats to networks, computers, programs, and data. It contains technologies, processes, and practices that protect our systems from attack, damage, or unauthorized access. In 2012, we made three high priority recommendations – two to address the Transportation Security Administration's (TSA) insider threat challenges in the short-term, and one high priority long-term recommendation to address weaknesses in DHS' International Cybersecurity Programs.

TSA Insider Threat Challenges

TSA relies on sensitive transportation security information to meet its mission of protecting the Nation's transportation systems. TSA employees, contractors, and partners have access to TSA's operations, systems, and data. Based on job function, these trusted insiders are typically given unfettered or elevated access to mission-critical assets. This access creates potential vulnerability to insider threats, such as spying, release of information, sabotage, corruption, impersonation, theft, smuggling, and terrorist attacks.

We reported in July 2012 that TSA has taken steps to reduce the risk of insider threats by establishing an agency-wide Insider Threat Working Group and Insider Threat Section responsible for implementing a program to address insider threat risk. However, TSA had not yet implemented protective measures to detect or prevent unauthorized removal or copying of sensitive information via portable media devices or unauthorized exfiltration of sensitive information outside TSA's network. We recommended that TSA

⁸ DHS-OIG, *CBP Information Technology Management: Strengths and Challenges* (OIG-12-95, June 2012).

disable USB ports, which can be used to transfer data, on desktop and laptop computer if there is not a legitimate business need for them to be activated. We also recommended that TSA limit the size of e-mail file attachments if there is not a legitimate business need for such attachments.⁹

DHS' International Cybersecurity Programs

Our Nation's economy and security are highly dependent on the global cyber infrastructure. The borderless nature of threats to, and emanating from, cyberspace requires robust engagement and strong partnerships with countries around the world. International engagement is a key element of the DHS cyber mission to safeguard and secure cyberspace. DHS' National Protection and Programs Directorate (NPPD) promotes cybersecurity awareness and fosters collaboration with other countries and organizations to global cyberspace threats.

In August 2012, we reported that NPPD had undertaken actions to promote collaboration with the international community and develop partnerships with other nations to protect cyberspace better. However, NPPD had not defined its roles for carrying out the mission of its International Affairs Program nor had it developed a strategic implementation plan to provide a clear plan of action for achieving its cybersecurity goals with international partners, international industry, or the private sector. In addition, NPPD had not streamlined its International Affairs functions and processes to support its international cybersecurity goals, objectives, priorities efficiently, or effectively consolidate resources. Lastly, NPPD needed to strengthen its communications and information sharing activities with international partners to effectively promote international incident response, exchange of cyber data with other nations, or the sharing of best practices. We recommended that DHS develop and implement policies and procedures for establishing and maintaining open dialogues with foreign partners regarding cyber threats and vulnerabilities.¹⁰

Conclusion

DHS OIG completes significant audit, inspection, and investigative work to promote the economy, efficiency, effectiveness, and integrity of the Department's programs and operations. Our reports provide the Department Secretary and Congress with an objective assessment of the issues, and at the same time provide specific recommendations to correct deficiencies and improve the economy, efficiency, and effectiveness of the respective programs.

From April 1, 2012 through September 30, 2012, our audits resulted in questioned costs of over \$235 million. During this same period, DHS recovered approximately \$115 million as a result of disallowed costs identified in current and previous audit reports and from our investigative efforts. We issued 12 reports identifying approximately \$101 million in funds that could be put to better use.

⁹ DHS-OIG, *Transportation Security Administration Has Taken Steps To Address the Insider Threat But Challenges Remain* (OIG-12-120, September 2012).

¹⁰ DHS-OIG, *DHS Can Strengthen Its International Cybersecurity Programs* (OIG-12-112, August 2012).

Our work, however, is only effective if the Department implements corrective actions timely to address deficiencies and weaknesses. Doing so will help to ensure that the Department exercises proper stewardship of Federal resources.

Mr. Chairman, this concludes my prepared statement. I appreciate your time and attention and welcome any questions from you or members of the Committee.

Chairman ISSA. Thank you all.

I will now recognize myself for a round of questioning.

Ms. Halbrooks, do you have subpoena authority as the IG at DOD?

Ms. HALBROOKS. Yes. We have documentary and testimonial subpoena authority.

Chairman ISSA. Have you ever had to use your testimonial subpoena authority?

Ms. HALBROOKS. We have, sir. We have used it twice.

Chairman ISSA. Ever?

Ms. HALBROOKS. Yes.

Chairman ISSA. Does that mean you don't need it or does that mean that the fact that you have it means people reasonably comply in a timely fashion for interviews?

Ms. HALBROOKS. The latter. While we have issued it twice, there have been a few other occasions where we have indicated our intent to issue one, and witnesses have cooperated. Likewise, of course, immeasurable is the effect of just having it and people knowing that we have it.

Chairman ISSA. Mr. Edwards, do you have such subpoena authority?

Mr. EDWARDS. No, sir.

Chairman ISSA. Loaded question: Have you asked people to testify and they have simply declined and you have been unable to get them?

Mr. EDWARDS. Not that I am aware of, sir.

Chairman ISSA. Is there currently a system, General Halbrooks, is there currently a system for anybody to get testimonial subpoena authority other than yourself?

Ms. HALBROOKS. We are the only inspector general's office that has testimonial subpoena authority. It was given to us in the fiscal year 2010 National Defense Authorization Act.

Chairman ISSA. So you have had it for a few years. Have you abused that authority?

Ms. HALBROOKS. We have been very careful and judicious, and have not abused that authority. The rule of the law requires that we notify the Justice Department before we issue those subpoenas, and that has gone very well.

Chairman ISSA. So you have worked in consultation with the Justice Department. And have they made suggestions, corrections, any kind of input over the years?

Ms. HALBROOKS. No. They have concurred or not objected to our issuance of the subpoenas.

Chairman ISSA. Now I am going to go out on a limb. Do you believe that this committee should provide a system for all IGS to have access to similar authority?

Ms. HALBROOKS. That is a difficult decision. It certainly has helped us. It is something that I think has to be used carefully and with specific controls in place. We are comfortable we have those controls and that we use it very judiciously. I am not sure how that would translate to the rest of the IG community, sir.

Chairman ISSA. Well, Mr. Hale, would you say that this is a tool that you are happy that your IG has?

Mr. HALE. I think the IG system is working fine, Mr. Chairman. I will stay with that. I think we get good help and we try to respond, as Ms. Halbrooks said.

Chairman ISSA. Okay. It is obviously an area of interest for myself on this committee.

Mr. BORRAS. Under Secretary Borras, you have increased, not just you, but your predecessor, have increased by about 5,500 TSA individuals between 2005 and 2012, 1,000 for general work, this is full-time equivalents, and 4,500 for agents to operate advanced image technology systems, is that correct?

Mr. BORRAS. I don't know the exact number, but there has been an increase.

Chairman ISSA. Okay. Well, suffice to say we got it from a letter. And this committee has held an awful lot of hearings on the failure of those advanced imaging systems, and it doesn't surprise you, I am sure, to know that the last 14 or 15 times I have gone through security I haven't gone through those imaging devices because, more and more, people are moving back to the old ones.

When you are looking at how to accomplish sequestration, have you considered simply this 8 percent reduction in force through attrition to accomplish a big part of it? In other words, recognize a failure as a failure and allow attrition at TSA to pay for a big part of sequestration?

Mr. BORRAS. Well, Mr. Chairman, as you know, the PPA structure in TSA is structured in such a way that salaries, for example, are their own PPA and subject to the effect of sequestration, and we don't have the ability to—

Chairman ISSA. Wait, wait, wait a second, please. Your attrition at TSA is high. If, 19 months ago, you had put a hiring freeze on, today you would have more than 5500 less TSA agents. Now, you might have to hire some or transfer some, but you would have accomplished that if, 19 months ago, when sequestration was signed by the President.

And, Mr. Hale, I wish you hadn't said it was mindless in a way that disparages the President. Hopefully you didn't mean that when he signed it.

Mr. HALE. I had in mind the law.

Chairman ISSA. Well, it has his signature on it and my vote on it, so it is double mindless, perhaps.

Again, I go through security. Virtually everybody up here on the dais goes through. We are acutely aware that TSA is an organization that is very large, has a lot of people. It is your largest single budget item. Again, if you made decisions 19 months ago to use attrition as a tool, wouldn't you have substantially less people on the payroll, if you had made plans to work with less people? I understand that it is a union organization, you can't just be arbitrary. But if I have a choice of furloughing today or planning ahead, if I have an idea of how I can work with less people, why didn't you do that, and wouldn't it have reduced that number?

Mr. BORRAS. Well, Mr. Chairman, two things. One, certainly there was an expectation within DHS, and I would suppose in both the administration and Congress, that sequestration would never come to pass. However, we did prudently look at various options. One of the things we had to be mindful of is not violating the Im-

poundment Control Act, where you would willfully withhold monies in spite of the way the monies were appropriated. So we did look at and we have instituted across the Department, certainly since March 1st, since we have had sequestration in place, hiring freezes.

There still is volatility as it relates to the impact of sequestration. The Senate CR bill that may pass has some significant changes particularly that affect TSA. One example would be the FAMS.

Chairman ISSA. Okay, well, my time has expired. I just want to quickly comment. If you didn't anticipate and begin doing things after the President signed the law, it would certainly not be prudent to anticipate some relief coming from a future action now. But for all of us on the committee, sequestration, many of us thought, would be negotiated out, but the reduction of 2.3 percent was always still the law.

So your anticipation of not having across-the-board had to recognize you still were expecting a substantial portion of that 2.3 to hit each of your areas that you could save in. So to say that you didn't think 2.3 was going to happen is to say that you didn't expect that the President signed that reduction in good faith. He did sign it in good faith; it meant that you had to prepare for that, and apparently you didn't. And we will hear from the FCC and a few other entities that did exactly what we described, began reducing their headcount of full-time equivalents in advance.

With that, I will yield to the ranking member for seven minutes.

Mr. CUMMINGS. Can I have 7.5, like you did, Mr. Chairman? It was 7.5.

Chairman ISSA. Sure.

Mr. CUMMINGS. Thank you.

Chairman ISSA. I was just rounding.

Mr. CUMMINGS. Okay. Let's round up.

Mr. Edwards, do you believe that you need testimonial subpoena authority?

Mr. EDWARDS. The IG community is divided. Of course, from DHS we do believe that we would need that.

Mr. CUMMINGS. And so although you have never had a problem getting witnesses in, you feel like you need it? Can you explain why?

Mr. EDWARDS. Well, because when we need to go and reach outside of DHS employees or contractors, without having that authority, we have to still go to the Department of Justice. And we have been very prudent in every action that we have taken, and I feel, and many in the IG community also feel that having this authority would only bolster the IG's role.

Mr. CUMMINGS. Ms. Halbrooks, your job is to oversee the Department of Defense, the biggest agency in the Federal Government, with an annual budget of more than \$1 trillion. In your written testimony, the number one area you highlight for reform is acquisition process and contract management. You say "challenges include obtaining adequate competition, defining contract requirements, obtaining fair and reasonable prices, and oversight of contract performance." Is that right?

Ms. HALBROOKS. That is right, sir.

Mr. CUMMINGS. And with that in mind, I want to ask about the largest weapons contract in history, the Joint Strike Fighter. So far, the Department has spent 12 years developing this deeply flawed aircraft and the cost has skyrocketed to about \$400 billion, is that correct? Is that correct, ma'am?

Ms. HALBROOKS. That is my understanding.

Mr. CUMMINGS. You don't know that?

Ms. HALBROOKS. We haven't done any work ourselves in the IG office. I know GAO recently issued a report on the cost overruns, but we have not looked at that particular weapon system with respect to cost overruns.

Mr. CUMMINGS. So something costing \$400 billion and \$1 trillion over 30 years, is it just the way you operate that you don't look at these weapons systems or what? I am kind of confused here.

Ms. HALBROOKS. No, we do look at weapons systems. I certainly don't want to leave you with that impression. Major weapon system acquisition is a focus of our work and the one example that I illustrate in my testimony of the JLENS program.

Mr. CUMMINGS. Right.

Ms. HALBROOKS. We were able to save the Department \$2.5 billion when they agreed to cancel that program.

On the F-35, and we continue, by the way, to look at other ACAT1 and ACAT2, the largest investments in the Department. They have 83 of the high value programs at \$1.6 trillion and 116 ACAT2s. So we do focus on that and that is going to be a continued area for renewed focus for the remainder of time.

What we have done with the F-35 is decided that the value that we could add, because the cost overruns have been looked at in other places and certainly the Department leadership is aware of them, as well as the program office in GAO has added insight, we have undertaken this past year to do an assessment of the quality management of the system. So we have been to several contractor and subcontracting sites where they are actually producing parts of the F-35 and looked at whether the Government is getting what they have paid for. We have issued notices of concern with respect to the quality management and oversight at each of those plants. We will be rolling those up and issuing a final report in the next few months.

Mr. CUMMINGS. Okay, I am glad you said that because this reminds me so much of the Deepwater project with the Coast Guard. I swear, it is almost like a mirror type situation. So you just said some very significant words, something that I used to say when we were dealing with the Deepwater project. I said, is Government getting what it paid for.

Now, Ms. Halbrooks, combat planes need to fly at night, would you agree?

Ms. HALBROOKS. Yes, sir.

Mr. CUMMINGS. They need to flight at night. The same testing office reports that this plane does not yet have combat capability, nor can it fly at night. Would you agree that combat planes need to be able to engage in combat?

Ms. HALBROOKS. Yes, sir.

Mr. CUMMINGS. Yes. And the Navy's version of this plane can't land on aircraft carriers. Ms. Halbrooks, I assume you would agree that this is a significant problem.

Ms. HALBROOKS. It is, sir. And if I could add, you mentioned the Office of Test and Evaluation within the Department, and that is, I think, an example of the attention that the Department is giving this and how we have decided to use the IG resources in a way that complements that, in terms of focusing on the quality and what is happening in the individual plans, and not duplicate the oversight that is happening elsewhere.

Mr. CUMMINGS. But I want to go back to something that you said, and I mentioned it a little bit earlier. You said the challenges include obtaining adequate competition, defining contract requirements, obtaining fair and reasonable prices, and oversight of contract performance. One of the things that we discovered in the Deepwater process is that we had extremely poor acquisition process. In other words, the people who were doing the acquisitions were not necessarily qualified to do them. When we changed that, we suddenly saw a big difference.

Is this a situation where we have an acquisition problem? I mean, is that part of the problem or do you know?

Ms. HALBROOKS. I think that is right. I think our reports have shown that over time and I think the Department has knowledge the acquisition workforce over the past several years has languished and that they have been trying to staff up and improve the quality of that workforce. But the lack of contract oversight, especially in the contingency operations, as Congressman Tierney talked about, remains a vulnerability for the Department.

Mr. CUMMINGS. Ms. Halbrooks, to your office's credit, the IG sounded the alarm on this flawed approach to acquisition years ago, and your office and the Government Accountability Office warned about the practice of something called concurrency. That is when the Department produces and buys planes while critical testing is still going on.

Mr. Hale, let me turn to you. Right now these planes don't work. Only a fraction of the testing is complete. Yet, the Department still plans to buy nearly 2,500 planes at a cost of \$400 billion. The Department's own acquisition chief, Under Secretary Frank Kendall, called this "acquisition malpractice."

Mr. Hale, do you agree with Mr. Kendall? Do you think this is acquisition malpractice?

Mr. HALE. I am going to let Mr. Kendall defend those words, Mr. Cummings.

Mr. CUMMINGS. Well, what do you think?

Mr. HALE. I believe we need the F-35. I know that is true. We have a badly aging Air Force fleet and a badly aging Marine Corps fleet in particular, as well as problems in the Navy. But I sit every day in staff meetings with Frank Kendall and I know that he is deeply involved in trying to do a better job managing the F-35, which does have problems. I am also convinced, based on 40 years of watching the Department, we will make this plane work at night and land on carriers, and all the things it needs to do.

Mr. CUMMINGS. To the tune of \$1 trillion over the next 30 years? One trillion? How long do we have to wait?

Mr. HALE. The plane is still in development, so we will need to wait until we solve these problems. I understand your concerns, and we share those concerns at the Department, but we know we have to make this plane fly and fly right, and I believe we will do that.

Mr. CUMMINGS. Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

We now go to Mr. Mica.

Would the gentleman yield for 10 seconds?

Mr. MICA. Yes.

Chairman ISSA. I might note that we will spend over \$150 trillion over that period of time, just to put the trillion dollars in perspective.

I yield back.

Mr. MICA. Thank you.

Mr. Borras, how much is the total DHS budget, did you say? In your testimony you gave a multibillion figure.

Mr. BORRAS. I was referring to the—

Mr. MICA. Well, what is your total? What do you spend in DHS?

Mr. BORRAS. The gross amount?

Mr. MICA. The gross amount.

Mr. BORRAS. The gross amount is just under \$60 billion.

Mr. MICA. Sixty billion. Okay, here is one of the categories of DHS, just your management, sort of your top bureaucracy. You spend \$324 million under the category of Office of Chief Information Officer, is that correct?

Mr. BORRAS. That appears to be.

Mr. MICA. A third of the billion dollars for information office.

Is that an area, Mr. Edwards, that might be a candidate for some cost savings? Is that absolutely essential for the process of DHS, Mr. Edwards?

Mr. EDWARDS. Well, DHS spends about \$6 billion in IT systems and infrastructure. Office of Chief Information Officer.

Mr. MICA. Yes. So it might be a candidate.

Mr. EDWARDS. Sure.

Mr. MICA. Okay. Just my point.

Let me drill down a little bit to TSA. First, the Secretary said, this is the 4th of March, we are going to see lines 150 to 200 percent as long as we see, and this is at TSA screening points. Are you aware of that, Mr. Borras?

Mr. BORRAS. Yes, I am.

Mr. MICA. Do you know any reason why she shouldn't step down as Secretary when she makes a remark like that? Do you agree with it? Maybe we should have you step down too. Because there is no reason in an agency, how much is the agency's total budget? How much is the agency's total budget? It is \$5.5 billion for TSA.

Mr. BORRAS. For TSA?

Mr. MICA. Yes.

Mr. BORRAS. Yes.

Mr. MICA. And within that you can move money around, can't you, for sequestration?

Mr. BORRAS. You cannot move money without reprogramming authority.

Mr. MICA. No, but, again, within the \$5.5 billion, you have to cut \$276 million. Now, let me ask you a question about how many personnel you have in TSA headquarters. Offline we have 3,900, just a hair under 4,000 people in administration, making, on average, \$103,000 a year. Is that correct?

Mr. BORRAS. I don't know the exact number.

Mr. MICA. Well, you should know. That is what is correct. It is online. That is the amount. And you have how many screeners? According to your online, also, 51,277? Is that correct, or in that range?

Mr. BORRAS. In that range, yes, sir.

Mr. MICA. And you can't move some of the people out of administrative positions, sitting on their butt within just miles of the capitol of Washington, and put them to work? I mean, we should have the secretary out there screening people, if we need to do that to expedite people through the airport, and you.

This is a joke. She needs to find other employment soon, and you may need to find it, and some of the 4,000 people making \$103,000 a year, and tell the public that they may be waiting three and four hours. You have the discretion to move money and personnel around within that account, isn't that correct?

Mr. EDWARDS. Yes.

Mr. MICA. To meet that, Mr. Edwards? Mr. Edwards, the IG, just said yes.

This is one of the most shameful things I have seen any agency do, and you are bloated beyond control. You have almost 66,000 people; you have 10,000 administrative people out in the field. Do you know the percentage of people in the headquarters that are supervisory level? You ought to look at this information. It is nearly 27; it is 26.8 percent. And some of those positions can't be sequestered, Mr. Borras?

We never intended Homeland Security to bloat to this extent. I was one of the authors of TSA. I can tell you that was never Congress's intent. We never intended Homeland Security to grow to an agency that is totally out of control. This is an outrage to the American people. I am offended by the Secretary of Homeland Security to tell us and the American people that they are going to be subject to her form of torture to try to make sequestration look like it can't be handled, that we can't make these cuts and reductions from administrative overhead from management. Ten thousand people out in the field.

How many airports are there where there is TSA presence, Mr. Borras, in the United States?

Mr. BORRAS. It is about 470.

Mr. MICA. Four hundred fifty-seven. And 30 airports have 70 percent of the traffic, right? So you have airports with private screening, like Rochester, New York, Kansas City, Kansas, with 15 to 18 TSA administrative personnel that you don't need. You can get rid of some of these people. You can get rid of some of the people and get them out of the offices across the Potomac and around Washington, get them to work. And 51,000 screeners. Congress even put a cap of 40,000 screeners at one time. We started with 68,500. What are you doing? It is outrageous.

Chairman ISSA. I thank the gentleman.

Mr. MICA. I yield back the balance of my time.

Chairman ISSA. Under Secretary, if you would like to answer, I will allow time. I know there were a lot of questions there.

Mr. BORRAS. There were a lot of questions there and there were a lot of characterizations of both the intent of the secretary and of the Department. I appreciate the Congressman's concern for aviation security. He has been very outspoken over the many years.

Let me just say that we are doing everything we can to minimize the impact of sequestration not just in TSA, but across the board in the Department. I will say that the leadership is absolutely committed to minimizing the disruption of the services of the Department to both the traveling public, to the movement of cargo, to aviation security, to the protection of the President, to the response of natural disasters and otherwise. Sequestration is pretty much agnostic, Mr. Chairman.

Chairman ISSA. I apologize for interrupting, but we are sort of on overtime that belongs to the other party. The gentleman, in that, did ask you if you could have reduced or you could reduce some of the administrative overhead. That seemed to be a clear question. Could you answer that? Then we will go to the other side.

Mr. BORRAS. We are looking at, certainly, all of the overhead expenses, not just at TSA, across the board. We have instituted, in TSA, a hiring freeze; we have reduced overtime, which will have an impact, progressively, over time, not immediate, will have a progressive impact on operations. But we are looking at all areas.

Chairman ISSA. Thank you.

Mr. Tierney.

Mr. TIERNEY. Thank you, Mr. Chairman.

I know that this may not have been the intent of some people that put the Homeland Security laws together, but as one who voted against it, I think it was something we all could have anticipated would happen with the creation of a new department, it would blow out of control. I think at the time we said it was like rearranging the deck chairs on a sinking ship, as opposed to doing something constructive.

Chairman ISSA. Would the gentleman yield? I heard it as strapping together multiple sinking ships, actually.

Mr. TIERNEY. So here we are, and the fact of the matter is that we look at these things and we never should have let it get to sequestration. And I would hope that all these concerns that we show, Congress has the ability to dictate how money is spent, and maybe we ought to take some of that responsibility on ourselves, instead of grilling some of these witnesses.

You are here and you should get grilled for your testimony or whatever, but Congress spends the dime. We ought to be deciding what money is going out to these departments. Then we don't have to argue with you about how it is spent. So if we accept some of our responsibility, and if we had accepted it long before sequestration, life would have been better for a lot of different people and we could have avoided all of this.

Now, Mr. Hale, I understand that the Joint Strike Fighter has actually been spared any major cuts under the sequester, is that correct?

Mr. HALE. No. It is a program project activity. It will take at least a 7.8 percent cut, depending on how it comes out. It will be reduced.

Mr. TIERNEY. Okay. How do you intend to reduce it?

Mr. HALE. The program manager will decide. They will look at a variety of things; support equipment, management reserves I would guess would be the start, but I expect we will buy fewer aircraft, probably two to four, and I think they are still thinking how they will do that. Incidentally, the whole game may change again, as Congress passes a budget, if they do so this week, because it will significantly affect the program project and activity status or structure.

Mr. TIERNEY. Well, respectfully, I say to you your defense of the F-35 reminds me of the defenses I used to see of the F-22, and it is really a little bit disturbing. This program is out of control, and it looks to me like it is a program that just got too big to kill, and we find people just running around, not wanting to do what I think is pretty clearly indicated should be done on this.

I note that in the Simpson-Bowles report; I note it on the Stimson report, a whole bunch of other reports that come out and indicate that this program is just growing exponentially, not necessarily to the benefit of the American people or our defense on that.

Let me switch the subject, if I can, Ms. Halbrooks. We have a number of laws and regulations on the books that purport to encourage or to stop single source contracting. We really ask for full and open competition. Can you tell us a little bit about what risks are engendered by the failure to openly bid and compete a contract?

Ms. HALBROOKS. I think open competition is inherent to getting the best pricing, the best value for the Government, and making sure that contracting is done in the most efficient and effective way. So it is a foundational concept that we compete contracts for the best price for the Government.

Mr. TIERNEY. Well, recently, The Washington Post, among others, reported that no-bid contracts are increasing.

Mr. Hale, I think one of the things that was reported is that the Department spent \$100 billion on no-bid contracts last year. Is that correct?

Mr. HALE. I don't know that number. I will check for you. But there is a lot.

Mr. TIERNEY. Would you get us that information, please?

Mr. HALE. Yes. I will supply it for the record.

Mr. TIERNEY. All right. So this happens even more in wartime. We found that out through the investigations we did on our own; we also found it out through the Wartime Contracting Commission, who said it was an unprecedented degree of no-bid contracts in both Iraq and Afghanistan and, really, there was no adequate competition on that.

One example of that was \$36 billion for the Logistics Civil Augmentation Program 3 contract. That was awarded to KBR, Kellogg, Brown and Root. The Army did not require competition on any task orders under the contract for eight full years. So in the absence of that full and open competition, no one should be surprised when

the Defense Contract Audit Agency found high amounts of questioned and unsupported costs.

So we see this happening time and time again. It tends to create, particularly with the bridge extensions. Can you tell us how many of those sole-source bridge extension contracts exist, Mr. Hale?

Mr. HALE. I don't have that number either.

Mr. TIERNEY. Would you get us that information as well?

Mr. HALE. We will get that for the record.

Mr. TIERNEY. It seems that that is being used to avoid re-competing the contract and it really creates an advantage for incumbent contractors, sort of stifles competition.

What steps are you taking in the Department to sort of end that practice or to increase competition and reduce sole-source contracting?

Mr. HALE. Well, the strongest one is a commitment to it, and we are committed to it. As Lynne said, it is a key. We are struggling right now because one of the best sources of competition is services contracting, and it is being cut severely as we try to achieve efficiencies, and it will be cut under sequestration and the other problems that we face.

We are also, with lower budgets, finding it is harder to maintain multiple contractors in some of these large programs, because it is expensive up front to do it. But we share the commitment to competition is key to getting lower prices.

Mr. TIERNEY. Just on the Defense Logistics Agency and the food contract over in Afghanistan there is a \$750 million discrepancy in that contract, and yet they are giving them another sole-source contract for an extension on that. That kind of thing just seems absurd.

Ms. Halbrooks, are you satisfied with the answer Mr. Hale just gave?

Ms. HALBROOKS. Well, I appreciate his commitment, and the Department's, to ensuring that sole-source contracts are scrutinized, but I think there still is a way to go. And the prime vendor example that you gave in Afghanistan does still present a concern, although we are encouraged that, after we issued our report, with potential monetary benefits of \$125 million on that contract, that DOA actually went back and further scrubbed the books and looked deeper and is trying to recoup substantially more than that, which does show to me a willingness of the Department to take our IG recommendations and apply them more broadly to the problems at hand.

Mr. TIERNEY. Except they gave the contract to the same company again.

Ms. HALBROOKS. True.

Chairman ISSA. Thank you.

We now go to Mr. Walberg. We now go to Mr. Farenthold. Mr. Farenthold, would you yield for 10 seconds?

Mr. FARENTHOLD. Absolutely, Mr. Chairman.

Chairman ISSA. I just want to read from my Wikipidea on the F-22 Raptor. Sixty-six billion dollars was the program cost, 180 are in service and it continues to be a mainstay and a critical element in the stealth inventory of the Department of Defense.

I will let that be answered later.

Mr. Farenthold.

Mr. FARENTHOLD. Thank you very much, Mr. Chairman. As a member of the Transportation Committee, I am also deeply concerned about the TSA, so, Mr. Borras, Chairman Mica asks you about the statement Secretary Napolitano made, seeing doubling of wait times in airports as a result of sequestration. Has that happened?

Mr. BORRAS. I am not aware that we have had any doubling of wait times at airports across the Country.

Mr. FARENTHOLD. Has there been any significant measurable increase that you are aware of?

Mr. BORRAS. I am aware of, in some instances, where, in some airports, due to the elimination or reduction of overtime that is required and has resulted in some additional wait time.

Mr. FARENTHOLD. You are aware that the UK's Telegraph reported that airport officials at two of our busiest airports, Atlanta and LAX, have reported no significant changes in wait time, nothing beyond what is normal.

I guess my concern, and we are seeing it throughout the Government, is the scare tactics associated with sequestration and bad choices being made on where to implement those cuts. Are you all still talking about doing furloughs within the TSA?

Mr. BORRAS. No.

Mr. FARENTHOLD. All right. So how are you looking at meeting those cuts?

Mr. BORRAS. Predominantly, again, the cuts at TSA cut across the various program plan activity accounts, the PPAs. The way TSA is structured, most of their salaries and expenses are in individual PPAs, so those will be subject to the 5 percent cut.

Mr. FARENTHOLD. So you are going to cut salaries, then?

Mr. BORRAS. No. You will have to reduce overtime; you will reduce training in other accounts.

Mr. FARENTHOLD. Okay. And the chairman pointed out was it over 25 percent, one in four, there is one manager for every four TSA employees? I mean, that seems awful high to me, too.

Mr. BORRAS. I don't know that that is the number. I would be happy to provide the committee with a complete accounting of the supervisory staff ratio.

Mr. FARENTHOLD. And with these cuts you all are still hiring, right?

Mr. BORRAS. No, we have a hiring freeze.

Mr. FARENTHOLD. Then how come there are 54 security specialist jobs currently posted on the Federal Government employment Web site?

Mr. BORRAS. Well, I don't know what date those were posted.

Mr. FARENTHOLD. That was today.

Mr. BORRAS. I don't know what the posting date of those were.

Mr. FARENTHOLD. All right, so you are wasting people's time having them apply for jobs that aren't there. You might want to go ahead and take those down.

Mr. Hale, I wanted to visit with you about some of the Defense Department issues. I have a Corpus Christi Army Depot in the district I represent and they are potentially facing furloughs, despite saving the Government a ton of money on repairing rotary wing

aircraft. But assuming the Senate passes the MilCon VA and DOD appropriations similar to the House, are you going to have the flexibility to minimize furloughs and cuts and the overall effect of the sequestration on the program if we give you more reprogramming authority in an appropriations bill, as opposed to a CFR?

Mr. HALE. Well, first, we didn't, unfortunately, get, so far, at least, any additional transfer authority for reprogramming. Our problems are more than sequestration, Mr. Farenthold. You are probably aware of this, but the continuing resolution has the money in the wrong places. That will get fixed if the Congress passes it.

But we have numerous other problems. We are going to protect our wartime spending, which means we have to take disproportional cuts in the base budget; and, unfortunately, right now we are spending more than we anticipated two years ago when we put together the wartime budget. When you add all that up, over the next seven months, we are about 40 percent short, under current laws, of our needs for O&M, which is causing the readiness crisis.

The bill that is before Congress or the Senate right now, if it passes, will solve about a third of that, but we will still be in a crisis situation. We are going to have to cut training and lay off people.

Mr. FARENTHOLD. I appreciate that. I am running out of time. I don't mean to jump around, but I do want to get to Mr. Edwards and ask him a question specifically with respect to IT and homeland security. One of you all's recommendations was increasing security from possible insider threats by simple things like disabling the USB port on computers so rogue employees couldn't download all sorts of data. Have those been implemented yet?

Mr. EDWARDS. Thank you, sir. TSA did not concur with us, so that remains still unresolved.

Mr. FARENTHOLD. It seems to me like every low budget spy movie you have has somebody plugging something into a USB port and walking off with all sorts of data. Just turning those off would seem like an inexpensive, easy recommendation. And there are quite a few other recommendations throughout Homeland Security that haven't been implemented and would save money, is that not correct?

Mr. EDWARDS. There is 1,253.

Mr. FARENTHOLD. Thank you very much.

I yield back.

Chairman ISSA. I thank the gentleman.

We now go to the gentlelady from California, who was here at the bell, Ms. Speier.

Ms. SPEIER. Mr. Chairman, thank you, and thank you to those at the witness table.

I would like to spend a couple minutes talking about Ms. Halbrooks' document, that we should probably spend an entire hearing on, because it talks about an issue that I thought was fixed decades ago, when we had gold-plated toilet seats, and we are paying exorbitant amounts of money for parts.

In one of your reports you reference a ramp gate roller assembly, it looks like this little roller that you might see on a dishwasher, that was actually purchased at the Corpus Christi Army Depot. Its

cost from the Defense Logistics Administration would be \$10.25, but we, at the Corpus Christi Army Depot, paid \$1,626 for that.

Now, that is a 15,768 percent cost increase. Why are we still having these kinds of problems? To you, Ms. Halbrooks and Mr. Hale.

Ms. HALBROOKS. The root cause of the problems is a topic that probably Mr. Hale can address as well, but when the Department shifted, in 2004, to performance-based logistics, one of the unfortunate results was that the services are buying these types of parts from contractors and, in addition, DLA already has an inventory of excess parts.

The reports that we have done, both with respect to the Sikorsky and Boeing contracts to support helicopters, where the spare parts are kept at the Corpus Christie Depot, have multiple examples of this type of thing. And you are right, it is a small part, it looks like a washer, and it is basically the Department has been buying spare parts that they already have in inventory and paying too much for them.

Ms. SPEIER. All right, so how are we going to fix that, Mr. Hale?

Mr. HALE. If we paid too much for that part, we need to get our money back. I am not familiar with that particular one.

Ms. SPEIER. Well, you should be familiar with it.

Mr. HALE. We have an organization to do that.

Ms. SPEIER. All right, Mr. Hale, excuse me. You should be familiar with this because this is all out of an inspector general report that you should have studied very carefully when it was produced.

Ms. Halbrooks, when was this produced?

Ms. HALBROOKS. Our reports were issued in both 2011 and 2012. I will say, ma'am, that we have worked closely with the director of DLA. One of the concerns that we had when we identified that this problem was still remaining is that there were probably other contracts for equipment that the Department had where there was also excess inventory that needed to be drawn down. The Department has issued a policy, I am not sure if it was Army, I will have to get that for you or the Department can certainly, to require that they use the existing inventory.

So they have responded to our reports and they have certainly concurred in our recommendations, and one of the agreements, rather, discussions that we had with the Department after these reports were issued was the efficient use of IG resources versus management proactive involvement. We could continue to look at contract after contract, or the Department could fix the problem. They indicated to us a willingness to proactively go and look at other systems and spare parts. We hope they are doing that and we are going to check up on them this year and do some more work in this area.

Ms. SPEIER. It reminds me of the patient that complains about having been in the hospital and then finding out they paid \$50 for an aspirin. It sounds like that is what we are doing in terms of some of these projects, so maybe that will explain why an F-35 is looking at a trillion dollars in costs over a short period of time.

I guess I would like to see us fix something instead of just complaining about it. It is not very constructive for us to beat you all around the head and not have anything come from it. So I guess, Ms. Halbrooks, what I would like to hear from you is if there was

one thing this committee could kind of focus in on that would truly save money within the Department of Defense which you haven't been getting traction on, what would that be?

Ms. HALBROOKS. I think you have hit on one, spare parts, certainly, and I think the other one we have discussed as well, already, and that is the review of major weapons systems that are over budget and behind schedule.

Ms. SPEIER. All right. In my remaining 17 seconds, let me just say that one of the other issues that I think we need to spend some time on is the overhead. We can talk about retaining somehow the profit sector, but if the contractors are allowed to pad their contracts with overhead, we are losing the battle. And I hope that you would address that at some point as well. Thank you.

Chairman ISSA. I thank the gentlelady.

We now go to the gentleman from North Carolina, Mr. Meadows.

Mr. MEADOWS. Thank you, Mr. Chairman.

And thank you, each of you, for your testimony.

Secretary Borras, as you were testifying early on, you said over the last three years what you did was took a decentralized management approach and centralized that to become more efficient, is that correct?

Mr. BORRAS. That is correct.

Mr. MEADOWS. So essentially the management of DHS is under your purview and you oversee that in this new centralized organization?

Mr. BORRAS. Well, we haven't completely centralized. What I was referring to was the management directorates, those that report directly to me, the CFO, the CIO, the chief procurement office, et cetera, that those were largely decentralized in the management directorate and we have taken to centralize that. So if you are implying that I have centralized the management of CBP, TSA, et cetera, all under my control, the answer would be no.

Mr. MEADOWS. So we are centralized in a decentralized way is what you are saying. So we have areas all over that still have their own vertical reporting areas.

Mr. BORRAS. That is correct.

Mr. MEADOWS. Okay. As we look at this, I want to focus on two areas, and one of it is the planning in anticipation of sequestration and how that was done. Because in some areas it sounds like we did unbelievable planning; in others it sounds like we did none. And I want to refer back. In 2011, some 26 employees received bonuses of over \$10,000 apiece, with the highest bonus being \$57,000 to a single employee. There are indications that in 2012 not only did we cut back on that, but those were, indeed, increased in terms of the level of bonuses. Would you say that that is a fair characterization?

Mr. BORRAS. That doesn't square with my recognition of Department bonuses. Department bonuses over the last several years had begun to come down. So the amount of money we spend on bonuses has been decreasing.

Mr. MEADOWS. So you would say 2012 decreased from 2011?

Mr. BORRAS. I would be happy to provide you those numbers.

Mr. MEADOWS. Well, from the Federal Web site, what we have is, under the Freedom of Information request, it indicated that

these facts are indeed correct: 26 people got bonuses of \$10,000 or more and \$57,000. So as part of this, in this anticipation, with regards to bonuses, when sequestration was originally signed into law, did you put out anything that said we needed to hold off on bonuses to make sure furloughs were not put on more of the rank and file?

Mr. BORRAS. The Department issued guidance back in the fall. Our bonus cycle was much earlier than the sequestration cycle, but we put out guidance Department-wide which lowered the total amount available for bonuses.

Mr. MEADOWS. So that happened as a result of sequestration, you put out a plan to reduce bonuses?

Mr. BORRAS. Well, that was a recognition of the need to begin to control costs, absolutely.

Mr. MEADOWS. All right. So as we look at this, going forward with this, I want to shift gears to, I guess, the secretary in the recent report we talked about, illegal traffic across the borders and some release of illegal detainees that we had of some 2,000, and I think the secretary warned that, because of sequestration, that we were going to have additional drug and human smugglers that were taking advantage of sequestration. How would this prediction, what was it based on, that we are going to have this additional human trafficking and drug because of sequestration?

Mr. BORRAS. Well, I am not familiar with that specific quote.

Mr. MEADOWS. It was in The Washington Post on Sunday.

Mr. BORRAS. But I am not familiar with that specific quote. In general, all of the accounts, as I described earlier, are subject to the sequestration cuts, which includes, as well, those accounts that are in the removal operations of ICE.

Mr. MEADOWS. So would you say that that statement was not based on any real data, then, it is just an overarching theme?

Mr. BORRAS. Well, I don't know the specific statement that she made relative to that.

Mr. MEADOWS. So was there any study that was done in terms of additional increased drug trafficking that might result? Was there any study at all done, specific study?

Mr. BORRAS. That wouldn't be something that I would be specifically aware of; that wouldn't be in my purview, to look at that kind of work.

Mr. MEADOWS. So who would know about any studies?

Mr. BORRAS. Well, whether it is the Customs and Border Protection or ICE, I am sure we can provide the committee some information to respond to your question relative to studies on impact on border.

Mr. MEADOWS. All right, thank you.

I yield back. Thank you, Mr. Chairman.

Chairman ISSA. I thank the gentleman.

We now go to the gentlelady from the District of Columbia, Ms. Norton.

Ms. NORTON. Thank you very much, Mr. Chairman.

Some had looked at the cuts, certainly the 10-year cuts, as opportunities to look at the untouchable budget, the Defense Department budget. No one, of course, envisioned that any budget, domestic or defense, would be aided by the sequester cuts. But some, certainly

on the other side of the aisle, were willing to do the sequester, because they want cuts no matter what happens. At least they got some cuts.

I note, by the way, that the Republican budget, both last year and this year, cuts enormously, and even this year even more enormously, domestic programs, while increasing the Pentagon budget. It does seem to me that the justification lies on those who want to increase any budget at a time when every other budget is being cut.

So let's take a look at one program. There are a thousand programs one could choose. The Joint Strike Fighter program. That is a really ambitious program, a \$400 billion program, because it relates to existing fleets across the board; Army, Marine Corps, and Navy. And that may be well the most efficient thing to do, so I don't question the initial idea. But this project has faced all of the problems associated with big defense projects of the kind from cost overruns to poor performance of the aircraft itself. I am interested in the bad management of the acquisition process.

In 2003, the plan was to purchase 2500 aircraft over the life of this program. Despite the problems, including the cost overruns, I understand the Department still plans to purchase 2500 aircraft. Mr. Hale, is that correct?

Mr. HALE. Yes.

Ms. NORTON. Now, let's look at the cost estimate for one plane. And I have to ask what is the function of these cost estimates if they rise so consequentially. In 2003, the cost estimate was \$81 million; today it is estimated to cost twice as much. We have gone through a recession. I thought the cost of materials was less. So I have to understand that increase during this period, so I ask, first, could you explain why the acquisition cost per plane has doubled in just 10 years?

Mr. HALE. Well, I would like to check those numbers for you for the record. I don't have them in my head.

Ms. NORTON. Would they surprise you if those were in fact correct?

Mr. HALE. No. I mean, the costs have gone up substantially.

Ms. NORTON. Well, what would cause the cost to double?

Mr. HALE. Unanticipated cost growth. We miscalculated what it was going to cost to develop and to buy the aircraft when it was first put forward and unanticipated problems in the testing process I think are the two major reasons.

Ms. NORTON. Having done such projects over the years, you don't build in problematic areas so that you wouldn't have what seems hard to explain, such huge increases in costs?

Mr. HALE. We tried, but obviously in this case we weren't successful, or at least not fully successful.

Ms. NORTON. All right. Well, let's look at the sequester. Surely, that provides an opportunity for you to look at some way to cut the acquisition cost of this Joint Strike Fighter.

Mr. HALE. And we didn't need sequester to do it. We have been pushing in every way we can, including trying to sharpen our pencils with the contractor and do a better job of negotiating with them, and I think we have at least had some success in that area.

Ms. NORTON. So do you expect that, particularly when the contractor sees what you are going through, and since you have been negotiating, that you will at least be able, at this point, to bring down this cost from \$161 million, doubling the cost that was predicted 10 years ago?

Mr. HALE. I would hope that we could bring them down. That certainly is our goal and we will do everything we can to make that happen.

Ms. NORTON. Mr. Hale, are you in the process of negotiating now on that matter?

Mr. HALE. I am sorry?

Ms. NORTON. Are you in the process of negotiating to bring down the cost?

Mr. HALE. Yes. We buy these planes in lots, and each lot is negotiated, and there was a lengthy negotiation over the prior lot, and it was caused by our desire to bring down the cost. So, absolutely, we will continue in future ones.

Ms. NORTON. Could I ask, Mr. Chairman, that within the next 60 days you report to the chairman of this committee what progress you have made on bringing down the cost of the Joint Strike Fighter program?

Mr. HALE. We will do it.

Ms. NORTON. Thank you very much.

Mr. JORDAN. [Presiding.] Thank you.

The gentleman from Oklahoma, Mr. Lankford.

Mr. LANKFORD. Thank you, Mr. Chairman.

Mr. Hale, I would like to get a chance to follow up on the conversation earlier about sequestration and the effects of the full year appropriations bill on DOD. You had mentioned before that about a third of the problem is solved in that. Could you go into greater detail on what help do you receive with a full year appropriation?

Mr. HALE. The major help, and the continuing resolution fixed our base budget at the fiscal 2012 level. We made major changes between 2012 and 2013, increasing our operation and maintenance funding to maintain ready forces and cutting back on investment to meet the budget targets. The CR wiped that out.

If we get an appropriations bill as the current one being debated before the Senate, it will get the money in the right appropriations, and that is the major help that it will provide to us and it will be significant. But it won't get rid of the problems. We will still have sequestration and we still have a commitment to protect our wartime or OCO budget, which means a disproportionate cut on the base and some other OCO problems.

Mr. LANKFORD. I understand. I am trying to drill down a little more. A general statement of it will help doesn't help us. What does that mean is what I am asking. Because we are very concerned, as you are as well, about protecting workers and not protecting waste. Where we can find waste, we need to eliminate it. That is why the IG report is so significant to us, as well and your Department has been very helpful to identify those things with the IG and say let's take action on that.

But where we can find issues with inventory, as Ms. Speier had mentioned earlier, we have a washer that is \$1600 and that kind of thing happens, that infuriates us. We want to protect our work-

ers in the process, as you do as well, I am sure, so I need more specifics.

When you say it helps a third of the way there, what do you mean by that?

Mr. HALE. Briefly, we have a shortfall of around \$35 billion under current law and what is called our operations and maintenance budget. It is made up of sequestration; it is caused by the fact that the money is in the wrong appropriations and by the OCO or wartime problems. I can give you more detail, but I will take more time than you would like. About a third of that will get fixed when you put the money in the right appropriations, if the Congress enacts that legislation.

And I couldn't agree with you more. We need to try to accommodate all of these, and we have told our managers find efficiencies if you can. But these cuts are sufficiently abrupt and large that we will have to go well beyond straight efficiencies. Anything that we could identify and get approved by Congress wouldn't be enough to get \$46 billion out of the defense budget in seven months, so we are going to have to do other things.

Mr. LANKFORD. When you talk about the \$46 billion, that is the budget authority number. What is the budget outlay number that has been identified? That is the actual. What actually happens this year?

Mr. HALE. We don't deal in outlays, usually, but it is probably about 80 percent of that. A lot of it is O&M. I would have to get you that. We think in budget authority, which is what you appropriated.

Mr. LANKFORD. I understand, but the latest estimate that we have is this is about an \$85 billion cut.

Mr. HALE. That is for the total Government.

Mr. LANKFORD. Correct, across the total Government. And the actual budget outlays for that for this single year is about \$45 billion to \$44 billion.

Mr. HALE. Okay.

Mr. LANKFORD. So that statement would be that there is only a \$1 billion cut everywhere else this year. I don't think it would hold up. So it is about half of it. So what I am trying to figure out for DOD, have they identified what effect it has this year on it or what effects it is going to have out. Does that make sense?

Mr. HALE. I am not sure I understand. On the outlays, you mean?

Mr. LANKFORD. On the outlays.

Mr. HALE. We don't normally deal with that. I don't have that number in my head. It is probably 75 percent or so of the budget authority cut, but I will get it for the record.

Mr. LANKFORD. Okay. That would be terrific to be able to have because we are trying to identify what is the actual impact for this single seven month time period. It is not \$46 billion for this seven month time period, though the effects of it have to take and have to start with that. I understand how it goes through the process.

You also mentioned that there has been a dramatic increase in the cost of the war, or at least what you expected it would be in that. Can you give us some additional detail on that, especially since we referred to several things where prime contractors and

some waste that is there? I don't want a war fighter hurt based on us not taking some of these recommendations in place.

Mr. HALE. Two years ago, when we put together the overseas contingency operations budget, we underestimated the tempo of operations for the Army and the Air Force. We have also seen higher costs for transportation to get equipment out of Afghanistan, partly because of the ground lines, our inability to get full access to the ground lines of communication in Pakistan. The combination of those events have left us probably \$6 billion to \$10 billion short in fiscal 2013 of OCO budgets, and we are working to find every way we can to cut those back at the moment, because it will be a very difficult thing for us to handle in this kind of an environment.

Mr. LANKFORD. Okay. One thing, if we can follow up on this in the days ahead. Dr. Coburn, in the Senate, has identified multiple areas where DOD overlaps with other agencies, whether that be energy research or a lot of different research projects. It tends to be that DOD ends up being the landing point for, if you want to do something in research for something, you land in DOD because no one can vote against defense funding on that.

Has there been any progress made of identifying some of those specific projects to say there is no reason for us to do this, this is waste, and be able to get rid of it?

Mr. HALE. So this is the department of everything report?

Mr. LANKFORD. That is correct.

Mr. HALE. The big dollars that were in there were things, and some of them we are doing, cut back on our defense agencies and we have made every effort to do that. They have been part of our overall reductions that I mentioned in my testimony. We have cut back on a number of general officers and senior executive service, one thing he recommended. He recommended we cut back on tuition assistance and, painful though it is, we are in the process of doing it.

But I would point out that some of the things he recommended actually run counter to the laws you passed. He urged us to take a large number of military personnel and make them into civilians because they are sometimes cheaper. The Congress passed a law that said we had to cut proportion.

Mr. LANKFORD. I understand.

Mr. HALE. So we tried to implement his recommendations.

Mr. LANKFORD. I understand a large part of his recommendations dealt with things like energy, where DOD and DOE are both doing energy research. And I understand it helps protect our men and women in uniform if we can have more efficient vehicles on the fields, having to refuel less. I get that. But if research is already being done in some other place, we need to be more efficient with that. That is just coordination between agencies to get that accomplished.

With that, I yield back.

Mr. JORDAN. I thank the gentleman.

The gentleman from Wisconsin, Mr. Pocan, is recognized.

Mr. POCAN. Thank you, Mr. Chair. I have a question really that is more proactive in this area of trying to reduce waste and improve efficiency. The question is for Mr. Hale.

I know that right now the DOD and the VA are trying to do a joint venture to do electronic health records, and I give a lot of credit to DOD that you did put out an RFI to some private contractors to take a look at that, but I think the concern that some of us may have is the original proposal was going to cost somewhere, I think the range is pretty wide, \$4 billion to \$16 billion over a six year process if we did it internally.

Yet, I know there are a lot of vendors who do this currently who have what you would call, I guess, off-the-shelf programs that could work to integrate so that you could have this done much, much more quickly and at a fraction of the cost, at least initially.

So, again, I give credit to DOD because I know you have done the RFI to the commercial providers to get some more information. DVA has not; they plan on, I think, using Vista and doing it internally still, at this point.

I was just wondering what you are looking at as you are making this decision whether or not you are going to try to go to an off-the-shelf, more immediate and less costly plan, or what you are looking at as you balance, I guess, with DVA, if they are not going to do something.

And let me just give you my concern. Back in our legislature, we did this with a voter file. We had someone create a system from scratch at a cost of \$27 million, which, on the day the contract ended, we threw out and we had spent the \$27 million. And our neighboring State of Minnesota did a system for about \$3 million. So sometimes when you try to create something from scratch, especially with a six-year timeline, that is like a generation in software difference.

I just want to know a little more about the thinking, because if this is an area we can provide some immediate savings now to what is budgeted for and have a system in place sooner, I would just like to know a little more how DOD is looking at this.

Mr. HALE. Well, we are committed, our HR, to working with VA. It is a high priority program for us and for them. I have to tell you I don't think we have figured out how to do it yet. I will also tell you we have not budgeted anywhere near the sorts of numbers you mentioned. We spent about \$300 million of DOD money on that project so far, and we want to hold down the cost wherever we can, but we also want to make it work. So I can't give you a blueprint. I will go back for you and check for the record to see if there is any additional information I can provide. But I think, frankly, we haven't figured it out.

Mr. POCAN. Okay. Can I ask is there a concern that you are not looking, and not specifically DOD, but the combined forces of the two agencies, at doing something that would be a little more immediate and a little less costly by doing one of these off-the-shelf, and there is a number of companies that do it that are out there, versus trying to kind of do this from scratch?

Mr. HALE. There is an internal balance, sometimes we have tried off-the-shelf stuff and it just hasn't worked because it doesn't need our needs. So we have to balance the two. But I hear your point and, again, I think we are looking at all options right now and working with the VA, but I want to underscore we are committed to this project.

Mr. POCAN. Well, if you could provide the committee with some additional information on that, it would be very helpful. And just so you know, I have called and DOD staff have been extremely helpful when we have called on this. But I think your estimated cost that is coming out of this joint venture is the \$4 billion to \$16 billion, but I think we have had some private firms to us in the under \$1 billion cost. So it is a big, big difference and that is why that and the fact that it could be implemented in a fraction of the time a lot of us are just very concerned. So any information you can provide the committee would be appreciated.

I yield my time back.

Mr. JORDAN. I thank the gentleman.

The gentleman from South Carolina is recognized, Mr. Gowdy.

Mr. GOWDY. Thank you, Mr. Chairman.

Mr. BORRAS, what is a Level 1 detainee?

Mr. BORRAS. You are referring to in ICE?

Mr. GOWDY. Yes.

Mr. BORRAS. That is something that I would have to get back to you on.

Mr. GOWDY. But you wouldn't disagree if I told you it was an aggravated felon. Level 1s are aggravated felons, and 10 of them were released due to sequestration. Do you know what it costs per day to detain an aggravated felon?

Mr. BORRAS. No, I do not.

Mr. GOWDY. Would you disagree if I told you it was \$122 a day to detain an aggravated felon?

Mr. BORRAS. No. A hundred twenty-two dollars sounds approximately right in terms of our cost per detention per bed per night.

Mr. GOWDY. All right, so if it is \$122 a day to detain a Level 1 aggravated felon, do you know how many Level 1 aggravated felons were released by ICE as part of their cost savings due to sequestration?

Mr. BORRAS. I do not.

Mr. GOWDY. It would be 10 of them. So 10 times 122, even for a liberal arts major, is what, about \$1,200 a day? Is that close?

Mr. BORRAS. That sounds good.

Mr. GOWDY. Is there nothing else in the Department budget where you could find \$1,200 a day in savings other than to release Level 1 offenders?

Mr. BORRAS. Well, the issue of whether it is Level 1 or any offenders aside—

Mr. GOWDY. Well, right now it is Level 1 because they are aggravated felons. So could you not find \$1,200 somewhere else in the DHS budget other than releasing Level 1 aggravated felons as part of your cost-saving measures?

Mr. BORRAS. If I had the discretion to be able to pick and choose where in the Department to pull savings, I certainly can do that.

Mr. GOWDY. Now, wait a minute. How much money is DHS sitting on right now? Right now.

Mr. BORRAS. Our total budget?

Mr. GOWDY. No. How much unencumbered money are you sitting on right now?

Mr. BORRAS. Unobligated money, I don't have that exact number.

Mr. GOWDY. Well, I don't need an exact number. Is it more than \$1,200?

Mr. BORRAS. Yes, sir.

Mr. GOWDY. Okay. So don't act as if you didn't have any choice but to release aggravated felons. You are not suggesting that, are you? That the only choice you had was to release Level 1 aggravated felons back onto the streets? Is that what you are suggesting?

Mr. BORRAS. I am not suggesting that in the least.

Mr. GOWDY. Mr. Edwards, did you find any places where DHS might possibly save \$1,200 a day?

Mr. EDWARDS. We have a number of recommendations.

Mr. GOWDY. I will just settle for one. Where is one where they might possibly have been able to do something other than release aggravated felons as part of their cost-saving measures?

Mr. EDWARDS. Well, on this release part of it, I received a letter last week from Senator Coburn and I am looking into it, so I can't really comment on that.

Mr. GOWDY. Well, comment on any area where they might possibly have found \$1200 a day. Anything? Conferences? Travel? Detailees? Vehicles?

Mr. EDWARDS. Yes to all of that.

Mr. GOWDY. Promotional materials? Anything?

Mr. EDWARDS. Yes to all of that.

Mr. GOWDY. Mr. Borras, when was the first time you realized the sequestration might be a possibility?

Mr. BORRAS. Probably in August of 2011.

Mr. GOWDY. August of 2011. So that gave you how many months to prepare to do something other than to release Level 1 aggravated felons? How many months between August 2011 and March 2013?

Mr. BORRAS. Nineteen, 20 months.

Mr. GOWDY. All right. Would you agree with me that the decision to release Level 1 aggravated felons was not the only option you had? There were other places you could have cut cost. Do you agree or disagree with that?

Mr. BORRAS. I don't know enough about that particular budget line item to know what other options were available in that PPA to make choices to result in that release.

Mr. GOWDY. Well, I am going to ask you again. Is your testimony that the only choice ICE had was to release aggravated felons back onto the street? There was nothing else they could do as a cost-savings measure? Is that your testimony?

Mr. BORRAS. No, that is not my testimony.

Mr. GOWDY. Okay. All right, thanks.

Chairman ISSA. I would ask the gentleman have an additional one minute. Would the gentleman yield?

Mr. GOWDY. Be happy to, Mr. Chairman.

Chairman ISSA. Just following up. I want to make sure we get to this. Nothing in sequestration forced you to make that decision, is that correct, or your agency?

Mr. BORRAS. Not that I am aware of.

Chairman ISSA. There were, as the gentleman was asking, there were clearly alternatives that could have been pursued. So this was a choice, not a requirement.

Mr. BORRAS. I would have to assume that it was done on the basis of analysis of that particular budget activity.

Chairman ISSA. Okay, let's do the budget activity.

Mr. Edwards, quickly, if you, from your experience, if you simply didn't apprehend and incarcerate non-Level 1 felons, wouldn't you quickly accomplish the same as the release of those felons? Looking at the amount of those felons released and the amount that come in every day in less than a month, if you just didn't take in these other people, wouldn't you reach the same number as releasing these felons?

Mr. EDWARDS. Looking at your analysis, that makes sense.

Chairman ISSA. Okay. I thank you.

Mr. Connolly.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Mr. Borras, this issue that Mr. Gowdy raised about aggravated felons, isn't that really a matter of a line item in your budget, not about sequestration? Aren't you limited to 34,000 and you had 36,000?

Mr. BORRAS. We are required to make 34,000 beds available, that is correct.

Mr. CONNOLLY. That is right. And you exceeded that number, so you had to do something to bring it down, since Congress is the one that mandates this line item in the budget, is that not correct?

Mr. BORRAS. We do have a mandated requirement.

Mr. CONNOLLY. That is right. So it has nothing to do with sequestration, per se; it has to do with how we appropriate your funding, is that correct?

Mr. BORRAS. Yes.

Mr. CONNOLLY. Thank you. Just to clear that up.

There seems to be a narrative going around, all of a sudden, that sequestration is not so bad and that anything that is unpopular or anything that might attract attention unfavorably can be avoided. We even had a suggestion a little earlier in this hearing that maybe the secretary herself should leave her office and go and clear passengers at an airport somewhere. And I find that intriguing since so many people, just last summer, were decrying how dreadful and apocalyptic the consequences of sequestration in fact would be.

Mr. Borras, you are in management. Presumably, you have been looking at worst case scenarios with respect to sequestration. Your own testimony is you have certainly been cognizant of it since August of 2011. So you have gone through some scenarios, is that not correct?

Mr. BORRAS. That would be correct.

Mr. CONNOLLY. And is it inevitable that we are going to see furloughs in the workforce that falls under your purview?

Mr. BORRAS. That is correct, particularly in Customs and Border Protection.

Mr. CONNOLLY. Right. I was going to get into that. So will we have furloughs of TSA employees that are unavoidable?

Mr. BORRAS. The answer to that question is a little complex. As I alluded to earlier, the current Senate CR that is being debated, and should it come to pass, will change some of the financial parameters of the sequestration as we know it today.

Mr. CONNOLLY. All right. Absent that, because that hasn't happened yet, presumably, you have to plan for furloughs in the TSA workforce, is that correct?

Mr. BORRAS. Well, we have the ability right now to avoid furloughs in the TSA workforce.

Mr. CONNOLLY. Entirely?

Mr. BORRAS. Entirely.

Mr. CONNOLLY. So what we heard earlier about up to 13 days of furloughs in the 47,000 workforce were false?

Mr. BORRAS. No, I wouldn't characterize it as false. I think there have been different iterations of sequestration, depending on what time. For example, there was a scenario based on the January 1st and the percentage cut that would be required to meet that. Then there was another calculation, series of calculations based on the March 1st date. The big uncertainty is since we don't know what the funding availability is for the back half of the year, we are making projections, estimates based on limited amount of information.

Mr. CONNOLLY. And do you expect furloughs in the CBP?

Mr. BORRAS. In fact, we have already issued 60,000 furlough notices at Customs and Border Protection.

Mr. CONNOLLY. And why were you so able to do that, but not on the TSA?

Mr. BORRAS. On the Customs and Border Protection, their budget, the way it is structured, the PPAs that contain the salaries and expense accounts are predominantly salaries, so there is no alternative; you cannot move money around from different program activities, so the cut has to come out of the salary and expense line item. And we are calculating presently about 12 to 14 days of furlough.

Mr. CONNOLLY. You were asked a little bit earlier by my friend and colleague from Texas, Mr. Farenthold, whether there had been any major delays or disruptions in security at major airports in the United States since sequestration kicked in, and you answered not to your knowledge, is that correct?

Mr. BORRAS. That is correct.

Mr. CONNOLLY. When did sequestration kick in, Mr. Borrás?

Mr. BORRAS. March 1st.

Mr. CONNOLLY. March what?

Mr. BORRAS. March 1st.

Mr. CONNOLLY. And what is today's date?

Mr. BORRAS. Today is still the 19th.

Mr. CONNOLLY. The 19th. So it has been 18 days. So did we expect the consequences of sequestration to kick in within the first 19 days?

Mr. BORRAS. No. I think the expectation that it would be progressive.

Mr. CONNOLLY. Right. So the fact that we haven't seen major disruptions doesn't mean there couldn't be some, and, as a matter of fact, we haven't really seen the full kick-in of sequestration, just

given the nature of the calendar, 19 days. We are not talking about the apocalypse here, we are talking about a rolling set of spending reductions that cumulatively most certainly will have an impact. Would that be accurate?

Mr. BORRAS. That is an accurate statement.

Mr. CONNOLLY. Thank you, Mr. Chairman.

Chairman ISSA. Thank you.

Pursuant to wanting to make sure that we do get the facts correct, on television, Secretary Napolitano said the following: several hundred, relating to the perfect storm of budgetary problems, the release of ICE-held prisoners, several hundred were related to sequester, but it wasn't thousand. Oddly enough, between one side saying it was thousand and perhaps zero, the secretary has cleared it up, it was several hundred.

With that, we go to the gentleman from Arizona, Mr. Gosar.

Mr. GOSAR. Thank you, Chairman.

First of all, I would like to thank the inspector general's office. It is celebrating their 35th anniversary. It started back in 1978 with 12 of the first 73 IGS, so thank you very, very much.

For Ms. Halbrooks and Mr. Edwards, are you privy to the OMB documents?

Ms. HALBROOKS. Regarding what, sir?

Mr. GOSAR. Prevailing wage. The discrepancy in prevailing wage.

Ms. HALBROOKS. I am not familiar with that issue.

Mr. GOSAR. I find it very interesting that we are talking about tens of billions of dollars, and yet they cite 100 percent failure in prevailing wage accuracy that could save, if we had better accuracy on the prevailing wage, tens of billions of dollars, probably in both of your departments. Would this be something that would be very acutely brought forward?

Mr. EDWARDS. We would be glad to look into that.

Mr. GOSAR. I would like to. You know, the current format is 100 percent, at least with the audit, the responses were 100 percent failure on those. If we were just to move that to the Department of Statistics, we would have much more accuracy and even, by their consensus, we would send tens of billions of dollars across the board.

Mr. Borras, is this the first time we have gone through sequestration?

Mr. BORRAS. Yes.

Mr. GOSAR. Wrong. Wrong answer. In the 1980s we did sequestration. Let me ask you another question. Are you aware there was two programs or two bills put forward to mitigate sequestration in a much better scenario, start the conversation? Two bills from the House, how about that? Were there two bills from the House?

Mr. BORRAS. I believe there were.

Mr. GOSAR. Yes, one in May of 2012 and one in December of 2012. Let me ask you another question. Is it a one-way street in which Congress dictates, cannot the agencies ask to mitigate?

Mr. BORRAS. Absolutely.

Mr. GOSAR. Where was that? Is there any documents you can point to asking Congress for mitigation in each of the different agencies, in sequestration?

Mr. BORRAS. Oh, not that I am aware of. But you asked me is it possible.

Mr. GOSAR. So there is lack of leadership.

Mr. BORRAS. Well, I wouldn't characterize it as lack of leadership. I think we have been doing, and I have testified—

Mr. GOSAR. Well, first of all, let me interrupt you. Obviously, you didn't because, in your testimony earlier, you said that you thought the sequestration aspects would be mitigated out, right, early in your testimony today?

Mr. BORRAS. I did say that was the expectation.

Mr. GOSAR. Yes. I mean, that's typical. I am private sector. I am a dentist impersonating a politician. So I can see where bureaucrats get that kind of connotation. I find it offensive to the taxpayer that we would mitigate that. I think that what we should have been doing is looking at the opportunity for better spending the taxpayer dollars.

Mr. Edwards, I want to get back to in your testimony you mentioned the Department of Homeland Security was not complying with the Federal Financial Management Improvement Act of 1996 or the OMB's requirements under its revised version of Financial Management Systems Circular. Can you explain why DHS has yet to comply with these laws and directives?

Mr. EDWARDS. Yes, sir. Initially, DHS went with the big bang concept of having this one huge system, but now, under Mr. Borras' leadership and others from the Department, instead of having this big bang approach, have each one of the components have a reliable financial system and then use business intelligence to draw the information out that could be produced daily. They are in the process of doing that, but still, even though they achieve the auditable qualified opinion, it was heavy lift because of the manual processes. But the hope is that as the systems, individual systems at the components come together and are fully functional, that would meet the requirement.

Mr. GOSAR. So it seems to me when Mr. Borras was talking in regards to this, some parts within the agency are not responding to others or they have a different accountability system. Is that true?

Mr. EDWARDS. They all have their own individual systems now, and some of them are legacy systems. For instance, CBP has a really good system; Coast Guard system is not that good and they are working on it; FEMA is working on it as well. So all of these systems, once it is fully functional individually, could come together with a business.

Mr. GOSAR. Is there some way that we could initiate making that speed up that system a little bit, Congress?

Mr. EDWARDS. Absolutely.

Mr. GOSAR. And how would that happen?

Mr. EDWARDS. You would just, in the appropriations bill, put in language saying that this needs to be met.

Mr. GOSAR. Mr. Chairman, I would like from both Ms. Halbrooks and from Mr. Edwards re-looking at the calibration of accuracy for the prevailing wage and what kind of savings we could save in both DOD and Homeland Security. I would appreciate that in writing.

Chairman ISSA. I thank the gentleman.

And if you would agree to give those in follow-up writing, that would be helpful.

Ms. HALBROOKS. Yes.

Chairman ISSA. Thank you.

We now go to the gentlelady from Illinois, Ms. Duckworth.

Ms. DUCKWORTH. Thank you, Mr. Chairman.

Ms. Halbrooks, in your testimony you indicated that over the past 10 years the DOD IG's office has issued over 1,300 reports and 7,684 recommendations of deficiencies. Of these, you have a very remarkable 95 percent of cases where the cases were addressed and closed.

So I am confused as to why your office would walk away from the responsibility of providing oversight for the F-35 acquisition process, the most expensive weapons system that we have ever purchased in our Nation's history, especially the concurrent acquisition process, when oversight of the acquisition process is one of the things, in your testimony, that you say you need to provide oversight for.

Ms. HALBROOKS. Thank you. I don't think that we have walked away from oversight of the acquisition process for that system. I think that we are confident that there is oversight within the Department and from others in Government, and decided to focus our resources on a complementary review for that weapon system, as well as other weapons systems that weren't getting as much scrutiny but also offered potential savings.

Ms. DUCKWORTH. Potential savings as high as could be gained from savings from the F-35 process?

Ms. HALBROOKS. Well, the potential savings would all depend on the recommendations and how management would implement them. Certainly, some of the lesser systems, if our recommendations are that the requirements be scrutinized and they are canceled, could potentially also yield large dollar savings.

Ms. DUCKWORTH. So, now, will you be relying on other people to provide oversight of the retrofitting process for F-35s, the ones that we have already bought but are not operational and taxpayers will still have to fund up to I am hearing figures from \$1.7 billion to \$4 billion to retrofit those aircraft? Will you be relying on other people to provide that oversight?

Ms. HALBROOKS. Well, we want to make sure the Department has the best information from objective, unbiased sources, so we will continue to look at whose best position to provide that; and if we need to get involved, we will.

Ms. DUCKWORTH. Okay.

Mr. Hale, I happen to agree with you that certainly providing our troops with the best equipment and most advanced equipment, and moving them way from aging weapons system is certainly a priority. I flew the oldest flying Blackhawk in the United States Army inventory, a 1978 model delivered in, it was the fourth one off the production line. So I understand aging weapons systems. But, to date, the F-22 has yet to fly a single combat mission and, to date, we yet have a single F-35 that is operational. It can't even do vertical takeoffs and landings right now, except for in test flights.

In looking at this deeply flawed process, the concurrent acquisition process for the F-35, are you planning, in DOD, to continue

that type of process in the purchase of future weapons systems, such as sixth generation fighters, which we are already saying that we need, even before the F-35 is delivered?

Mr. HALE. There is a balance to be struck here. If you eliminated all concurrency, total testing, everything done completely, it would take us 25 years, instead of 10, to do it. There is a balance to be struck. I am not arguing we have done it ideally in the case of the F-35. I think there are lessons to be learned and we could do better. But I don't think we want to eliminate concurrency if sensible amounts of it speed getting these weapons into the hands of our troops, and that is important.

Ms. DUCKWORTH. But these weapons systems that we are getting into the hands of our troops can't actually be flown or used in combat because of the concurrent process.

Mr. HALE. Well, we are not going to put it in the hands of troops until it can do the things it has to do to both protect them and fight effectively, and that is probably why we haven't got IOC yet for the F-35. But we are going to make that plane work. I have a long history of doing it. It is not always pretty, but we will make that plane work.

Ms. DUCKWORTH. And how far behind schedule from when we started the concurrent acquisition process, will the F-35 be operational?

Mr. HALE. That is a good question.

Ms. DUCKWORTH. It is now what, 10 years behind schedule?

Mr. HALE. I don't have that in my head, but it would be a substantial period.

Ms. DUCKWORTH. So I say again are you saying that you will still pursue the same concurrent acquisition process for future weapons systems that you did for the F-35, or will you be doing a review to look at how deeply flawed that system is and perhaps adjusting it?

Mr. HALE. We will absolutely try to make it better and learn lessons from it. What I said is, in principle, I don't think getting rid of all concurrency is in the best interest of the taxpayers, because it would spread the programs out so long, one, we wouldn't get the weapons we need and, two, there would be even more cost growth. There is a balance to be struck. Maybe we didn't get it exactly right for the F-35, but I wouldn't rule out concurrency in principle.

Ms. DUCKWORTH. You really did get it right with the F-35. In fact, we are talking in the trillions of dollars eventually.

Ms. Halbrooks, I asked General Brogdon about the security of the supply chain and making sure that every piece of equipment in our military weapons system, especially the F-35, comes from a secure source, so that we don't, for example, have Chinese manufactured chips in the avionics system. And he was very honest and said that he is looking at it, but that he found four items, in fact, that were from unauthorized countries. Are we looking at that in other weapons systems as well?

Ms. HALBROOKS. I can't, today, think that we have a review that encompasses specifically, but as we look at contracting and how these systems are being built, and if the contractors are complying with the requirements, that should be something that we would come across. But I appreciate your focus and I will take that.

Ms. DUCKWORTH. I am sorry, Mr. Chairman, I have gone way over.

Chairman ISSA. I am not sorry. Would the gentlelady yield for a second?

Ms. DUCKWORTH. Yes, sir.

Chairman ISSA. Colonel Duckworth, thank you for your service, but thank you for the question I think you asked Mr. Hale that he answered, which was he intends, apparently, to continue being over budget, over time, and describing a program that is in fact "not pretty, but it is going to work."

Would you like to revise that and talk in terms of reform that would have us not be over budget, over time again, and then say but it is not pretty, but we are going to make it work?

Mr. HALE. Mr. Chairman, the question I heard was whether we would abandon all concurrency. That is the question to which I said no.

Chairman ISSA. If the gentlelady wants to follow up.

Ms. DUCKWORTH. Thank you, Mr. Chairman. My question was will you be pursuing the exact same process for the F-35 for future combat systems, especially the Next Generation 6 fighters that you are proposing now.

Mr. HALE. I mean, the answer is no. We will do better and we will look to reform it. But I don't want to throw out all concurrency. I don't think that is wise. I guess I misunderstood you. I am sorry.

Ms. DUCKWORTH. May I ask one more question?

Chairman ISSA. Of course.

Ms. DUCKWORTH. Not a problem. And then will you be advising your inspector general to provide greater oversight or will you, again, in future systems, rely on other agencies to provide that oversight?

Mr. HALE. We would welcome oversight from the inspector general.

Chairman ISSA. Thank you.

Now we go to the gentleman from Ohio, Mr. Jordan.

Mr. JORDAN. Thank you, Mr. Chairman.

Mr. Borras, during Mr. Connolly's question, he talked about sequestration taking effect March 1st, and in the past 19 days he asked you we haven't seen any major disruptions. I believe your answer was yes to that question, is that correct?

Mr. BORRAS. Yes.

Mr. JORDAN. Okay. And then putting aside what Mr. Gowdy brought up, the fact that we released 10 Level 1 aggravated felons, your answer to we haven't seen many major disruptions was yes. Yet, on March 4th we have the statement by Secretary Napolitano. She said, as a result of sequestration, airports were seeing lines 150 to 200 percent as long as they would normally expect. So which is it? Three days after the sequestration the Secretary of Department of Homeland Security is saying we have lines 200 percent of normal and you are saying we haven't seen any major disruptions. Which one is true?

Mr. BORRAS. Well, I don't know the specific statement that was made by the Secretary.

Mr. JORDAN. I just read it to you: "150 to 200 percent as long as we would normally expect." You just told Mr. Connolly we haven't seen any major disruptions. You have your boss saying we have. Who is telling the truth?

Mr. BORRAS. Well, again, I don't know what the statement is. If you are saying the statement said that we are currently seeing, at all airports, or that is the projection.

Mr. JORDAN. She said airports were seeing 150 to 200 percent lines as long as we would normally expect. Was she wrong or were you wrong in what you gave your answer to Mr. Connolly? Or is 200 percent of the line, is that not a disruption? It is a yes or no. One of you has to be right; one of you has to be wrong.

Mr. BORRAS. Well, I am not aware of that.

Mr. JORDAN. Well, according to the reporter, she is wrong, so maybe what you said is maybe the case, maybe we haven't seen major disruptions.

In your answer to the chairman in the first round of questions, he was talking about attrition and ways you could have planned for this, and you said this, "We thought sequestration wouldn't happen." Now, does the United States Department of Homeland Security make a habit of not preparing for the law of the land when it comes to its management practices? As Mr. Gowdy pointed out, as the chairman pointed out, you had 20 months to get ready of this.

But because you had this assumption it wasn't going to happen, you didn't prepare. I mean, you told the chairman we didn't expect it to happen. So when did you finally start, March the 2nd? When did you finally prepare for something you had 19 months lead time on?

Mr. BORRAS. I would say we began to plan preliminarily for sequestration in the fall.

Mr. JORDAN. So which is it, you thought it wasn't going to happen, but you did start to plan. Where are you at?

Mr. BORRAS. Exactly, that is where I am at. Certainly, in August of 2011 there was the hope that we would not face sequestration. In the fall, clearly, as January 1st was approaching, we continued to look at the possibility of sequestration.

Mr. JORDAN. So you waited a year.

Mr. BORRAS. No, we did not wait a year.

Mr. JORDAN. Well, you said past August 2011. You said in the fall, as January 1st started to approach, you started to get ready. So you waited a year. Maybe if you hadn't waited a year, maybe you wouldn't have 50 job postings today on your Web site offering jobs. Maybe you wouldn't have to be saying we are going to have to furlough people.

Have you responded to the chairman's letter where he asked your Department were there ways we could be helpful maintaining the reduction in spending in sequestration, but ways we, as Congress, could be helpful in helping you implement this? Have you responded to that letter?

Mr. BORRAS. I am not aware of a letter that was written to me.

Mr. JORDAN. No, it was written to the Department. You are here representing the Department, correct? Yes, it was written to the Department. Have you responded? Has the Department responded?

Mr. BORRAS. I believe that letter is in clearance.

Mr. JORDAN. What does that mean?

Mr. BORRAS. It is being completed and should be responded to the chairman by the end of the week.

Mr. JORDAN. Again, it seems to me if you had 20 months to prepare for this, the chairman asked you how we can help you better implement it, you should have something ready to email right away, some response ready to go; here is our plan of action, Mr. Chairman, here is what we can do. We would appreciate your help giving us some flexibility in these particular areas of our budget.

Finally, last area I want to get to, Mr. Chairman, last 40 seconds here. Ms. Speier and I have been working on this issue of conferences that agencies have attended and the amount of taxpayer dollars used at these various conferences. Do you know how many conferences the Department of Homeland Security has attended in 2012?

Mr. BORRAS. I don't have that number off the top of my head.

Mr. JORDAN. Do you know how much money you have spent on conferences, overnight conferences, where employees from your Department go? Do you know how many dollars you have spent on those kind of things?

Mr. BORRAS. I don't have that number off the top of my head.

Mr. JORDAN. Mr. Edwards, do you happen to know those numbers?

Mr. BORRAS. No, sir, but we did a report in 2009, we had 12 recommendations, and we are currently doing an audit on conference spending.

Mr. JORDAN. Do you know, Mr. Edwards, of any of the conferences that employees from Homeland Security have attended, if any of them exceeded the amounts, the level per attendee that was spent at the GSA conference, the now famous GSA conference in Vegas? Do you know?

Mr. EDWARDS. No, sir.

Mr. JORDAN. Okay. Well, we would like for you to get that information, if you could.

Mr. EDWARDS. Yes.

Mr. JORDAN. Mr. Chairman, I yield back.

Chairman ISSA. Thank you.

We are going to wrap up. I going to do just a couple of questions.

First of all, Secretary Hale, we have been a little tough on you, but I want to thank you. DOD is the only cabinet position that has responded with any specificity or any answer to our letters as to areas in which, legislatively or appropriations, we could provide you changes. So I appreciate that.

I want to touch on one thing, and I think, General Halbrooks, you have been sort of almost beat up for not going after the F-35, and I could pile on on that, because I do think that it is such a large amount of dollars that special attention, at least over the shoulder of those doing oversight, is appropriate. But I want to touch base on something that I think should be a DOD imperative.

Ms. Duckworth, you said you flew the oldest Blackhawk, entering service in 1978. I don't know how to tell you this, but I was on UH-1s. There were just Charlies and they were first generation. You were not born when those went into production.

Ms. DUCKWORTH. [Remarks made off microphone.]

Chairman ISSA. You did fly Hs. Well, they were hotels. They called them hotels because they were big.

But when the other end of acquisition, which is repair part and disposal, it has been a mess at DOD at all parts of it since before most people in this audience were born. We buy things, they get shipped in. At Fort Riley, Kansas, if I remember correctly, there is still an anchor there because somebody ordered a ship's anchor by mistake, and once it was railed in, they didn't know what else to do with it, so they put it there.

The disposal of equipment and the reuse has never been centralized. Now, if I were to go online today and I were to say I needed a part for a 1989 X, Chrysler 300, whatever it was, I can go to a single Web site and virtually every salvage yard in America feeds into that, and I can find out where the parts are, where the car is that contains that part.

The world has modernized so that you do not have an excess part simply get sold off at a small auction and not put back into the system. And, more importantly, auctions continue to occur at every little base and compound, rather than a central selling system where people all over the world can bid up the price of the excesses of the Department of Defense.

Now, it is not just the Department of Defense, but I would like you to really look at it because, in my two decades in the active and then reserves, the gentlelady's 21 years now, this hasn't gotten fixed. But the world has fixed this problem to a scale in which almost anything is sold globally, is auctioned globally; and we continue to have local auctions where people show up and they get deals.

I know it is a small part of it, but I have been waiting for an opportunity to say isn't this the kind of thing that, in addition to a billion dollar failed acquisition program out of Dayton, that we could also learn to sell our excesses and reuse our excesses better? Isn't that an item that IGS have been talking about and organizational people have been talking about since you first knew there was a Department of Defense?

Mr. HALE. I thought there was, and I am going to express my ignorance and take a risk here, Mr. Chairman, the Defense Resource Management Utilization Service or Reutilization Service. But let me go back and find more from our logistics experts, because I hear you, eBay and other things like it should certainly allow us those opportunities. I think we were using some of them.

Chairman ISSA. And I agree with you, there have been efforts to try to do it, but I can tell you today it doesn't work.

General Halbrooks, I assume you have looked at the perfectly good product going out to sale while the same exact product is being reacquired in a very near location.

Ms. HALBROOKS. Certainly, that is consistent with the work that we have done on our spare parts reports that we have talked about today. But, more broadly than that, I appreciate your input and the committee members' input into areas for future work. As we start to look forward to doing our fiscal year 2014 audit planning, they will certainly be areas we take into consideration.

Chairman ISSA. Thank you.

Mr. Cummings, do you have anything?

Mr. CUMMINGS. Thank you very much.

There has been quite a bit of effort made here today, Mr. Borras and Mr. Hale, talking about how you should have been prepared better for sequestration, and I want to be fair to you, and I don't know if you know this, but I need you to let me know if you know this.

According to what we did, according to what the Congress of the United States did, did you know that, according to Section 116(b) of the Continuing Appropriations Resolution of 2013, Congress required Federal agencies to submit their plans to implement sequestration cuts to the Congressional Appropriations Committee 30 days after the President issues a sequestration order? And President Obama issued his sequestration order on March the 1st, 2013, so in order to implement the \$85 billion and across-the-board spending cuts for fiscal year 2013, and, as a result, agencies are required to submit their sequestration plans to Congress, we have ordered you to do this now, you understand that, by April 1st, 2013. Were you aware of that, Mr. Hale?

Mr. HALE. Absolutely. We call it a spin plan. Now, we are going to have a real problem because you are about to change the whole framework for us, I hope, in passing an appropriations legislation or a new continuing resolution is going to change the whole way we do sequestration. So I don't know if we will make it, but we are well aware of it.

Mr. CUMMINGS. Are you working on that plan?

Mr. HALE. Yes.

Mr. CUMMINGS. I got that. I am just asking, first of all, are you working on it pursuant to law that we passed.

Mr. HALE. Yes.

Mr. CUMMINGS. Okay. Number two, you are also telling me that because of the continuing resolution, that a monkey wrench may be thrown into that. Is that what you are saying?

Mr. HALE. Yes.

Mr. CUMMINGS. And can you explain that to me?

Mr. HALE. The sequestration law requires that we base the cuts on program project and activity. It was defined by this continuing resolution you passed last September. It will now change and be applied, for at least the Department of Defense, based on what will essentially be an appropriations bill in this new continuing resolution. So all the numbers, all the base from which you take the cuts are going to change, and we will need to go back and make sure we still have the right plans.

Mr. CUMMINGS. Now, is your interpretation of a law that we passed, the one I just referenced, in other words, you still have a deadline of April 1st, as you interpret the law?

Mr. HALE. Yes.

Mr. CUMMINGS. So you all are going to be working hard, I take it, once you figure out what we, as a Congress, what we are going to do.

Mr. HALE. We will do our best.

Mr. CUMMINGS. Do you think you will be able to make that April 1st deadline?

Mr. HALE. Probably not.

Mr. CUMMINGS. Okay.

Mr. HALE. Not with meaningful information. I mean, we can give you old stuff, but that is not going to help you or us.

Mr. CUMMINGS. Yes, I understand. It is getting kind of late.

Mr. Borras, were you aware of that?

Mr. BORRAS. Yes.

Mr. CUMMINGS. So are you all preparing to submit your plan by April 1st, as required by Congress?

Mr. BORRAS. We are working on our plan to meet the 30-day requirement as per law, and as Under Secretary Hale mentioned, we too will have adjustments that will be made to that plan based on the continuing resolution that gets passed for the balance of the year.

Mr. CUMMINGS. Were you aware of that, Ms. Halbrooks? Were you aware of that?

Ms. HALBROOKS. Yes. Yes.

Mr. CUMMINGS. Okay. And you?

So this really does cause some problems for you, doesn't it, Mr. Borras?

Mr. BORRAS. It will require some adjustment. I provided one example earlier in TSA, the FAMS program, which the impact would be about an additional \$60 billion reduction; Secret Service, about \$100 million reduction based on the estimates of what we know the bill to be today.

Mr. CUMMINGS. Well, you know, it is interesting that we here in Congress, and I have talked to a number of Congress people, we too had to make some changes. I know I have just told my employees they are taking two days of furlough, and people say sequestration does not have impact. That is real. That is a real deal. Some of these people making \$40,000, \$45,000; they are losing two days a month. That is real.

As a matter of fact, they have already started taking furlough days. So we are just going to have to work through this and hopefully it will not be as painful as it appears that it will be for some people.

Thank you.

Chairman ISSA. Would the gentleman yield?

Mr. CUMMINGS. Of course.

Chairman ISSA. I think the ranking member brings up an important point, that the CR that we passed out of the House that has major changes primarily for Department of Defense does create a situation in which a bill not yet passed, but to take effect for sure, one way or the other, by April 1st does change what particularly Department of Defense is going to report, and I do think that is the best reason for this committee to make every effort to try to find things that, no matter what the effects of future bills, agencies would want to either adjust or reduce or eliminate and work together on; and I thank the gentleman for pointing that out.

Mr. CUMMINGS. Thank you.

Chairman ISSA. Mr. Jordan, I understand you have another question?

Mr. JORDAN. Just real quick, Mr. Chairman. I didn't get this in in my five minutes.

Back to Ms. Napolitano's statement on March 4th, 2013, she said that major airports were seeing lines 150 to 200 percent as long as we would normally expect. Did the Department survey airports around the Country between November 1st and November 4th to get that information that Ms. Napolitano then based her statement upon?

Mr. BORRAS. I don't have an answer to that question. I am not involved in the operations of either the airports or the borders and wouldn't be cognizant at this time of what information was presented to the secretary relative to those operational matters out in the field.

Mr. JORDAN. The fact is the reporter at that newspaper who reported this said they in fact called O'Hare Airport, Los Angeles International Airport, and Atlanta's airport and the spokesperson for those respective airports said there were no major delays.

So I just want to know where she got the information. What information did she base that statement on? And it would seem to me the only information you could base that statement on is if you called up the airports and said are you in fact experiencing delays, and are they 150 to 200 percent longer lines than you normally have at this point in the year.

You don't know if that was done?

Mr. BORRAS. I don't have that information. I would be happy to provide you the basis for that statement.

Mr. JORDAN. I appreciate that and I hope you do get that to us, but it would seem to me, when you come in front of the committee, knowing that this is going to be about sequestration, knowing that this statement was made three days after sequestration took effect, it seems to me you would know what information the Secretary of the Department of Homeland Security based that statement on. And yet you come here and you just say I don't know.

So, with that, Mr. Chairman, I would yield back.

Chairman ISSA. Thank you.

Ms. Duckworth, do you have any questions?

Mr. Cummings?

Mr. CUMMINGS. Just one question.

Mr. Hale and Mr. Borras, do you think that April 1st deadline should be extended?

Mr. HALE. Well, Mr. Cummings, it is in the law. We will do our best to meet it. I just am concerned about meeting it well at this point, but we will get something as quickly as we can. I think we can work with you and with the committees.

Mr. CUMMINGS. Mr. Borras?

Mr. BORRAS. We will respond to the law. If there are any changes between now and April 1st, we will adjust accordingly, but right now we are planning to respond on April 1st.

Mr. CUMMINGS. All right, thank you.

Chairman ISSA. I am going to follow up on that briefly.

Mr. Hale, isn't it true that the appropriations bills passed out of the House substantially reflects requests that you had for changes? In other words, the negotiation that went on that led to DOD in the CR actually having, effectively, a new appropriation? Isn't that, at least for our guidance, when I am talking to my colleagues and Mr. Cummings is talking to his, that, really, you have given us

most of what you are going to say on April 1st, which is we would like to have what was in the House's CR negotiated? I realize there is always an anomaly, but a lot of it is reflected there?

Mr. HALE. Yes and no. The yes part is—the no part is that they want us to look at each program, there are 2500 of them in the Department of Defense, and say what the specific cuts are against that level. That isn't in the bill and we will have to do that for you, and we need to do that too. I mean, we need a spin plan to execute this, although I still hope that you end it in some fashion. But if it doesn't get ended, then we have to make it work, and we will.

Chairman ISSA. Thank you.

I want to thank all of you for your testimony today. We will leave, as I believe was said earlier, five days for all to revise and extend, and for opening remarks of members. And, again, thank you.

We stand adjourned.

[Whereupon, at 12:30 p.m., the committee was adjourned.]

APPENDIX

MATERIAL SUBMITTED FOR THE HEARING RECORD

DARINEL E. ISSA, CALIFORNIA
CHABANAN
JOHN L. MICA, FLORIDA
MICHAEL R. TURNER, OHIO
JOHN J. DUNCAN, JR., TENNESSEE
TAXIE DAVIS, ALABAMA, NORTH CAROLINA
JIM JORDAN, OHIO
JASON CHAFFETZ, UTAH
THOMAS J. MARINO, NEW YORK
JAMES LANKFORD, OKLAHOMA
JUSTIN ANASH, MICHIGAN
PAUL G. BREWSTER, MASSACHUSETTS
PATRICK MEENAN, PENNSYLVANIA
SCOTT DESANTO, TENNESSEE
TREVOR HALL, SOUTH CAROLINA
BLAKE FAIENTHOLD, TEXAS
DOC HASTINGS, WASHINGTON
DOYLE HECKLER, WEST VIRGINIA
ROB WOODALL, GEORGIA
THOMAS J. HANNA, KENTUCKY
DONALD COLLINS, GEORGIA
MARK MEADOWS, ALABAMA
KERRY L. BENTIVOGLO, MICHIGAN
RON DEBARTOLIS, FLORIDA

LAWRENCE J. BRADY
STAFF DIRECTOR

ONE HUNDRED THIRTEENTH CONGRESS

Congress of the United States House of Representatives

COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM

2157 RAYBURN HOUSE OFFICE BUILDING

WASHINGTON, DC 20515-6143

<http://oversight.house.gov>

Elijah E. Cummings, Maryland
Ranking Minority Member
CAROLYN B. MALONEY, NEW YORK
ELEANOR HOLMES NORTON,
DISTRICT OF COLUMBIA
JOHN YANNIKE, MASSACHUSETTS
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L. TAMMY DUCKWORTH, ILLINOIS
DANIEL M. TROMPTON, VERMONT
TONY CARDENAS, CALIFORNIA
STEVEN A. HORN, NEVADA
MICHELLE LUQUIN GRISHAM, NEW MEXICO

Opening Statement Rep. Elijah E. Cummings, Ranking Member

Hearing on "DOD and DHS: Implementing Agency Watchdogs' Recommendations Could Save Taxpayers Billions"

March 19, 2013

Today's hearing falls on the ten-year anniversary of the invasion of Iraq. Ten years ago today, our nation entered a war that has now cost the American taxpayers more than two trillion dollars. Obviously, this staggering amount will be even higher when we calculate the final cost of the war in Afghanistan, which is still going on today.

During these wars, billions of dollars have been paid through contracts with private defense companies. According to the Commission on Wartime Contracting, just one company—Kellogg, Brown & Root—was paid more than \$40 billion. Under so-called "sole-source" contracts, many companies never competed for a single task order. And because these "cost-plus" contracts guaranteed corporate profits, they incentivized companies to pad their bills.

Rather than raising revenues to pay for these trillion dollar wars, the Bush Administration slashed taxes, primarily benefitting the richest members of our society. From 2001 to 2010, the Bush tax cuts reduced our nation's revenues by nearly a trillion dollars more.

So now that we have ended the war in Iraq, are winding down the war in Afghanistan, and are facing record deficits, it would be logical to seek additional revenues and reduce defense spending, particularly on wasteful defense contracts.

Instead, House Republicans propose something vastly different. The Ryan budget unveiled last week would eliminate health insurance for tens of millions of Americans, slash Medicaid for the poorest among us, reduce education funding for children with disabilities, kick tens of thousands of kids out of Head Start, and abandon our commitment to seniors who rely on Medicare.

House Republicans would rather do all of these things than ask the richest among us to contribute a penny more to address our nation's fiscal challenges.

Although most people agree that it is time to rein in wasteful defense spending, the Ryan budget would increase the Pentagon's budget to \$645 billion next year. Although our wars are

ending and the Pentagon's contract management system is broken, the Ryan budget would pump tens of billions of dollars more into defense spending each year for the next decade.

Today's hearing offers a prime opportunity to take a step back and identify massive savings at the largest agency in the federal government—the Department of Defense. The Pentagon's Inspector General and the Government Accountability Office have warned repeatedly that the Defense Department continues to squander billions of dollars on wasteful contracts.

Let me highlight just one example. Over the past ten years, the Pentagon has severely mismanaged the biggest weapons acquisition program in history, the F-35 Joint Strike Fighter. It rushed to buy aircraft without adequate testing, and it disregarded recommendations to slow down the acquisition process. As a result, the program now faces skyrocketing costs, expensive retrofits, and unacceptably poor performance.

Experts have challenged the need for this aircraft, and the Simpson-Bowles Commission recommended canceling the Marine variant, reducing other variant purchases, and outfitting planes already in service with less expensive upgrades.

According to the Pentagon's Office of Operational Test and Evaluation, testing for the Joint Strike Fighter has been extremely limited due to restrictions, including "no night or weather capability, and no combat capability." The Navy's version of this plane cannot land on aircraft carriers, the radar does not appear to work, and no version of this plane has been cleared to fly at night. Last year, the Pentagon's own acquisition chief called this "acquisition malpractice."

Nevertheless, the Department is forging ahead with plans to buy nearly 2,500 planes for \$400 billion. And the American taxpayers will be on the hook for another \$1 trillion just to maintain these planes over their service lives.

Mr. Chairman, I am thankful that today—before we consider draconian cuts to core services that Americans across the country rely on every single day—we will have an opportunity to closely examine this program and others at DOD and DHS in order to break our nation's addiction to wasteful contract spending.

I thank our witnesses very much for being here, and I look forward to hearing their testimony. Thank you, Mr. Chairman.

Contact: Rory Sheehan, Press Secretary, (202) 226-5181.

Rep. Mica Opening Statement

- Since the sequester went into effect, rather than identify wasteful and redundant programs that can be cut, the Administration has touted the alleged harmful consequences of sequestration, such as:
 - 40,000 teachers will get pink slips.
 - Federal prosecutors would have to “close cases and let criminals go.”
 - Meals on Wheels would serve 4 fewer million senior citizens.
 - 70,000 students would lose access to Head Start programs.
 - Extremely long airport delays.
- What do all these claims have in common? At a minimum, they are exaggerations. In some cases, they are outright false.
- We are here today to identify common sense ways to cut costs and improve efficiency in the government.
- There are plenty of obvious candidates to be cut, such as:
 - \$27 million project to help fund pottery classes in Morocco.
 - \$500,000 to support specialty shampoo products for cats and dogs.
 - \$141,000 to fund a Chinese study on swine manure.
 - \$3,700 grant to build a miniature street in West Virginia out of Legos.
- We are going to hear from two Inspectors General who have identified more than \$2 billion worth of potential savings at their agencies that have not been implemented.
- This is a far more productive discussion than making alarmist and false claims about the effects of sequestration.

KERRY L. BENTIVOLIO
11th District, Michigan

226 Cannon House Office Building
WASHINGTON, DC 20515
(202) 225-8171

DISTRICT OFFICE
800 Welch Road
Commerce, MI 48390

Congress of the United States
House of Representatives
 Washington, DC 20515-2211

Mr. Chairman, Ranking Member, thank you for allowing me to speak and for holding this important briefing today. In light of the sequester, it is paramount that we identify and implement ways for the Department of Defense and the Department of Homeland Security to achieve cost savings through efficiency. I believe we can accomplish this without compromising national security.

The role of the Inspector General is integral to investigating instances of waste and recommending ways in which taxpayer funds can be better used. However, unless these recommendations are heeded and implemented, the opportunities for increased cost savings presented by the Inspector General will be missed. We have a responsibility to the hardworking American taxpayer to practice wise stewardship of federal funds. Listening and implementing the recommendations given by the Inspector General is the first step to achieving this goal.

Sincerely,

Kerry Bentivolio

United States Congress

March 19, 2013

**OGR Full Committee Hearing Opening Statement - DOD and DHS:
Implementing Agency Watchdog's Recommendations Could Save Taxpayers
Billions
Congressman Cárdenas (CA-29)**

Thank you Chairman Issa and Ranking Member Cummings for calling this important hearing today to get some clarity on the steps that the Department of Defense (DOD) and Department of Homeland Security (DHS) are taking to ensure they are not wasting billions of taxpayer dollars on programs that are failing to deliver for the American people.

During a time when the Ryan Budget is slashing billions from critical programs that many middle class and working families depend on, the DOD and DHS Inspector Generals (IG) have identified \$1.025 and \$1.158 billion of potential savings in each respective agency. Failing to implement these recommendations means that a total of \$2.183 billion will be washed down the drain.

I cannot help but imagine how many children we can properly educate in public schools; how many young adults we can send to college or train to be competitive in this global economy; how many families that have been devastated by this economic downturn we can help get back on their feet; how many elderly people we can ensure live out a dignified life after contributing so much to our country; or how many employees DOD can avoid giving furlough notices to in light of the estimated \$46 billion in across-the-board cuts it will experience this year as a result of sequestration. We cannot allow bureaucratic inaction to let this situation continue.

The DOD and DHS are two of three largest agencies in the federal government, with the Department of Veterans Affairs coming in second. They are charged with the great responsibility of ensuring our security at home and abroad. In FY 2012, DOD's budget stood at \$553 billion and DHS' budget was \$46.9 billion.

I am a strong supporter of our military and national security apparatus. I am committed to ensuring that both DOD and DHS are well-resourced so they may continue to defend America and its interests. But with great budgets, comes great

March 19, 2013

responsibility. We cannot afford to waste millions of dollars in programs that do not further our security.

As we grapple with fiscal challenges of our day, we must strongly demand that all agencies and departments do everything in their power to ensure they are not wasting valuable taxpayer money.

I look forward to hearing from the witnesses about the concrete actions their respective agencies are taking to remedy the critical problems that have been highlighted by the Inspector Generals. Running ineffective or failing programs that are costing billions cannot be the standard mode of operation of any federal agency or department. The times do not allow for it.

Statement of Congressman Gerald E. Connolly (VA-11)
Committee on Oversight and Government Reform
DOD and DHS: Implementing Agency Watchdogs' Recommendations Could Save Taxpayer Billions
March 19, 2013

Chairman Issa and Ranking Member Cummings, thank you for holding today's hearing to examine the implementation of Inspector General (IG) recommendations at the U.S. Departments of Defense (DOD) and Homeland Security (DHS). Highlighting open IG recommendations is an incredibly valuable oversight exercise, and I want to express my appreciation to the Chair and Ranking Member for their strong bipartisan support of our Nation's dedicated Offices of Inspectors General (OIGs).

Since enactment of the landmark Inspector General Act of 1978, IGs have served as indispensable, independent voices in the Executive Branch committed to rooting out waste, fraud, and abuse, while providing agencies with actionable recommendations to eliminate inefficient, and in certain cases, egregious, examples of misconduct and mismanagement. According to the most recent Progress Report of the Council of Inspectors General on Integrity and Efficiency, our Nation's 73 OIGs identified potential savings totaling approximately \$93.9 billion in fiscal year 2011 alone – with \$84.8 billion derived from audit recommendations agreed to by management, and \$9.1 billion derived from investigative receivables and recoveries.

In light of the relatively modest sum of \$2.7 billion budgeted for all 73 OIGs in FY 2011, it is clear that American taxpayers receive an excellent return on their investment, with \$35 in potential savings identified for every \$1 invested in OIGs. However, I believe we can do better in turning these potential savings into reality. One of the most valuable functions of this Committee is highlighting OIG priority open recommendations and conducting rigorous oversight to ensure agencies follow through on their implementation. Even if agencies were only able to implement half of the FY 2011 recommendations they agreed to, the resulting savings of \$46.95 billion would be well worth the effort.

Of course, we must always be cognizant that congressional oversight can actually become counterproductive when it focuses on horror stories while ignoring an examination of what works in government. While stories of waste, fraud, and abuse may be most effective in crafting an eye-catching headline, the reality is that our failure to recognize and reward innovative best practices in government carries real consequences and costs. As witnesses testified at our last Committee hearing, unbalanced oversight has resulted in a Federal acquisition workforce that is beaten down, and afraid to embrace innovative procurement strategies for fear of reprisal and punishment over the slightest missteps or mistakes – which as any successful entrepreneur will tell you – are unavoidable, and even welcome, when pursuing new initiatives.

In closing, I am pleased that this Committee is continuing to focus on substantive, bipartisan, good government issues that actually could improve the Federal Government. However, I would caution that all of the audits and recommendations in the world will not amount to much if we continue to denigrate the dedicated men and women of our Federal workforce, and allow sequestration to go forward.

(OVER)

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From the never-ending pay freezes to enduring perpetual continuing resolutions to the abhorrent process of sequestration and threat of furloughs – it is astonishing how poorly we treat our civil service and then express shock when their results are less than stellar. No successful private company would treat its workforce the way our government treats its own, and we must stop this abuse and denigration of the public servants we rely on to implement the cost-saving recommendations we are addressing here today.

-END-



**INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
4800 MARK CENTER DRIVE
ALEXANDRIA, VIRGINIA 22350-1500**

MAR 26 2013

The Honorable Darrell Issa
 Chairman
 Committee on Oversight and Government Reform
 U.S. House of Representatives
 Washington, DC 20515-6143

Dear Mr. Chairman:

This letter is to request a correction to the record for testimony provided by Ms. Lynne M. Halbrooks, Principal Deputy Inspector General, Department of Defense, during the March 19, 2013, Committee hearing titled "DOD and DHS: Implementing Agency Watchdogs' Recommendations Could Save Taxpayers Billions".

During the question and answer segment of the hearing, Ranking Member Cummings raised a question on the cost of the Joint Strike Fighter. In her response, Ms. Halbrooks misstated that the JLENS program was cancelled. As provided in her written and oral statements the DoD IG report questioned the planned procurement of additional assets beyond the requirements and identified over \$2.5 billion in potential savings. Management agreed with our report and recommendations stating "the impact of the current fiscally-constrained environment compels redirection of funding to other systems." As a result, the procurement funding of the program has been zeroed out, but the technology may continue to be used.

If you have any questions regarding this matter, please contact me at (703) 604-8324.

Sincerely,

Brett A. Mansfield
 Acting Assistant Inspector General
 Communications and Congressional Liaison

cc: The Honorable Elijah Cummings
 Ranking Member

CHARRTS No.: HOGRC-01-007
House Government Reform Committee
Hearing Date: March 19, 2013
Subject: DoD and DHS: Implementing Agency Watchdogs' Recommendations Could Save
Taxpayers Billions
Congressman: Congressman Bentivolio
Witness: Acting (IG) Halbrooks
Question: #7

Question: Department of Defense officials have said the sequester cuts will require the majority of the Agency's 800,000 civilian employees to take up to 22 mandatory furlough days, losing a significant portion of their incomes. In addition, the Department has not ruled out the possibility of employee layoffs for temporary or term employees.- Ms. Halbrooks, are there recommendations that you have made as alternatives to implementing spending cuts rather than mandatory furlough days? - Are there recommendations for spending cuts that would cut similar amounts of money as opposed to employee furlough days?

Answer:

The DoD IG has not made any specific recommendations to the Department as alternatives to implementing spending cuts rather than mandatory furlough days. Determining the priorities related to sequestration is a management decision and it is not appropriate for an Inspector General to become involved with establishing the Department's priorities.

Over the past 10 years, DoD OIG has issued over 1,300 reports addressing a wide variety of challenges within the Department and providing 7,684 recommendations to correct noted deficiencies. Of those 7,684 recommendations, 95 percent were addressed and closed, and 5 percent (or 386 recommendations) remain open. Collectively, those reports have resulted in \$37.3 billion in achieved monetary benefits to the Department with additional potential monetary benefits of \$3.5 billion based on open recommendations.¹

The DoD IG makes specific recommendations that result in potential monetary benefits to ensure the taxpayer dollars are used efficiently and effectively. However, the Department has the ability to, and should, take those recommendations and apply them more broadly across the Department to achieve additional savings.

¹ One recommendation accounts for \$2.5 billion of the \$3.5 billion in potential savings.

Questions for the Record

Congressman Kerry Bentivolio
Committee on Oversight and Government Reform

Questions for:

Charles Edwards, Acting Inspector General for the Department of Homeland Security

Hearing entitled, "DOD and DHS: Implementing Agency Watchdogs' Recommendations Could Save Taxpayers Billions."

-
- Two weeks ago, the Chairman released a staff report that described the high number of unimplemented IG recommendations, which totaled nearly \$67 billion in 2012. Despite the billions in possible savings, the Obama Administration has been relying on scare tactics to frighten the American people on the effects of sequestration. At a POLITICO breakfast earlier this month, Secretary Napolitano discussed sequestration's impact on TSA lines at the airport and stated, "We are already seeing the effects...[lines are] 150 to 200 percent as long as we would normally expect." The United Kingdom's *The Telegraph* reported that airport officials at LAX, O'Hare, and Hartsfield-Jackson denied these claims.
 - Mr. Edwards, are there recommendations that you have for reducing the cost of running the TSA?

Answer: Yes. As of the Committee's hearing on March 19, 2013, my office had 113 open recommendations related to the TSA. While each one of these recommendations does not have a particular dollar savings attached, we believe that the recommendations we have made will lead to a more efficient and effective organization, which will result in cost savings for the taxpayer and the Government. Our TSA-related open recommendations do include about \$10 million in questioned costs.

For your information, I have attached a spreadsheet that includes all of my office's open TSA-related recommendations as of March 19, 2013.

Report No.	Report Title	Issued	Recommendation	Rec. No.	Status	Total Questioned Cost	FYBUD*	Federal Share Questioned Cost
OIG-05-51	Transportation Security Administration's Revised Security Procedures	9/30/2005	Revise Security Directive requiring air carriers to retain aircraft security search documentation for 30 days.	2	Open - Resolved	0	0	0
OIG-05-52	Transportation Security Administration's Procedures For Law Enforcement Officers Carrying Weapons On Board Commercial Aircraft	9/30/2005	Expedite the selection of the uniform biometric credential to be used, develop and implement a comprehensive plan of action that identifies the work to be completed, milestone completion dates, project cost, and funding.	1	Open - Resolved	0	0	0
OIG-07-64	Audit of Implementation of Aviation Security Requirements at Foreign Airports	8/13/2007	This is a classified report.	2	Open - Resolved	0	0	0
OIG-09-103	Effectiveness of the Department of Homeland Security Travel Redress Inquiry Program	7/1/2009	Collect individual TRIP redress case information on the date completed redress petitions are received, and use this information to calculate overall TRIP case processing times.	22	Open - Resolved			
OIG-09-103	Effectiveness of the Department of Homeland Security Travel Redress Inquiry Program	7/1/2009	Collect and report on redress-seeker impressions of the TRIP website, different aspects of the redress experience, and their overall satisfaction with the program, with the aim of using this information to identify areas for improvement.	24	Open - Resolved			
OIG-09-42	Effectiveness of the Checked Baggage Screening System and Procedures Used to Identify and Resolve	3/17/2009	Recommendation is SSI - the subject is OSARP Operator	1	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA adhere to its established policies and procedures requiring supervisory review of financial information, supporting documentation, and account balance reconciliations, to ensure that all material errors in the financial statements are identified and corrected timely.	I-A-1	Open - Resolved	0	0	0

OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA develop, implement, and/or update existing policies and procedures to: a) require supervisory reviews of accounting transactions (particularly non-routine transactions), and accounting data provided to and received from contractors and outside specialists, and adequately supervise and review work performed by accounting staff and contractors; b) analyze changes in accounting policy prior to their implementation, including steps to determine whether the implementation would result in a non-compliance with GAAP; c) assign accountability for supervisory reviews, and require that the reviews be documented; and d) eliminate reliance on the outside auditor to identify errors and controls deficiencies over the accuracy and completeness of financial statements.	I-A-2	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA perform analysis to accurately and completely compute the future minimum lease commitments as disclosed in Note 10 to the consolidated balance sheet at September 30, 2008.	I-A-3	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA Work with its accounting service provider to ensure that the proper trading partner code is recorded for each intragovernmental transaction. Until such time, TSA should consistently perform its manual process for the timely identification and reporting of trading partners for intragovernmental activities and balances.	I-A-4	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA Improve its review procedures to assist the Department with its compliance with FMFIA and OMB Circular A-123 to ensure that all material weaknesses are identified and reported to the Department.	I-A-5	Open - Resolved	0	0	0

OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA complete the review currently in process over idle assets, other direct costs, and internal use software, and record the proper correcting adjustments in the general ledger;	I-B-1	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA develop and implement policies and controls, including appropriate supervision and management oversight, to include assigned responsibility to account for idle assets, other direct costs, and internal use software in accordance with SFAS No. 6 and SFAS No. 10 on an ongoing basis.	I-B-2	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA examine asset purchases and establish an appropriate dollar threshold for capitalization of purchases to ensure that asset purchases are presented as general property and equipment, and depreciated in compliance with GAAP (See Comment I-A, Financial Reporting).	I-B-3	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA work with the DHS Office of Chief Information officer to ensure that the Coast Guard/FINCEN complete the agreed-upon corrective actions in FY 2009.	I-C-1	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA implement the recommendations in our LOU letter provided to TSA, to effectively address the deficiencies identified above and described in greater detail in the LOU report.	I-C-2	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA design and implement appropriate corrective action plans that address the root causes of the IT control deficiencies at tsar Headquarters.	I-C-3	Open - Resolved	0	0	0

					II-D-2	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA conduct a human resource needs assessment and financial organizational assessment to identify gaps in skill-sets, hire or re-align personnel to fill the gaps, and assign personnel with responsibilities that best match their expertise.		II-D-3	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA consider updating the financial organizational structure based on the human resource needs assessment.		II-D-4	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA strengthen the monitoring and supervision process over financial reporting, and use of contractors.		II-D-5	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA consistently emphasize the importance of strong financial management and internal controls throughout the agency.		II-D-6	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA improve communications, training, instruction and oversight of non-accounting personnel that are essential to the accounting process, and fair and timely presentation of financial statement balances.		II-D-7	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA consider additional training to ensure that all general ledger and financial management personnel are kept current of GAAP requirements.						

OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA update the OMB Circular A-123 self review of entity level controls and complete the G&P self assessment tool for equity level controls. Evaluate the deficiencies identified by the process and take appropriate corrective actions, including the development of a Mission Action Plan (MAO) for Office of Chief Financial Officer (OCFO) approval in FY 2009.	II-D1	Open - Resolved	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA develop policies and procedures to ensure full compliance with the DCIA in FY 2009.	III-E	Open - Resolved	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA investigate each of the three instances of non-compliance described above, to determine the cause of the issue, and whether these instances of non-compliance are systemic, or isolated occurrences, or a combination.	III-F-1	Open - Resolved	0	0
OIG-09-57	Independent Auditors' Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA if the issues are isolated, determine if additional training, improvement in policies, or procedures, or enhanced management monitoring controls would help prevent similar occurrences in the future.	III-F-2	Open - Resolved	0	0

				III-F-3	Open - Resolved	0	0	0
OIG-09-57	Independent Auditors Report on the Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2008	4/16/2009	We recommend that TSA if systemic, develop a MAP to identify the root cause and implement corrective actions. Corrective action may include: a) review employee elections made under previous human resource service providers and/or previous agencies to ensure the plans employees elect are the plans for which the employee receives benefits; b) review the process and controls in place during the "Open Enrollment" period to ensure all changes made by employees during the period are reflected in the OPI; and c) inquire with NFC and gain an understanding of all calculations used to pay employees.					
OIG-09-64	Role of the No Fly and Selectee Lists in Securing Commercial Aviation	7/20/2009	Determine whether certain No Fly restrictions are appropriate.	1	Open - Resolved			
OIG-10-09	Security of Air Cargo During Ground Transportation	11/5/2009	Enhance training and testing requirements by providing more specific guidance to regulated entities regarding training and testing requirements. Additionally, TSA should revise the Regulatory Activities Plan to allow more time for inspectors to review these requirements.	3	Open - Resolved			

OIG-10-09	Security of Air Cargo During Ground Transportation	11/5/2009	Provide better guidance, training, and awareness to all users of the Performance and Results Information System, especially the Transportation Security Inspectors for Cargo. Specifically, develop an action plan for the TSA officials responsible for the Performance and Results Information System to educate the inspectors and ensure optimal use of the available data and analysis. The action plan should also describe: a) The quality and quantity of information that should be collected and reported to promote data consistency among field locations; b) Types of information and reports available for inspectors to generate from the system as an effective management tool; and c) The available analysis in SharePoint to improve risk-based planning reporting capabilities.	5	Open - Resolved
OIG-10-09	Security of Air Cargo During Ground Transportation	11/5/2009	Provide Cargo Inspectors with automated tools that will allow them to dedicate more time with the regulated entities. Specifically, establish an action plan, with performance milestones, to address the issues preventing the agency from using the personal digital assistant devices, or similar tools to provide more efficient inspection activities.	6	Open - Resolved
OIG-10-119	Evaluation of Screening of Air Cargo Transported on Passenger Aircraft	9/21/2010	This is a classified report.	5a	Open - Resolved
OIG-10-75	Evaluation of Newly Deployed and Enhanced Screening Technology and Practices at the Passenger Screening Checkpoint	3/31/2010	This is a classified report.	2	Open - Resolved
OIG-10-75	Evaluation of Newly Deployed and Enhanced Screening Technology and Practices at the Passenger Screening Checkpoint	3/31/2010	This is a classified report.	6	Open - Resolved

				L.A.c	Open - Resolved				
OIG-10-78	Independent Auditors' Report on Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2009	4/8/2010	Improve communication, training, supervision and/or coordination with personnel outside of the Office of Financial Management to ensure that necessary transactional inputs and information are received accurately and timely.					0	0
OIG-10-78	Independent Auditors' Report on Transportation Security Administration's Consolidated Balance Sheet as of September 30, 2009	4/8/2010	Develop policies and procedures to ensure that leases are accounted for and disclosed properly in accordance with the standards.	L.A.e	Open - Resolved	0	0	0	0
OIG-11-05	Transportation Security Administration's Management of Its Screening Workforce Training Program Can Be Improved	10/25/2010	Finalize the documentation and implementation of a comprehensive methodology to guide its efforts to keep the TSO training program and materials up-to-date and relevant.	1	Open - Resolved				
OIG-11-05	Transportation Security Administration's Management of Its Screening Workforce Training Program Can Be Improved	10/25/2010	Establishes and documents a formal On-the-Job Training Program with specific criteria for Transportation Security Officers selected to serve as mentors.	2	Open - Resolved				
OIG-11-05	Transportation Security Administration's Management of Its Screening Workforce Training Program Can Be Improved	10/25/2010	Reviews and modifies its requirements for training needs to guide agency allocation of computer resources to the airports. The Operational and Technical Training Division should provide documented criteria and guidance for the placement of the training equipment. This should include the use of equipment in the training classrooms that is similar to equipment in checkpoint and checked baggage areas. Reviews and modifies its requirements for training needs to guide agency allocation of computer resources to the airports. The Operational and Technical Training Division should ensure that computer hardware and software, as well as the client servers, can support the complex needs of a robust, web-based training portfolio.	3	Open - Resolved				

OIG-11-05	Transportation Security Administration's Management of Its Screening Workforce Training Program Can Be Improved	10/25/2010	Conducts a study to identify the total average time needed for TSOs to complete required training, including time needed to travel to training locations; and, establishes requirements that airport management provide the minimum time needed for the screening workforce to complete training requirements.	4	Open - Resolved	
OIG-11-07	Use of American Recovery and Reinvestment Act Funds by the Transportation Security Administration for the Electronic Baggage Screening Program	11/9/2010	Implement procedures to ensure that EBSP projects using Recovery Act funds are compliant with the Section 1605 Buy American requirements.	5	Open - Unresolved	
OIG-11-95	TSA's Oversight of the Airport Badging Process Needs Improvement	7/7/2011	Require that all airports having formal access control programs establish and implement quality assurance procedures to ensure (1) the accuracy and completeness of vetting information, and (2) airport personnel conduct their own verifications of approved applications.	1	Open - Unresolved	
OIG-11-95	TSA's Oversight of the Airport Badging Process Needs Improvement	7/7/2011	Require that all airports having formal access control programs ensure that airport operator employees utilize all available tools to verify the identity of applicants. Also, encourage airports to collect passport and Social Security numbers from applicants, as these are unique identifiers that can assist and expedite the application process.	2	Open - Unresolved	
OIG-11-95	TSA's Oversight of the Airport Badging Process Needs Improvement	7/7/2011	Develop and provide standardized training on identification verification and require airport operator employees to complete this training on a recurrent basis. The training can be developed in collaboration with other DHS agencies with expertise in correctly identifying immigration documentation.	3	Open - Unresolved	

OIG-11-95	TSA's Oversight of the Airport Badging Process Needs Improvement	7/7/2011	Provide Transportation Security Inspectors with real time reports generated from the existing database of all active badge holders for analysis. These reports should include an analysis identifying possible records with data inaccuracies based on factors such as age and duplicate personal identification numbers. The reports should provide the agency with immediate capabilities to effectively monitor and track the clearance process.	5	Open - Unresolved
OIG-11-95	TSA's Oversight of the Airport Badging Process Needs Improvement	7/7/2011	Require airports to conduct a criminal history records check for each badge holder on a recurrent basis to correspond with badge renewal. This will ensure that individuals who have committed disqualifying crimes no longer have access to secured airport areas.	6	Open - Resolved
OIG-12-06	Transportation Security Administration Penetration Testing of Advanced Imaging Technology	11/7/2011	This recommendation is SSI.	1	Open - Unresolved
OIG-12-06	Transportation Security Administration Penetration Testing of Advanced Imaging Technology	11/7/2011	This recommendation is SSI.	3	Open - Unresolved
OIG-12-06	Transportation Security Administration Penetration Testing of Advanced Imaging Technology	11/7/2011	This recommendation is SSI.	4	Open - Unresolved
OIG-12-06	Transportation Security Administration Penetration Testing of Advanced Imaging Technology	11/7/2011	This recommendation is SSI.	5	Open - Unresolved
OIG-12-06	Transportation Security Administration Penetration Testing of Advanced Imaging Technology	11/7/2011	This recommendation is SSI.	6	Open - Unresolved
OIG-12-06	Transportation Security Administration Penetration Testing of Advanced Imaging Technology	11/7/2011	This recommendation is SSI.	7	Open - Unresolved

ORG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodel Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Develop and implement a public awareness initiative to convey the VIPR Program's intent.	1	Open - Resolved
ORG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodel Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Extend OLE/FAMS and OSO VIPR assignments for more than 1 year.	10	Open - Resolved
ORG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodel Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Refine Standard Operating Procedures to reflect appropriate roles and responsibilities for TSIs during VIPR operations.	11	Open - Resolved
ORG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodel Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Evaluate the realignment to determine any potential adverse effects on TSA's ability to ensure that VIPR teams have sufficient access to law enforcement canine teams.	12	Open - Resolved
ORG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodel Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Develop and implement a TSA-wide VIPR training program, to include rail safety and ground-based incident response training scenarios.	13	Open - Resolved
ORG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodel Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Evaluate exercises that could incorporate VIPR teams, law enforcement partners and stakeholders, and determine the feasibility of conducting joint exercises in all VIPR Program field offices and areas of responsibility.	14	Open - Resolved
ORG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodel Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Conduct an evaluation to determine what safety and protective gear should be provided to OSO assets when participating on VIPR operations.	16	Open - Resolved

OIG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Clarify the definitions of VIPR operations and provide guidance to headquarters and the field about how to complete operational documentation to correctly report operations.	2	Open - Resolved
OIG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Establish and implement a data reporting procedure that ensures information submitted to the Joint Coordination Center is updated and reflects each VIPR operation accurately.	3	Open - Resolved
OIG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Develop and communicate guidance for FAM engagement protocols and legal authorities when VIPR teams encounter potential or actual criminal activity in mass transit environments.	4	Open - Resolved
OIG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Provide enhanced guidance regarding risk-based deployment planning and increase access to risk assessment information that VIPR teams can use to prioritize deployments with partners and stakeholders.	5	Open - Resolved
OIG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Designate VIPR Program decision-making authority to one TSA headquarters office to ensure that overall field operations, program activity and engagement, and oversight are coordinated effectively.	6	Open - Resolved
OIG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Ensure coordination and engagement between local VIPR team leaders and the Playbook Manager, and ensure that airport law enforcement VIPR operations are integrated with Security Playbook operations.	7	Open - Resolved
OIG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Re-distribute existing VIPR FAM position allocations among field offices according to high-risk urban areas, critical infrastructure, and mass transit networks using a risk-based methodology.	8	Open - Resolved

OIG-12-103	Efficiency and Effectiveness of TSA's Visible Intermodal Prevention and Response Program Within Rail and Mass Transit Systems	8/15/2012	Develop a process to increase oversight regarding the availability and involvement of OSG personnel and assets to OLE/FA/M-led VIPR teams.	9	Open - Resolved		
OIG-12-105	Costs Involved by the City of Phoenix for Checked Baggage Screening Projects at the Phoenix Sky Harbor International Airport	7/30/2012	Resolve the \$7,624,463 of ineligible and unsupported capital costs.	1	Open - Unresolved	8,471,626	7,624,463
OIG-12-105	Costs Involved by the City of Phoenix for Checked Baggage Screening Projects at the Phoenix Sky Harbor International Airport	7/30/2012	Resolve the \$1,219,914 of ineligible and unsupported administrative costs.	2	Open - Unresolved	1,355,460	1,219,914
OIG-12-105	Costs Involved by the City of Phoenix for Checked Baggage Screening Projects at the Phoenix Sky Harbor International Airport	7/30/2012	Review the iron, steel, and manufactured goods used in the CBIS to determine whether the City complied with applicable "buy american" requirements.	3	Open - Unresolved	0	0
OIG-12-120	Transportation Security Administration Has Taken Steps To Address the Insider Threat But Challenges Remain	9/25/2012	Further develop the insider threat program to include policies, procedures, and a risk management plan pertinent to the insider threat.	1	Open - Unresolved	0	
OIG-12-120	Transportation Security Administration Has Taken Steps To Address the Insider Threat But Challenges Remain	9/25/2012	Implement an insider threat training and awareness program for the entire TSA workforce.	2	Open - Unresolved		
OIG-12-128	TSA Management and Oversight at Honolulu International Airport	9/28/2012	Create and document protocols to ensure that sufficient information is gathered and used for thorough analysis when deciding to modify standard operating procedures. These protocols should be well documented and ensure comprehensive, transparent, and logical approaches with detailed support, while allowing for flexibility to address urgent threats.	1	Open - Resolved		

OIG-12-128	TSA Management and Oversight at Honolulu International Airport	9/28/2012	Revise the position descriptions to clarify the roles and responsibilities for checked baggage supervisors and managers and define the expectations for direct supervision. This should ensure that assigned staff are performing screening duties in accordance with all standard operating procedures.	2	Open - Resolved	
OIG-12-128	TSA Management and Oversight at Honolulu International Airport	9/28/2012	Ensure that supervisors and managers are trained on their responsibility and accountability to ensure that all screening operations are performed as required.	3	Open - Resolved	
OIG-12-128	TSA Management and Oversight at Honolulu International Airport	9/28/2012	Develop and implement performance metrics to evaluate the supervision of checked baggage areas as part of supervisory performance plans and evaluations. These metrics should include frequent direct observation of baggage screening activities.	4	Open - Unresolved	
OIG-12-26	Transportation Security Administration Covert Testing of Access Controls to Secured Airport Areas	1/6/2012	This is a classified report.	1	Open - Resolved	
OIG-12-26	Transportation Security Administration Covert Testing of Access Controls to Secured Airport Areas	1/6/2012	This is a classified report.	2	Open - Unresolved	
OIG-12-26	Transportation Security Administration Covert Testing of Access Controls to Secured Airport Areas	1/6/2012	This is a classified report.	3	Open - Resolved	
OIG-12-26	Transportation Security Administration Covert Testing of Access Controls to Secured Airport Areas	1/6/2012	This is a classified report.	4	Open - Unresolved	
OIG-12-26	Transportation Security Administration Covert Testing of Access Controls to Secured Airport Areas	1/6/2012	This is a classified report.	5	Open - Unresolved	
OIG-12-26	Transportation Security Administration Covert Testing of Access Controls to Secured Airport Areas	1/6/2012	This is a classified report.	6	Open - Unresolved	

OIG-12-28	<i>Allegations of Misconduct and Illegal Discrimination and Retaliation in the Federal Air Marshal Service</i>	1/20/2012	Identify other means to obtain information on Federal Air Marshals performance that could assist supervisors when preparing evaluations.	1	Open - Resolved		
OIG-12-28	<i>Allegations of Misconduct and Illegal Discrimination and Retaliation in the Federal Air Marshal Service</i>	1/20/2012	In consultation with the Director of the Federal Air Marshal Service, the Assistant Administrator of the Office of Professional Responsibility, and the Assistant Administrator of the Office of Human Capital, provide guidance and clarification regarding how long prior corrective or discipline actions should be considered and for which types of incidents. Current training to supervisors and the workforce concerning conduct should be assessed and additional training provided as necessary.	4	Open - Resolved		
OIG-12-38	<i>Transportation Security Administration's Use of Backscatter Units</i>	2/16/2012	Develop a process to ensure that TSOs satisfy ANSI requirements for radiation safety training.	3	Open - Unresolved		
OIG-12-38	<i>Transportation Security Administration's Use of Backscatter Units</i>	2/16/2012	Develop a process to verify the completion of annual refresher training by TSOs operating backscatter units.	4	Open - Unresolved		
OIG-12-39	<i>Information Sharing on Foreign Nationals: Border Security</i>	2/29/2012	Provide all Coordination Centers with five video feeds from security cameras in the airport terminals.	6	Open - Unresolved		
OIG-12-39	<i>Information Sharing on Foreign Nationals: Border Security</i>	2/29/2012	Provide all Coordination Centers with access to federal law enforcement data systems.	7	Open - Unresolved		
OIG-12-60	<i>Review of Costs incurred by the City of Atlanta, Georgia, Relating to the Hartsfield-Jackson International Airport, Under Other Transactional Agreement Number HST04-09-H-REC154 with the Transportation Security Administration</i>	3/21/2012	We recommend that TSA's Contracting Officer resolve the \$1,354,740 of unsupported costs	1	Open - Resolved	1,354,740	1,354,740

OIG-12-80	Transportation Security Administration's Efforts To Identify and Track Breaches at Our Nation's Airports	5/3/2012	We recommend that the Transportation Security Administration Assistant Administrator, Office of Security Operations Refine and use one comprehensive definition of what constitutes a security breach that can be universally reported to Performance and Results Information System and the Transportation Security Operations Center. Once issued, ensure that this guidance is used and clearly understood throughout the agency.	1	Open - Resolved
OIG-12-80	Transportation Security Administration's Efforts To Identify and Track Breaches at Our Nation's Airports	5/3/2012	We recommend that the Transportation Security Administration Assistant Administrator, Office of Security Operations develop a comprehensive oversight program to ensure: a. That security breaches are accurately reported based on the revised definition, and the events are properly tracked and analyzed for trends. This should include local and national reporting that can be validated at the headquarters level. b. The agency consistently takes actions to correct vulnerabilities resulting from security breaches.	2	Open - Resolved
OIG-12-94	Implementation and Coordination of TSA's Secure Flight Program	7/6/2012	Identify how and when aircraft operators override an inhibited boarding pass printing result and implement corrective action to eliminate unauthorized overrides by aircraft operators.	1	Open - Resolved
OIG-12-96	Review of Allegations of Misconduct and Mismanagement Within TSA's Office of Global Strategies	7/22/2012	Establish and implement timeframes for issuing Emergency Amendments, including deadlines for TSA offices involved in reviewing and providing comments on them.	1	Open - Unresolved
OIG-12-96	Review of Allegations of Misconduct and Mismanagement Within TSA's Office of Global Strategies	7/22/2012	Require rescreening for all passengers arriving at U.S. ports of entry from pre-clearance airports that fail to achieve comparable status.	2	Open - Unresolved

OIG-13-05	Personnel Security and Internal Control at TSA's Legacy Transportation Threat Assessment and Credentialing Office	10/26/2012	We recommend that the Assistant Administrator for the Office of Law Enforcement/Federal Air Marshals' Provide the Adjudication Center sufficient Federal employees to establish internal control over operations and reporting requirements.	3	Open - Resolved
OIG-13-05	Personnel Security and Internal Control at TSA's Legacy Transportation Threat Assessment and Credentialing Office	10/26/2012	We recommend that the Assistant Administrator for the TSA Office of Intelligence and Analysis: Develop a restructuring plan to enhance operational effectiveness in the Secure Flight Operations C-Center staffing model.	4	Open - Resolved
OIG-13-05	Personnel Security and Internal Control at TSA's Legacy Transportation Threat Assessment and Credentialing Office	10/26/2012	We recommend that the Assistant Administrator for the TSA Office of Intelligence and Analysis: Coordinate with both the Director of TIM and the Director of Legacy TTAC Technology and oversee the development of the TIM data system and the decommissioning of legacy TTAC data systems.	5	Open - Resolved
OIG-13-05	Personnel Security and Internal Control at TSA's Legacy Transportation Threat Assessment and Credentialing Office	10/26/2012	We recommend that the TSA Administrator: For a minimum of 2 years, direct legacy TTAC offices to refer all personnel-related complaints, grievances, disciplinary actions, investigations, and inspections to appropriate TSA or DHS offices with primary oversight responsibility.	6	Open - Resolved
OIG-13-05	Personnel Security and Internal Control at TSA's Legacy Transportation Threat Assessment and Credentialing Office	10/26/2012	We recommend that the TSA Administrator: Provide employees a Know Your Rights and Responsibilities website and brochure that compiles appropriate directives on conduct, processes, and redress options.	7	Open - Resolved
OIG-13-05	Personnel Security and Internal Control at TSA's Legacy Transportation Threat Assessment and Credentialing Office	10/26/2012	We recommend that the TSA Chief Human Capital Officer: Establish an independent review panel reporting to the Office of the Chief Human Capital Officer through which legacy TTAC employees may request a review of desk audits and reassessments.	8	Open - Unresolved

OIG-13-14	TSA's National Deployment Force – FY 2012 Follow-Up	12/4/2012	We recommend that the Assistant Administrator for Security Operations develop a process and assign responsibility for ensuring that assessments of alternatives to hiring shortages are conducted and documented as directed by the NDO FSD Guide.	1	Open - Resolved		
OIG-13-14	TSA's National Deployment Force – FY 2012 Follow-Up	12/4/2012	We recommend that the Assistant Administrator for Security Operations develop and implement a strategy to reduce hiring difficulties and improve retention. At a minimum, this effort should include an assessment of quality housing alternatives, additional pay incentives and bonuses, and transportation considerations.	2	Open - Resolved		
OIG-13-14	TSA's National Deployment Force – FY 2012 Follow-Up	12/4/2012	We recommend that the Assistant Administrator for Security Operations revise the Support Request Form to include a section where Federal Security Directors can identify the types of screening equipment that National Deployment Force Transportation Security Officers will operate during the deployment.	3	Open - Resolved		
OIG-13-14	TSA's National Deployment Force – FY 2012 Follow-Up	12/4/2012	We recommend that the Assistant Administrator for Security Operations develop standardized procedures for TSA's Staffing and Scheduling Section and Office of Human Capital to conduct, review, and document cost-benefit analyses on the Support Request Form consistently.	4	Open - Resolved		
OIG-13-14	TSA's National Deployment Force – FY 2012 Follow-Up	12/4/2012	We recommend that the Assistant Administrator for Security Operations develop guidance for Regional Directors on how to assess SSS and OHIC's cost-benefit analysis as part of their decision-making process for NDF support requests. This guidance should include a requirement that Regional Directors document their assessment of the cost-benefit analysis on the Support Request Form.	5	Open - Resolved		

OIG-13-14	TSA's National Deployment Force – FY 2012 Follow-Up	12/24/2012	We recommend that the Assistant Administrator for Security Operations, in the absence of a final decision regarding the Security Training Instructors Pilot Program, ensure that TSA has a process to maintain screeners' equipment certifications and recertifications for National Deployment Force Transportation Security Officers.	6	Open - Resolved		
OIG-13-20	Independent Auditors' Report on DHS FY 2012 Consolidated Financial Statements and Report on Internal Control Over Financial Reporting	11/14/2012	We recommend that TSA, Emphasize and train employees on the critical aspects of key transactional and supervisory review controls including the precision of the review, the need for supporting documentation, and impact to the financial statements.	I.A.2.a	Open - Unresolved	0	0
OIG-13-20	Independent Auditors' Report on DHS FY 2012 Consolidated Financial Statements and Report on Internal Control Over Financial Reporting	11/14/2012	We recommend that TSA, Work with the TSA leasing office to implement formal and effective processes for identification, evaluation, and recording of cancellable, non-cancellable, and capital leases.	I.A.2.b	Open - Unresolved	0	0
OIG-13-20	Independent Auditors' Report on DHS FY 2012 Consolidated Financial Statements and Report on Internal Control Over Financial Reporting	11/14/2012	We recommend that TSA, Expand the monthly financial statement review process to incorporate operational and business activities into the evaluation and assessment process.	I.A.2.c	Open - Unresolved	0	0
OIG-13-20	Independent Auditors' Report on DHS FY 2012 Consolidated Financial Statements and Report on Internal Control Over Financial Reporting	11/14/2012	We recommend that TSA, Continue to analyze alternatives, including evaluation of systems, to enable FFMA compliance.	I.A.2.d	Open - Unresolved	0	0
OIG-13-20	Independent Auditors' Report on DHS FY 2012 Consolidated Financial Statements and Report on Internal Control Over Financial Reporting	11/14/2012	We recommend that: TSA: Develop formalized, documented, policies and procedures to ensure systems are properly evaluated for basics requirements by the appropriate offices and levels of management prior to implementation.	II.F.2.a	Open - Unresolved	0	0

OIG-13-20	Independent Auditors' Report on DHS FY 2012	11/14/2012	We recommend that: TSA: Develop policies and procedures, including monitoring and training for employees both inside and outside the TSA OEM on the importance to maintain accurate, valid supporting documentation, available for audit.	II.F.2.b	Open - Unresolved	0	0	0	0	\$10,199,117,000
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Question#:	1
Topic:	illegal immigrant detainees
Hearing:	DOD and DHS: Implementing Agency Watchdogs' Recommendations Could Save Taxpayers Billions
Primary:	The Honorable Kerry Bentivolio
Committee:	OVERSIGHT & GOV RFORM (HOUSE)

Question: On March 1, the Associated Press reported that DHS released more than 2,000 illegal immigrant detainees in February, before sequester took effect, and plans to release 3,000 more before the end of this month. Initially, Secretary Napolitano claimed that they were not released due to budget cuts under sequestration; she has since then changed that position.

Mr. Borras, at this point, how many illegal immigrant detainees have been released?

Response: According to information provided by ICE, as of March 22, 2013, the total number of aliens released for budgetary reasons from February 9 through March 1 was 2,226.

Question: Are there more that are due to be released this month?

Response: ICE does not intend to release additional individuals for budgetary reasons.

Question: Has DHS considered alternatives to releasing these detainees?

Response: ICE considered transferring detainees from more expensive detention beds to less costly locations. After analysis, it was determined that the realized savings would do little to offset the projected shortfall during the short-term. Factoring in additional transportation costs, ICE determined that detainee transfers were not a viable option to cover the anticipated deficit. Additionally, all of the aliens released remained in immigration proceedings. Some have since been removed or re-detained, and the rest are all on some form of supervised release (such as bond, order of recognizance, order of supervision, telephonic monitoring, or Global Positioning System monitoring). ICE continues to review and monitor all of the individuals released, and the agency reserves the right to re-detain any alien released if circumstances warrant or new information comes to light. ICE also works closely with state and local law enforcement, and follows a practice of responding to specific requests from law enforcement.

Question: Could the IG recommendations be used to cut wasteful spending instead of releasing the detainees?

Response: ICE continuously explores ways to increase efficiencies and lower costs. However, the detainee release was predicated on a short-term requirement to sustain an

Question#:	1
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operational level consistent with available funding. At the beginning of the second quarter of the Fiscal Year, ICE completed a review of its funding availability and spend plans for the remainder of the Continuing Resolution (CR) period, through March 27, 2013, and determined that funding would run out by March 9, 2013 (18 days prior to the expiration of the CR).

To ensure that the current CR funding could be sustained through March 27, 2013, ICE determined that it was necessary to reduce its ADP. In order to mitigate the projected budget shortfalls, effective February 9, 2013, ICE gradually adjusted the daily population count by releasing non-mandatory detention aliens who did not pose a threat to public safety while continuing with imminent removals and the detention of high priority aliens.

Questions for the Record

Congressman Paul Gosar
Member of the Committee on Oversight and Government Reform

Questions for:
Charles Edwards, Deputy Inspector General for the Department of Homeland Security

Hearing entitled, "DOD and DHS: Implementing Agency Watchdogs' Recommendations Could Save Taxpayers Billions."

The following questions are posed to both IG Halbrooks and IG Edwards—

In each of your respective agencies:

1. Do you engage in contracts that must comply with the Davis-Bacon Act prevailing wage requirements?

Answer - Yes, the Department of Homeland Security engages in contracts that are subject to the requirements of the Davis-Bacon and related Acts.

2. Do you have an approximate number of how many current contracted employees are subject to the prevailing wage requirements established by the Davis-Bacon Act?

In a report published April 14, 2011, titled, "Davis-Bacon Act: Methodological Expertise Critical for Improving Survey Quality," GAO stated on page 7 that "Labor cannot determine whether its Davis-Bacon survey results are representative of prevailing wages." Further, there have been trends in IG audits that show unsound methodology and high error rates in survey forms submitted to the Department of Labor's Wage and Hour Division. In one DOL audit, the IG found that "one or more errors existed in 100 percent of the wage reports" that were examined (Report Number: 04-04-003-04-420). There were errors with respect to reports on wage rates, benefits, job classifications, and projects.

Answer - We are not able to answer questions 2 through 4 without conducting an audit of the Department of Homeland Security's contracts. Since the Department does not track and monitor all contracts above \$2,000 (the threshold for Davis-Bacon), we would need to select a statistical sample of contracts exceeding \$2,000 awarded by each of the components. Once we selected a sample we would need to examine the contract at each component location where the contracting files are maintained to determine if the contract was for or could include construction, alteration, or repair (including painting and decorating) of public buildings or public works. For those contracts meeting these criteria, we would need to determine whether the contractor hired sub-contractors to perform this type of work. Once this step was completed, we would need to validate each contractor's and sub-contractor's payroll records to confirm support for the number of contracted employees and determine whether prevailing wages were paid. We would also need to trace the payroll deposits to individual bank accounts to ensure the amount deposited agrees with the supporting accounting records and trace the payroll tax deposits to the appropriate organizations, such as IRS and state and local governments to ensure the amount deposited agrees with the supporting accounting records. We would then need to

validate what work the contractor or sub-contractor performed. Finally, we would need to validate that the amount reported to DOL was supported by the contractor's or sub-contractor's payroll records. To answer question 3 and 4 we would need to evaluate the potential new wage reporting system and create a valid predictive model to assess the system's impact. It is important to note that to ensure the inputs used for the predictive model were valid, we would need to conduct the audit using a statistically valid sampling methodology with a high confidence level. We can perform this analysis; however, this work would require time, resources, and a shift of priorities.

3. If a new wage reporting system were to be implemented to calculate more accurate wages, do you foresee potential cost savings for your department?

Answer - Please see our response to question number 2.

4. If so, approximately how much savings could be produced?

Answer - Please see our response to question number 2.

CHARRTS No.: HOGRC-01-001
 House Government Reform Committee
 Hearing Date: March 19, 2013
 Subject: DoD and DHS: Implementing Agency Watchdogs' Recommendations Could Save
 Taxpayers Billions
 Congressman: Congresswoman Speier
 Witness: USD(C) Hale
 Question: #1

Question: Mr. Hale, in 2009 you chose a new head for DCAA and set three goals for reform—improving the quality of audits, assessing the numbers and compliance of audits with acquisition laws and regulations, and having DCAA audit findings receive full consideration during contracting officer deliberations. The GAO has questioned the DCAA's risk strategy as not being sufficient to assure taxpayer interests are protected and the IG estimates that the strategy may be leaving \$250 million in unjustified costs unrecovered each year. DCAA's sustention rate has gone from 63% in 2009 to 52%, the lowest level in more than a decade.

- a. How can DCAA be more effective at saving taxpayer money if contracting officers are acting on their recommendations less often?
- b. Why has the sustention rate dropped?
- c. Why should we believe that the new leadership and the implemented reforms are working to increase savings for taxpayers?

Answer: There are three indicators that provide evidence for DCAA effectiveness: net savings, the effectiveness of our risk-based approach, and improvements in audit quality.

Net savings: The most direct measure of effectiveness, as already discussed above, is the marked increase in net savings in the last three years as compared to anytime in the history of the agency. At \$4.2 billion, DCAA brought back \$6.70 for every taxpayer dollar invested. Importantly, this return on taxpayer investment represents real savings that enable the Department to do more—get more equipment, services, and supplies—with fewer dollars. Given the direct relationship to DCAA's audit mission and its impact on both cost avoidance and checks written by contractors to return funds to the US treasury, DCAA is one of the top oversight organizations in providing realized versus potential savings to the taxpayer and warfighter.

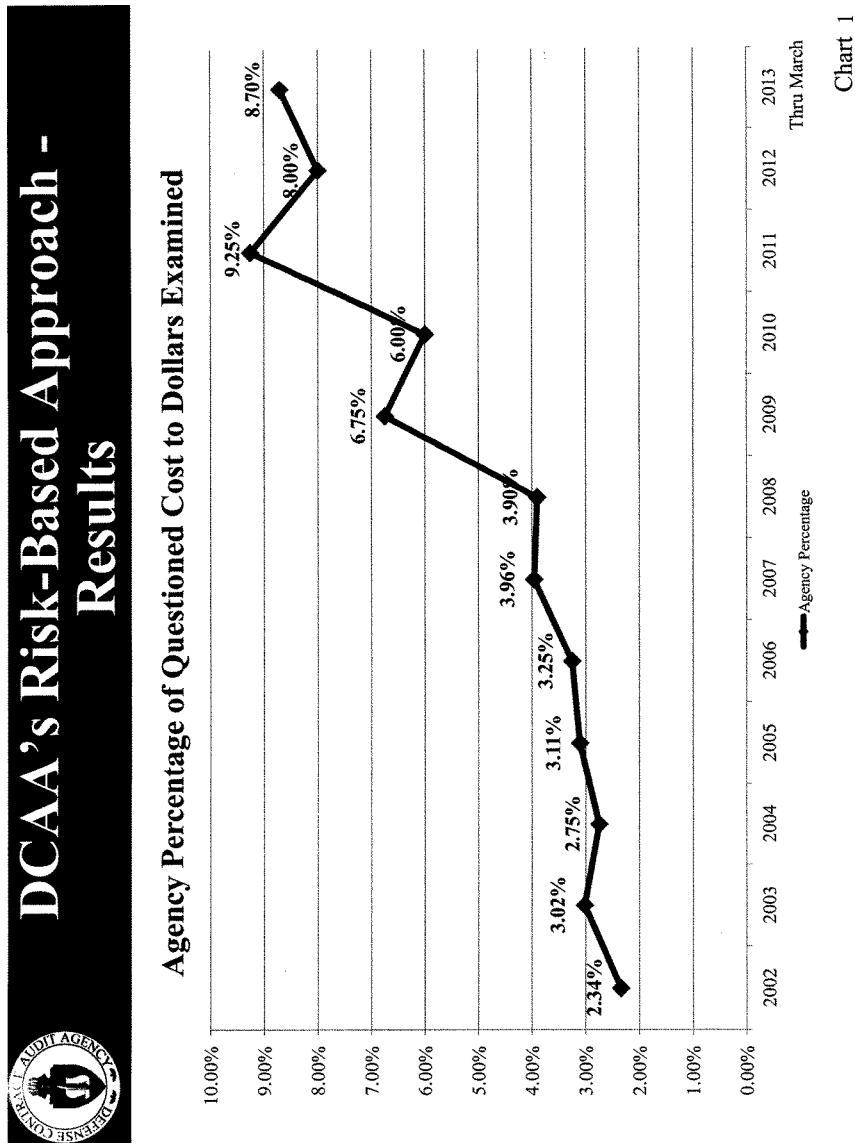
Effectiveness of a Risk-Based approach: A key enabler of the increase in net savings is our risk-based approach that redirects workyears to higher priority work. This approach was implemented partly due to the staffing crisis of decreases in the DCAA workforce between 2000 and 2008, and the concurrent increase in defense contracts as a result of two wars (see Chart 2 attached). As a result of the ensuing gap, DCAA has been forced to focus its efforts on those audits that provided the highest payback to the taxpayer. In their review, GAO noted in a report (GAO-13-131, dated December, 2012) that DCAA's risk-based approach, which focuses its resources on audits considered to be "high risk or high dollar value," is one that "appears prudent and shows promise." GAO went on to say that ongoing success depends on several factors, including clear

measures to assess progress. In addition to existing measures in place, DCAA is developing other measures to assess the value of its approach. The increase in net savings, however, is one indicator that this change is making the best use of DCAA's limited resources.

Improvements in audit quality

High quality audits form the basis of the significant increases in net savings for the taxpayer. Following GAO criticisms that many DCAA audits did not meet Generally Accepted Government Auditing Standards (GAGAS), coupled with a thorough internal assessment of our audit process, DCAA took several measures to improve the quality of its audits, including the revision of policies, procedures, and training. Specifically, our internal quality team conducted comprehensive training at every Field Audit Office. This training focused on three critical areas: 1) adequate planning, 2) sufficient, competent evidence, and 3) efficient documentation. Since this comprehensive training was delivered to our workforce, the results of our internal reviews have shown marked improvement in the quality of our audits.

In summary, DCAA audit reforms are taking hold and producing positive results for the taxpayer.



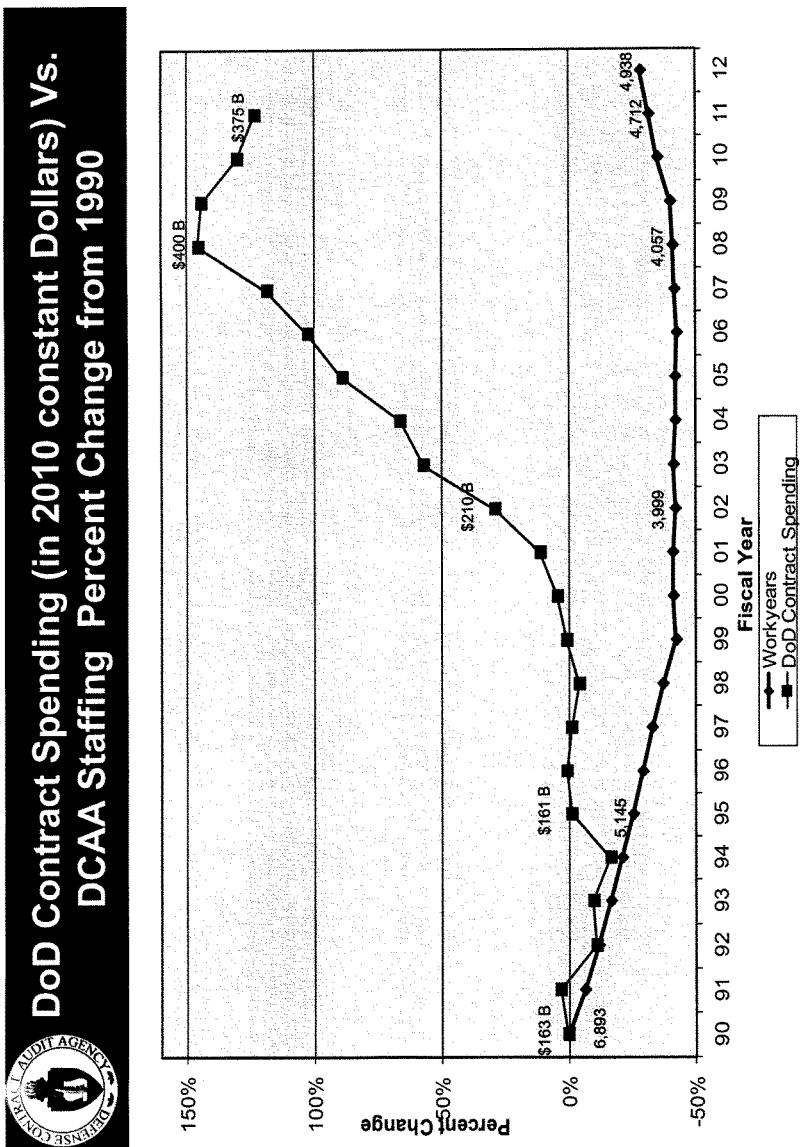


Chart 2

Source for DoD contracting spending is a September 2012 study done by the Center for Strategic International Studies (CSIS)

CHARRTS No.: HOGRC-01-002
House Government Reform Committee
Hearing Date: March 19, 2013
Subject: DoD and DHS: Implementing Agency Watchdogs' Recommendations Could Save
Taxpayers Billions
Congressman: Congresswoman Speier
Witness: USD(C) Hale
Question: #2

Question: Mr. Hale, your office is coordinating the efforts to make the Defense Department auditable by 2017. I am very concerned about the significant cost overruns and program mismanagement in many of the Enterprise Resource Programs. The IG has identified six ERP systems experiencing 1.5 to 12.5 years of schedule delays, and cumulative cost increases of \$8 billion. The Air Force's ECSS cost taxpayers \$1 billion but we have nothing to show for it. It's my understanding that there really hasn't been sufficient accountability for this waste, either, since the program manager was removed but not fired. I'm also concerned that there isn't a plan for how the Air Force will achieve auditability without ECSS.

- a. What steps have been taken to hold people accountable for this failure?
- b. How does this program's failure impact the Air Force achieving accountability?

Answer: I am fully committed to achieving financial auditability for DoD and we have made significant progress, particularly since former Secretary Panetta personally challenged the Department to accelerate audit efforts on our budgetary execution. That direction essentially forced a change in thinking about business systems. We plan to use systems currently in place to achieve our near term goals, while ensuring that our efforts to deliver modern, capable systems continue so that sustaining auditability beyond 2017 will be cost-effective. I share your concerns relative to our track record in developing and delivering Enterprise Resource Programs, but that record needs to include some important context. Many of those systems are fully deployed today and in the hands of thousands of users, clearly providing real business value. That value will increase as we gain experience. We also are applying the lessons-learned from earlier programs to ensure systems not yet fully deployed will benefit from this experience. With that background, allow me to respond to your specific questions:

What steps have been taken to hold people accountable for this failure?

The Under Secretary of Defense for Acquisition, Technology and Logistics tasked the Director, Performance Assessments and Root Cause Analyses, to perform a formal root-cause analysis and to review issues surrounding contract type, program management skills, performance measures, and risk management. Contributing factors to the failure of the Expeditionary Combat Support System (ECSS) program include:

Two contract protests, one in October 2005 and another in September 2006, effectively halted the program. The protests were resolved in February 2006 and March 2007, respectively, at which point the program shifted toward design and initial piloting. Established processes that review the health and performance of large acquisition programs like ECSS were actively applied to the

program after the protests were cleared, identifying risks, governance issues, and mitigation plans to ensure program success.

However, the program was unable to achieve critical milestones and as a result it was de-scoped and restructured in December 2009. In October 2010, the Air Force Senior Acquisition Executive declared a critical change (per title 10, U.S.C., chapter 144A) for failing to achieve a Full Deployment Decision within five years after funds were first obligated for the program. In February 2011, upon completion of the critical change, the Department implemented a number of additional actions designed to place the program on a path to success:

- Replaced the Program Executive Officer and Program Manager;
- Structured the program into increments and pilots;
- Restructured the system's Integrator contract to limit the Government's financial exposure/liability;
- Established performance-based success criteria to measure program progress; and
- Directed independent assessments to identify risks and options.

These actions came too late, did not yield the needed improvements in performance, and the program was cancelled.

How does this program's failure impact the Air Force achieving accountability?

The context of this question seems to focus on financial auditability (vs. accountability). If so, the Department is committed to meeting its stated audit readiness objectives despite the decision to cancel the ECSS program. To support Financial Improvement Audit Readiness, the Air Force is developing a plan that outlines requirements for the modification and sustainment of legacy logistic systems that would have been replaced by ECSS.



INSPECTOR GENERAL
DEPARTMENT OF DEFENSE
 4800 MARK CENTER DRIVE
 ALEXANDRIA, VIRGINIA 22350-1500

APR - 9 2013

The Honorable Darrell Issa
 Chairman
 Committee on Oversight and Government Reform
 House of Representatives
 Washington, DC 20515-6143

Dear Mr. Chairman:

This letter is in response to your letter dated March 25, 2013, providing questions from Representative Paul Gosar directed to Ms. Lynne Halbrooks, Principal Deputy Inspector General, Department of the Defense, as part of the hearing record for the Committee hearing held on March 19, 2013, titled "DOD and DHS: Implementing Agency Watchdogs' Recommendations Could Save Taxpayers Billions".

The questions from Representative Gosar relate to requirements related to the Davis Bacon Act. As provided in the attached response to the questions, the DoD IG is unable to provide answers to these questions because we have not done any work related to the Davis Bacon Act prevailing wage requirements. Any answer that we would provide would be based only on speculation. As an audit organization, that is not appropriate. We currently do not anticipate our work covering this area unless we were auditing contracts related to the realignment of forces in the Pacific from Okinawa to Guam. However, because there has been very little movement on this effort within the Department, we are not anticipating doing any Guam related audits in the near future. If the Department begins executing contracts related to the realignment of forces in the Pacific, we will assess this as part of our future audit planning efforts.

DoD compliance with the Davis Bacon Act falls under the purview of Office of the Undersecretary of Defense for Acquisition Technology and Logistics. Representative Gosar's staff can contact Mr. Dick Ginman, the Director, Defense Procurement and Acquisition Policy, at 703-695-4235, for additional information regarding this issue.

If you have any questions regarding this matter, please contact me at (703) 604-8324.

Sincerely,

Brett A. Mansfield
 Acting Assistant Inspector General
 Communications and Congressional Liaison

Enclosure: As stated

cc: The Honorable Elijah Cummings, Ranking Member
 The Honorable Paul Gosar

House Government Reform Committee
Hearing Date: March 19, 2013
Subject: DoD and DHS: Implementing Agency Watchdogs' Recommendations Could Save
Taxpayers Billions
Congressman: Congressman Paul Gosar
Witness: Principal Deputy Inspector General Halbrooks

Question 1. Do you engage in contracts that must comply with the Davis-Bacon Act prevailing wage requirements?

Answer: The DoD IG is unable to provide an answer to this question because we have not done any work related to the Davis Bacon Act prevailing wage requirements.

Question 2. Do you have an approximate number of how many current contracted employees are subject to the prevailing wage requirements established by the Davis-Bacon Act?

Answer: The DoD IG is unable to provide an answer to this question because we have not done any work related to the Davis Bacon Act prevailing wage requirements.

Question 3. If a new wage reporting system were to be implemented to calculate more accurate wages, do you foresee potential cost savings for your department?

Answer: The DoD IG is unable to provide an answer to this question because we have not done any work related to the Davis Bacon Act prevailing wage requirements.

Question 4. If so, approximately how much savings could be produced?

Answer: The DoD IG is unable to provide an answer to this question because we have not done any work related to the Davis Bacon Act prevailing wage requirements.

