

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

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

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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.



Homeland Security

Rafael Borrás Under Secretary for Management

Rafael Borrás was appointed by the President and confirmed by the Senate to serve as the Under Secretary for Management at the Department of Homeland Security. He joined the Department in April 2010. Mr. Borrás exercises leadership authority over all aspects of the Department's management programs as the designated Chief Management Officer and Chief Acquisition Officer. As Chief Management Officer, Mr. Borrás oversees management of DHS's nearly \$60 billion budget, appropriations, expenditure of funds, accounting, and finance. As Chief Acquisition Officer, he administers control over the Department's approximately \$19 billion in procurement. Mr. Borrás oversees the Management Directorate's six lines of business - financial, human capital, information technology, procurement, security, and administrative.



Mr. Borrás has more than 30 years of management experience, including over 20 years in federal government and city government, and 10 years in the private sector. Prior to his appointment with DHS, Mr. Borrás served as a Vice President with URS Corporation, a global engineering services firm.

Prior to joining URS, Mr. Borrás served as the Regional Administrator for the Mid-Atlantic Region of the U.S. General Services Administration where he managed an organization with more than 1,300 employees, providing federal customer agencies with real estate, supply and procurement, vehicle acquisition, and information technology services.

Mr. Borrás also served as Deputy Assistant Secretary for Administration in the U.S. Department of Commerce where he was responsible for overseeing the Department's financial, personnel, information technology, budget, administrative services, acquisition, and grants functions.

In city government, Mr. Borrás served as Deputy City Manager in the City of Hartford, CT, where he was responsible for the departments of finance, police, fire, code enforcement, information technology, purchasing, budget, and human relations. He also served as Deputy City Manager of New Rochelle, NY.

Mr. Borrás began his public sector career as Administrative Officer for the Office of the County Manager in 1982 with Metropolitan Dade County Government in Dade County, FL.

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