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Oversight, Investigations, and
Management, Committee on Homeland
Security, House of Representatives

September 2012

HOMELAND SECURITY

DHS Has Enhanced Procurement Oversight Efforts, but Needs to Update Guidance



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Highlights of [GAO-12-947](#), a report to the Subcommittee on Oversight, Investigations, and Management, Committee on Homeland Security, House of Representatives

Why GAO Did This Study

DHS bought over \$14 billion in goods and services in fiscal year 2011—over one quarter of its budget—and processed over 100,000 transactions to support its homeland security missions. In 2005, DHS established an oversight program to provide department-level insight into components' procurement of goods and services and to identify successful acquisition management approaches. DHS has also established specific initiatives, such as a strategic sourcing program in 2003 to reduce procurement costs and gain other efficiencies by consolidating requirements. GAO (1) assessed DHS's efforts to implement procurement oversight, and (2) identified DHS components' use of strategic sourcing to leverage their buying power. To do this, GAO reviewed procurement oversight policies and guidance, interviewed officials from OCPO and DHS components, reviewed prior GAO reports, reviewed on-site review findings and recommendations, and examined DHS and component documentation of oversight and strategic sourcing efforts.

What GAO Recommends

Based on DHS's actions in response to the recommendation contained in the draft report, GAO recommends that the Secretary of Homeland Security direct the Chief Procurement Officer to review and ensure consistency between the new procurement oversight directive and guidebook and with the department's current procurement oversight efforts.

View [GAO-12-947](#). For more information, contact John Hutton at (202) 512-4841 or huttonj@gao.gov.

HOMELAND SECURITY

DHS Has Enhanced Procurement Oversight Efforts, but Needs to Update Guidance

What GAO Found

The Department of Homeland Security's (DHS) Office of the Chief Procurement Officer (OCPO) continues to implement and has improved some aspects of its procurement oversight but has not sufficiently updated its guidance. OCPO's oversight has helped ensure that DHS components receive and address constructive assessments of their compliance with procurement regulations and policies. The oversight also has increased the Chief Procurement Officer's visibility into components' progress against procurement-related metrics. For example, OCPO establishes annual procurement goals for the components and tracks their progress in quarterly reports. OCPO has been less consistent in—but continues to hone its implementation of—other aspects of the program, such as self assessments and parts of its acquisition planning reviews. However, until GAO sent DHS a draft of this report recommending that DHS issue updated policy and guidance to reflect changes to the department's procurement oversight efforts, the department did not issue updated policy or guidance. This has led to a lack of clarity among components regarding what the oversight efforts entail. For example, some components did not complete a required self assessment in 2011. GAO's review of the revised policy and guidance found inconsistencies between the two and with current oversight efforts.

Examples of Procurement-Related Goals OCPO Established and Tracked in 2011 and 2012, for the Transportation Security Administration

Topic	2011 Goal	Tracked in 2011 Quarterly Report	2012 Goal
Percent of obligated dollars awarded competitively	≥74%	Yes	≥76%
Percent of contracts awarded to small businesses	≥23%	Yes	≥23%
Accuracy of Federal Procurement Data System-Next Generation Data ^a	≥92%	Yes	≥93%

Source: GAO analysis of DHS documents.

^aFor all elements subject to annual Office of Federal Procurement Policy certification.

DHS component officials stated that most of their efforts to leverage buying power are through the department's strategic sourcing program, which provides departmentwide contract vehicles for the purchase of specific items or services. According to DHS data, the department's spending through strategic sourcing contract vehicles has increased steadily from \$1.8 billion in fiscal year 2008 to almost \$3 billion in fiscal year 2011, representing about 20 percent of DHS's procurement spending for that year. The Office of Management and Budget has recognized some of DHS's strategic sourcing efforts as best practices. DHS policies encourage components to consider, but do not require, the use of strategic sourcing contract vehicles. The Chief Procurement Officer has identified increasing strategic sourcing as a departmentwide priority and OCPO encourages the utilization and development of strategic sourcing contract vehicles in a variety of ways, including hosting quarterly training sessions and posting contract information on the strategic sourcing web page. In addition, while components have leveraged contracts with other agencies, many found it more efficient to use DHS's strategic sourcing contract vehicles. DHS components generally do not use other components' contracts.

Contents

Letter		1
	Background	3
	DHS Has Improved Some Aspects of Its Procurement Oversight but Guidance Is Not Sufficiently Updated	5
	Components Leverage Buying Power through DHS's Strategic Sourcing Program	15
	Conclusions	17
	Recommendation for Executive Action	18
	Agency Comments and Our Evaluation	18
Appendix I	Scope and Methodology	20
Appendix II	Comments from the Department of Homeland Security	22
Appendix III	Snapshot from a 2012 DHS Component Quarterly Report	24
Appendix IV	GAO Contact and Staff Acknowledgments	25
Tables		
	Table 1: Comparison of Oversight Mechanisms in the Original Directive and Guidebook with Current Efforts as Described by OCPO Officials	7
	Table 2: Examples of OCPO On-Site Review Findings and Recommendations from Contract File Reviews and Actions Components Took to Address the Recommendations	9
	Table 3: Examples of Contracting-Related Goals OCPO Established and Tracked with Metrics in 2011 and 2012, for TSA	11
Figures		
	Figure 1: Organization Chart for OCPO's Oversight and Strategic Support Division	3
	Figure 2: DHS Components with HCAs and Lines of Reporting	4

Abbreviations

DHS	Department of Homeland Security
GAO	Government Accountability Office
HCA	Head of Contracting Activity
OCPO	Office of the Chief Procurement Officer
HSAM	Homeland Security Acquisition Manual
FAR	Federal Acquisition Regulation
TSA	Transportation Security Administration

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Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

September 10, 2012

The Honorable Michael T. McCaul
Chairman
Subcommittee on Oversight, Investigations,
and Management
Committee on Homeland Security
House of Representatives

The Honorable William R. Keating
Ranking Member
Subcommittee on Oversight, Investigations,
and Management
Committee on Homeland Security
House of Representatives

The Department of Homeland Security (DHS) is a complex organization responsible for a broad range of mission and management areas, such as border security, immigration services, aviation security, maritime security, and emergency preparedness and response. DHS bought over \$14 billion in goods and services in fiscal year 2011—representing over one quarter of its budget—and processed over 100,000 transactions to support its homeland security missions. DHS has initiated broad oversight efforts to improve its procurement of goods and services as well as specific initiatives to reduce procurement costs, such as strategic sourcing.¹ The Chief Procurement Officer’s Strategic Plan for Fiscal Year 2012 to 2014 highlights these efforts and other priorities for improving procurement operations including the oversight activities required to implement the plan.

DHS’s Office of the Chief Procurement Officer (OCPO) established an acquisition oversight program in 2005 to complement DHS’s existing acquisition management governance process for major investments. Management Directive 0784, “Acquisition Oversight Program” (2005) and the “Acquisition Oversight Program Guidebook” (2006) included policy and guidance for the program, which was designed to provide

¹DHS defines strategic sourcing as a collaborative and structured process of critically analyzing DHS spending and using an enterprise approach to make business decisions about acquiring and managing commodities and services more effectively and efficiently across multiple components or the entire department.

department-level insight into components' acquisition functions and to identify successful acquisition management approaches. The program addressed a broad range of acquisition- and procurement-related issues² through four main oversight mechanisms: operational status reviews, on-site reviews, self assessments, and acquisition planning reviews.³

OCPO established a strategic sourcing program in 2003 to leverage DHS's buying power to increase savings and other efficiencies by consolidating requirements, increasing standardization of requirements across components, and enhancing management of commodities or services. According to DHS, since the program's inception, it has led to over \$1 billion in savings and increased administrative efficiencies.

Given your interest in sound procurement practices, you requested that we undertake a review of DHS procurement oversight efforts. Accordingly, we (1) assessed DHS's efforts to implement procurement oversight, and (2) identified DHS components' use of strategic sourcing to leverage their buying power.

To assess DHS's efforts in implementing procurement oversight, we reviewed procurement oversight policies and guidance; interviewed knowledgeable officials from OCPO and DHS components; reviewed prior GAO reports; and examined DHS and component documentation of oversight efforts, including OCPO's review schedule, quarterly reports, goal letters, and on-site reviews from 2007 to the present. To evaluate the extent to which DHS components address the recommendations identified in on-site reviews, we interviewed OCPO and component contracting officials, reviewed on-site review findings and recommendations, and analyzed components' written responses regarding, and documentation of, actions they took to address recommendations in their most recent on-site reviews.

²For the purpose of this report, the term "acquisition" refers to the broader process of conceptualization, initiation, design, development, test, contracting, production, deployment, logistics support, modification, and disposal of systems, supplies, or services to satisfy the government's needs; we use the terms "procurement" and "contracting" interchangeably to refer to the specific act of buying or otherwise obtaining goods and services for the government.

³The Federal Acquisition Regulation defines acquisition planning as the process by which the efforts of all personnel responsible for an acquisition are coordinated through a comprehensive plan for fulfilling the agency need in a timely manner. FAR §2.101.

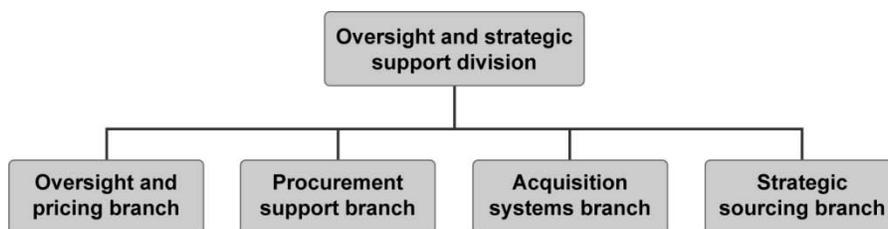
To identify practices DHS components use to leverage their buying power through strategic sourcing, we reviewed relevant policies and guidance; examined OCPO documentation of strategic sourcing efforts; and interviewed OCPO and component officials about practices they employ, contracts they have leveraged, and resulting benefits.

A more detailed description of our scope and methodology is presented in appendix I. We conducted this performance audit from March 2012 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

OCPO's Oversight and Strategic Support Division manages the Chief Procurement Officer's procurement oversight efforts. Figure 1 shows the division's four branches. All branches except the strategic sourcing branch are responsible for aspects of the procurement oversight efforts.

Figure 1: Organization Chart for OCPO's Oversight and Strategic Support Division

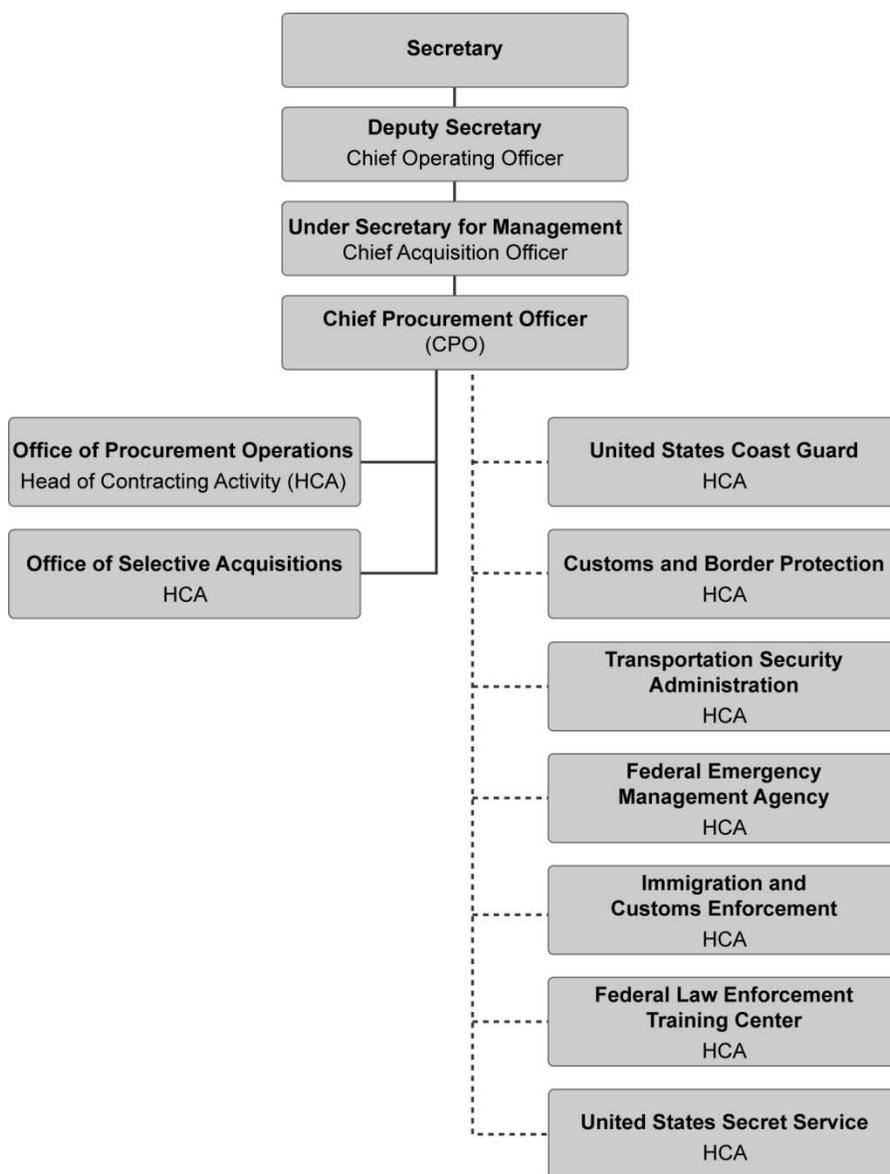


Source: DHS.

Component-level contracting activity is led by component Heads of Contracting Activity (HCA), who have overall responsibility for the day-to-day management of the component's contracting function. OCPO has oversight responsibilities for all nine DHS HCAs—one for each of the seven components with procurement offices and one HCA each for the Office of Selective Acquisitions and the Office of Procurement Operations, which provide contracting support to all other components. The Selective Acquisitions and Procurement Operations HCAs report directly to the Chief Procurement Officer. The seven other HCAs report directly to their component heads, but their contracting authority is delegated to them from the Chief Procurement Officer. Figure 2 shows

the organizational relationships among the HCAs, the Chief Procurement Officer, and other senior DHS leadership.

Figure 2: DHS Components with HCAs and Lines of Reporting



———— Report directly to CPO.

- - - - - Contracting authority delegated by CPO, but report directly to component head.

Source: DHS.

The Oversight and Strategic Support Division's strategic sourcing branch has management responsibilities for DHS's strategic sourcing initiative. DHS defines strategic sourcing as a collaborative and structured process of critically analyzing DHS spending and using an enterprise approach to make business decisions about acquiring and managing commodities and services more effectively and efficiently across multiple components or the entire department. DHS's strategic sourcing contract vehicles include contracts or agreements that have been established for use by two or more components. To maximize cost savings, DHS encourages component utilization of established strategic sourcing vehicles.

DHS Has Improved Some Aspects of Its Procurement Oversight but Guidance Is Not Sufficiently Updated

OCPO's oversight has helped ensure that components address constructive assessments of their compliance with procurement regulations and policies and has increased the Chief Procurement Officer's visibility into components' progress against procurement-related metrics. OCPO has been less consistent in—but continues to hone—its implementation of other aspects of the program, including self assessments and parts of its acquisition planning reviews. However, at the time of our review, DHS had not issued updated policy or guidance reflecting OCPO's current approach to procurement oversight, which led to a lack of clarity for components regarding what the oversight efforts entail.

Procurement Oversight Focus Has Changed

OCPO has maintained the overarching structure of its oversight program while making some modifications to reflect a more specific focus on procurement issues versus broader acquisition issues. As described in the management directive and guidebook, OCPO's original oversight program included four types of reviews: on-site reviews, operational status reviews, self assessments, and acquisition planning reviews. It was based largely on GAO's *Framework for Assessing the Acquisition Function at Federal Agencies*⁴ and assessed broad issues related to both acquisitions and procurement. Our prior work on the acquisition oversight

⁴GAO, *Framework for Assessing the Acquisition Function at Federal Agencies*, [GAO-05-218G](#) (Washington, D.C.: September 2005). The framework includes tools to enable high-level, qualitative assessments of the strengths and weaknesses of the acquisition function at federal agencies, focusing on the following topics: (1) organizational alignment and leadership, (2) policies and processes, (3) human capital, and (4) knowledge and information management.

program in 2007 found that OCPO's oversight plan generally incorporated effective acquisition management principles, but that DHS faced challenges in implementing its oversight program.⁵ OCPO began making changes to the program in 2008, starting a transition to what is now referred to as "procurement oversight." OCPO's current efforts, which at the time of our review were not documented in written policy or guidance, still include the four types of reviews, but no longer fully reflect the original guidance. For example, some reviews are now focused on procurement rather than broader acquisition-related topics, which now fall under the responsibility of other offices such as the recently created Program Accountability and Risk Management Division, which is responsible for acquisition program management oversight.⁶ Specifically, OCPO's current oversight efforts no longer examine cost, schedule, and performance variances for major investments, which are the responsibility of the Program Accountability and Risk Management Division. Table 1 compares the oversight review structure and focus as described in the original management directive and guidebook with current efforts as described by OCPO officials, since updated guidance was not available at the time of our review.

⁵GAO, *Department of Homeland Security: Progress and Challenges in Implementing the Department's Acquisition Oversight Plan*, [GAO-07-900](#) (Washington, D.C.: June 13, 2007).

⁶We plan to issue a report in September 2012 examining DHS's oversight and management of its major acquisition programs.

Table 1: Comparison of Oversight Mechanisms in the Original Directive and Guidebook with Current Efforts as Described by OCPO Officials

Review	Original Oversight Program	Current Oversight Efforts
On-site reviews	On-site review—Triennial review of each component’s (a) compliance with acquisition regulations, (b) contract administration, (c) acquisition management, and (d) verification of procurement data.	Two types of on-site reviews: (1) On-site review—Review of each component’s (a) compliance with procurement regulations and policies, and (b) workforce issues. (2) Special review—Topic-specific reviews to address immediate concerns.
Operational status reviews	A quarterly meeting with each HCA to discuss the results of data submitted by components on a range of acquisition and performance-related metrics.	Semi-annual meeting with each HCA to discuss procurement-related performance metrics from quarterly reports; number of metrics has increased.
Self-assessments	HCA assesses component’s acquisition staff, processes, and programs using a questionnaire from the guidebook.	Same except use of questionnaire is not required.
Acquisition planning reviews	Three elements: (1) Individual Acquisition Plans—Review of acquisition plans that exceed a contract value of \$50 million for most components. ^a	Review and approval for procurements with a total lifecycle cost of at least \$300 million for supplies and annual costs that exceed \$100 million for services.
	(2) Advanced Acquisition Planning database—Information required for all acquisitions over \$100,000.	Acquisition Planning Forecast System—Information required for acquisitions that meet the simplified acquisition threshold. ^b
	(3) Acquisition Planning Review—HCAs assess the efficiency and effectiveness of their component’s acquisition planning process.	Not an element of oversight efforts.

Source: GAO analysis of DHS documents and interviews with OCPO and component officials.

^aThe Chief Procurement Officer was to review acquisitions that exceeded \$5 million for the Secret Service and Federal Law Enforcement Training Center.

^bThe simplified acquisition threshold is \$150,000 with some exceptions.

On-site Reviews Are More Streamlined and Components Generally Have Been Responsive to the Recommendations

OCPO continues to conduct triennial on-site reviews and has streamlined the focus of the reviews from broad acquisition-related issues to compliance with contracting policies and regulations. OCPO conducted its initial round of reviews, called baseline reviews, from 2007 to 2010. The baseline reviews focused on a variety of acquisition-related topics, such as organizational leadership and financial accountability, and included a review of a stratified sample of contract files to assess compliance with regulations, policies, and procedures, including the Federal Acquisition Regulation (FAR), the Homeland Security Acquisition Manual (HSAM), and the Homeland Security Acquisition Regulation. OCPO began a second round of on-site reviews, called follow-on reviews, in 2010 and has completed these reviews for all but one of the components. OCPO has not yet conducted any on-site reviews for the Office of Selective

Acquisitions, which was created in 2008, but OCPO officials stated that they plan to do so in 2013 because the component now has sufficient contract activity to merit an on-site review. OCPO narrowed the scope of the second round reviews to focus on compliance with regulations, policies, and procedures. OCPO also assessed procurement workforce issues in both sets of the reviews.

OCPO has taken steps to encourage components to address on-site review recommendations. More specifically, prior to finalizing results of on-site reviews, OCPO first requires components to develop plans describing actions they will take to address the recommendations. OCPO then monitors components' efforts by requiring them to submit documentation of the actions they took. For example, for the three on-site reviews OCPO conducted in 2011 that included recommendations, OCPO collected component documentation of actions taken in response to the 40 OCPO recommendations.⁷

Components generally have been responsive to OCPO's on-site review recommendations. All components reported actions taken in response to all 89 recommendations from their most recent on-site reviews, which OCPO conducted between 2009 and 2012. The components provided descriptions of these actions, although a few of the actions were still underway. In most cases, components provided documentation that verified the actions they took. Table 2 below provides examples of OCPO's on-site review findings, recommendations, and actions components took to address the recommendations.

⁷OCPO also conducted a follow-on review of the Secret Service in 2011. The review did not include any findings or recommendations and determined the component significantly improved since its baseline review.

Table 2: Examples of OCPO On-Site Review Findings and Recommendations from Contract File Reviews and Actions Components Took to Address the Recommendations

OCPO Finding and Year	OCPO Recommendation	Action Component Took to Address Recommendation
Insufficient documentation of legal reviews (2011).	Customs and Border Protection should emphasize to contracting personnel the HSAM requirements for legal reviews.	Issued a memorandum on August 12, 2011, and emphasized at its HCA's all-hands meeting in June 2011 the importance of ensuring that legal reviews are conducted and including evidence in the contract file to demonstrate compliance.
Insufficient documentation of justification for using other than full and open competition (2008).	The Secret Service should issue a memorandum to contracting personnel emphasizing the importance of including an adequate justification in the files for using other than full and open competition as required by FAR 6.303-2.	Forwarded policy memorandum to contracting personnel to highlight the importance of competition and adequate justifications in files where other than full and open competition is utilized. Provided refresher training.
Insufficient documentation of small business reviews (2010).	Immigration and Customs Enforcement should emphasize to contracting personnel the FAR and HSAM requirements to conduct small business reviews.	Communicated to contracting officers the circumstances under which the DHS small business review form is required and advised them that the form should be kept in the contract file.

Source: GAO analysis of DHS documents, component officials' responses, and component documentation.

OCPO also conducts another type of on-site review, called a “special review” or a “DHS-wide review,” to address issues and risk areas OCPO identifies in on-site reviews or that are identified by other sources, such as DHS’s inspector general or GAO reports. These reviews were not included in the original guidance. However, in 2007, OCPO started conducting these reviews to address special topics of concern and OCPO has completed 12 of these reviews since 2011. These reviews may focus on a specific topic at one component, such as a review of Customs and Border Protection’s credit card transactions to purchase fuel for its fleet of vehicles, or across multiple components, such as a review of the award of non-competitive contracts. When OCPO identifies weaknesses or gaps in the reviews, they typically issue memorandums to contracting staff. In addition, OCPO officials said that they sometimes provide training or share best practices with the components in response to review findings.

Operational Status Reviews Are More Consistent

Since 2011, OCPO has more consistently developed quarterly reports to track components’ performance against established goals. Under the original program, operational status reviews were to include a quarterly meeting with each HCA to discuss reports based on data submitted by components on a range of acquisition and performance-related metrics. We found in 2008 that the quarterly meetings were not being held,

indicating that the review process consisted primarily of preparing the quarterly reports. Furthermore, OCPO documentation showed that OCPO only completed one to two reports per year. Initially, the reports tracked up to 29 metrics, but for many metrics, data were lacking or DHS noted they were unreliable. In addition, the process was not automated or standardized. Under OCPO's current oversight efforts, quarterly reports continue to be central to the operational status review process and, since 2011, OCPO's procurement oversight branch has developed a report each quarter. Furthermore, most aspects of the reports are now automated and standardized to focus on tracking about 40 metrics associated with contracting goals as reflected in OCPO's fiscal year 2012 strategic plan. The reports contain data from DHS's Enterprise Reporting Application, which relies on data the components enter as well as contract data that it automatically pulls from the governmentwide Federal Procurement Data System—Next Generation (FPDS-NG) and components' contract writing systems. In addition, OCPO's acquisition systems branch officials stated that they perform data validation on a regular basis to help ensure the reliability of the FPDS-NG data the system uses.

OCPO's current effort ties contracting goals from annual goal letters to the quarterly reports and includes semi-annual meetings with HCAs to discuss component performance against the goals. The Chief Procurement Officer provides annual goal letters to component HCAs, which include tailored quantitative targets that OCPO then tracks with metrics in its quarterly reports. In turn, the quarterly reports help inform the following year's goal letters. Some officials explained that the goals help them determine what areas to focus on and that they in turn use the goals to motivate or assess performance within their contracting activities. In addition, the Chief Procurement Officer stated that he conducts semi-annual meetings with each HCA to discuss the component's goals, performance reflected in the quarterly reports, and the HCA's plans to address areas that need improvement. To motivate performance toward the goals, component goals are reflected in HCAs' performance plans and the Chief Procurement Officer stated that he provides input into the HCAs' performance assessments based on the quarterly reports. Table 3 includes examples of contracting-related goals established in goal letters and tracked with metrics in quarterly reports for the Transportation Security Administration (TSA). An excerpt from a quarterly report is included in appendix III.

Table 3: Examples of Contracting-Related Goals OCPO Established and Tracked with Metrics in 2011 and 2012, for TSA

Topic	2011 Goal	Tracked in 2011 Quarterly Report	2012 Goal
Percent of obligated dollars awarded competitively	≥74%	Yes	≥76%
Percent of contracts awarded to small businesses	≥23%	Yes	≥23%
Accuracy of Federal Procurement Data System—Next Generation Data ^a	≥92%	Yes	≥93%

Source: GAO analysis of DHS documents.

^aFor all elements subject to annual Office of Federal Procurement Policy certification.

Self Assessment Expectations Are Unclear

OCPO officials stated that annual self assessments continue to be part of their oversight efforts. However, OCPO's expectations regarding self assessments are unclear and some components did not complete a self assessment in 2011. Under the original program, component HCAs were required to complete annual self assessments, using a questionnaire that addressed a broad range of acquisition and procurement-related issues. OCPO officials stated that, at first, they collected the self assessments, but they stopped doing so and instead asked components to inform OCPO of their completion because the officials thought collecting the assessments led the HCAs to be less forthcoming on the results. Currently, OCPO officials stated that they still expect components to conduct annual self assessments; however, they have not been requiring components to use the questionnaire. In addition, OCPO no longer checks with components to confirm they have completed the assessments. At least four components did not prepare a self assessment for fiscal year 2011 and we found that many components were not aware of this requirement. Among the components that did prepare self assessments, two HCAs explained that some of the questions in the questionnaire address topics that are outside of their authority and one component has shifted responsibility for the assessment to its Chief Acquisition Officer because of the questionnaire's focus on acquisition issues. OCPO officials stated that, moving forward, they plan to ensure components develop self assessments and that they plan to use the original questionnaire despite the shift in oversight focus to procurement.

Acquisition Planning Reviews Have Evolved and Some Plans Require Approval

OCPO continues to have mechanisms in place to help ensure acquisition plans comply with applicable regulations, policies, and procedures, though some of these differ from the original acquisition oversight program established in 2005.

- Under the original program, the Chief Procurement Officer was required to review acquisition plans for contracts with an expected value of \$50 million or more for most components to ensure that each complied with regulations and policies and to provide recommendations and guidance when necessary. Our prior work in 2007 found that OCPO had little assurance that components addressed the review comments because the review was advisory.⁸ In 2009, DHS increased the dollar threshold of the plans that the Chief Procurement Officer is to review to those with life cycle costs of at least \$300 million for products and annual costs that exceed \$100 million for services, which would include major acquisitions. Chief Procurement Officer approval is now required before these acquisition plans can move forward, which OCPO officials stated is a significant improvement from the original program.
- As under the original program, HCAs are still required to provide data into an advanced acquisition planning database to publicize contracting opportunities and to assist components in managing schedules for planned acquisitions. However, we found in 2007 that OCPO had not established an effective mechanism to monitor the database to ensure complete information is entered into the database.⁹ While OCPO has still not implemented a mechanism to monitor its database, OCPO officials stated that, as part of the on-site review process, they plan to examine whether required information has been entered into the database.
- Under the original guidance, HCAs were required to annually review the efficiency and effectiveness of their acquisition planning process. OCPO officials stated that this aspect of the oversight was never implemented, but that they have taken some steps to examine acquisition planning across DHS. For example, in 2011 OCPO conducted a special review on acquisition plans that examined compliance of acquisition plans for DHS's 11 procurements in 2009

⁸GAO-07-900.

⁹GAO-07-900.

with a value greater than \$10 million but below the Chief Procurement Officer's review and approval threshold. The review identified several problems, such as lack of appropriate signatures on some of the plans, which OCPO highlighted to HCAs in a memorandum. OCPO officials stated that, moving forward, as part of the on-site review process, they will examine acquisition plans associated with the contracts they review.

Procurement Oversight Policy and Guidance Are Not Sufficiently Updated

At the time of our review, DHS had not issued updated policy or guidance reflecting its current approach to procurement oversight and was still defining certain aspects of the program. As noted in the *Standards for Internal Control in the Federal Government*, agency policies should be clearly documented and readily available for examination to ensure effective program management.¹⁰ The existing guidance on the oversight efforts at the time of our review was Management Directive 0784, "Acquisition Oversight Program" (2005) and the "Acquisition Oversight Program Guidebook" (2006). Management Directive 0784, which officially established the oversight program, described OCPO's original approach to oversight and department and component officials' roles in the program. The acquisition oversight guidebook provided instructions, checklists, and questionnaires to help guide execution of the program. According to OCPO officials, these documents were removed from DHS's internal website since they no longer fully represented current efforts. Since 2007, OCPO developed multiple versions of the directive and guidebook though the department had not issued an update to either. Furthermore, we found that OCPO had not fully determined the scope of some of the efforts. For example, at the beginning of our audit, OCPO officials informed us that they did not consider acquisition planning reviews to be part of their current oversight effort. However, much later in the audit, they stated that they plan to include acquisition planning as one aspect of the overall effort when they update the guidance.

We found that the absence of an updated directive and guidebook led to a lack of clarity among the components regarding what the efforts entail and reliance on less formal channels for advice. In addition to the general lack of awareness of the requirement for self assessments, we found that several component officials responsible for oversight were new to their

¹⁰GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: Nov. 1, 1999).

positions and some did not have extensive knowledge of the oversight efforts. In the absence of up-to-date written policy and guidance, components have relied on OCPO communications about upcoming reviews through e-mail and at monthly HCA meetings. Most component officials we spoke to indicated that OCPO's communications regarding upcoming reviews and expectations of component involvement in the oversight efforts were helpful.

DHS has since updated its policy and guidebook to more closely reflect OCPO's current oversight efforts, but we found inconsistencies in the revised documents. In our draft report, we recommended that the Secretary of Homeland Security direct the Chief Procurement Officer to issue updated policy and guidance to reflect changes to the department's procurement oversight efforts. In commenting on a draft of this report, DHS informed us that to address the recommendation it updated its policy and guidebook to better mirror current procurement oversight practices. The Under Secretary for Management signed the new directive, DHS Directive Number 143-05 "Procurement Oversight Program" on August 28, 2012. DHS also reported that it had completed revisions to the newly named guidebook, "Procurement Oversight Program Guidebook," MD 0143-05, on August 29, 2012. We reviewed the revised policy and guidebook and found inconsistencies between the two as well as with the program as described to us by DHS officials during the course of our review. For example, the directive stated that the program has three elements: HCA self assessment, operational status reports, and on-site component and special reviews. However, the guidebook includes four elements—the three above plus acquisition planning reviews. In another example, the guidebook states that the HCA should review the component's acquisition planning process each year to ensure that the component plans all of its acquisitions. However, OCPO officials told us this part of the original program was never implemented and indicated it would be replaced with other acquisition planning oversight-related efforts.

Components Leverage Buying Power through DHS's Strategic Sourcing Program

Components Actively Support DHS's Strategic Sourcing Program

DHS component officials stated that most of their efforts to leverage buying power are through the department's strategic sourcing program, which facilitates the development and award of contracts for the purchase of specific items or services across DHS. According to DHS data, DHS's spending through strategic sourcing contract vehicles has increased steadily from \$1.8 billion in fiscal year 2008, to almost \$3 billion in fiscal year 2011, representing about 20 percent of DHS's \$14 billion in procurement spending for that year.¹¹ The Office of Management and Budget's Office of Federal Procurement Policy has cited DHS's efforts among best practices for implementing federal strategic sourcing initiatives. DHS has implemented 42 strategic sourcing efforts, including indefinite-delivery indefinite-quantity contracts and blanket purchase agreements¹² for goods and services ranging from ammunition to engineering services. The department also has several new initiatives under development.

DHS policies encourage components to consider, but do not require, the use of departmentwide strategic sourcing contract vehicles. Usage of all departmentwide contracts is "mandatory for consideration" unless otherwise approved by the Under Secretary for Management, and therefore must be considered by DHS components prior to awarding a contract. Before pursuing their own procurements, components are to review the DHS-wide intranet site that lists available strategic sourcing

¹¹We plan to issue a report in September 2012 examining DHS and other selected agencies' strategic sourcing efforts, including those under the Federal Strategic Sourcing Initiative, and savings they have achieved.

¹²Indefinite-delivery indefinite-quantity contracts are contracts that are established to buy goods and services when the exact times and exact quantities of future deliveries are not known at the time of award. Blanket purchase agreements are agreements between agencies and vendors with terms in place for future use; funds are obligated when orders are placed.

contract vehicles. Some component officials said that their staff routinely check that list to determine whether one of those vehicles can be used before initiating a new procurement effort. Further, to encourage increased establishment of strategic sourcing contract vehicles, the HSAM requires the components to involve the strategic sourcing program office to determine if the requirement lends itself to the establishment of a departmentwide contract. If a DHS component makes a decision to implement its own contract instead of a departmentwide contract, it must document in the acquisition plan and contract file the rationale for doing so and notify the Chief Procurement Officer for review and approval. DHS is taking steps to strengthen the use of strategic sourcing at the department and has drafted, but not yet issued, a management directive that would make use of strategic sourcing contract vehicles mandatory with exceptions.

The Chief Procurement Officer has identified increasing strategic sourcing as a departmentwide priority and OCPO encourages the utilization and development of strategic sourcing vehicles in a variety of ways. OCPO officials explained that they host quarterly meetings and training sessions with the DHS Strategic Sourcing Working Group, meet with individual component programs and procurement offices, and post all contract information and ordering guides on the strategic sourcing web page. OCPO includes metrics in its quarterly reports to track components' strategic sourcing contract vehicle utilization rates and savings, though it has not established component-specific goals or targets to further encourage use and development of strategic sourcing contract vehicles. OCPO officials told us that they consider their strategic sourcing program to be robust, and therefore do not currently think it would be worth the additional effort to develop and track component-specific goals. They said that if component participation were to decline, they might consider developing component-specific goals.

Component officials we met with cited a variety of benefits associated with using DHS's strategic sourcing program. Most components we interviewed stated that they rely on department-level strategic sourcing policy and efforts rather than developing their own. Several officials explained that, once the contract vehicle is in place, it is much quicker to award contracts. Some components cited economies of scale and indicated that they thought prices had gone down in some areas.

In addition to using the vehicles, DHS components are involved with the program in a variety of ways. Component representatives serve on working groups to help identify potential strategic sourcing opportunities

and develop shared requirements. Components are also tasked with serving as the lead for specific initiatives. For example, the Secret Service initiated a department-wide contract on tactical communications in 2012 and Customs and Border Protection led a department effort to obtain canines in 2011.

Components Have Leveraged Contracts with Other Agencies

Some components offered examples of contracts they leveraged with other agencies. For example, Customs and Border Protection leveraged a contract with the Department of Defense for air and marine assets in 2008 and the Secret Service partnered with the Defense Information Systems Agency and White House Communications Agency in 2012 to obtain an event planning, scheduling and reporting system. In another example, the Coast Guard received price discounts for its HC-130J aircraft starting in 2000 by leveraging an Air Force vehicle rather than contracting directly with the manufacturer. However, most components found it more efficient to use DHS's strategic sourcing vehicles than to leverage contracts with other agencies. Components described several challenges associated with leveraging contracts with other agencies, such as additional up front planning, identifying shared requirements, and paying associated fees to the lead agency.

Component officials indicated that they generally do not leverage contracts directly with other DHS components. Several component officials and the director of DHS's strategic sourcing branch said that it is not an efficient use of time or resources for individual components to reach out directly to other components to identify shared requirements given the DHS-wide effort does this across components. The director also noted that if a component had an idea of a contract to leverage with another component, they should first share that example at a DHS-wide strategic sourcing forum in case any other components share that same requirement. However, if the components then determine only two components share that requirement, it would make sense for those two components to work together directly.

Conclusions

With its initial oversight efforts in 2005 and today's more streamlined procurement oversight approach, OCPO has increased department-level insight into components' procurement operations and recommended ways that components can take steps to improve their overall procurement operations. OCPO's consistent and constructive on-site and operational status reviews also help ensure that components work towards common departmental procurement goals. However, we found

that DHS had not updated its procurement oversight policy and guidance to reflect the increased focus on procurement and changes to the original oversight program. As a result, we found that component officials did not always know what was expected of them regarding the implementation of the procurement oversight efforts. DHS's recent revision of its policy and guidebook is a step in the right direction, but inconsistencies in the documents as well as with the program as described to us by DHS officials could lead to further confusion, which would diminish the value of the program and opportunities for increased accountability for procurements.

Recommendation for Executive Action

In order to help ensure that DHS component officials understand what OCPO expects of them in its procurement oversight, we recommend that the Secretary of Homeland Security direct the Chief Procurement Officer to review and ensure consistency between Directive 143-05 and the Procurement Oversight Program Guidebook and with the department's current procurement oversight efforts.

Agency Comments and Our Evaluation

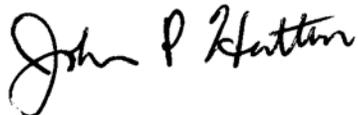
We provided a draft of this report to DHS for review and comment. The draft included a recommendation that DHS issue updated policy and guidance to reflect changes to the department's procurement oversight efforts. In written comments, the department concurred with our findings and recommendation. The department's comments are reprinted in Appendix II. DHS informed us that, to address the recommendation in our draft report, it updated its directive and guidebook to better mirror current procurement oversight practices and that it will make both documents available on DHS's internal website.

DHS's revisions to the policy and guidance are a step in the right direction. However, we found inconsistencies between the updated directive and guidebook as well as with the program as described to us by DHS officials. As we noted when we made our draft recommendation, component officials do not always know what is expected of them regarding the implementation of the procurement oversight efforts, which diminishes the value of the program. Therefore, while we acknowledge DHS's most recent efforts to update the directive and guidebook, we continue to believe that additional action is needed and have therefore revised our recommendation.

We are sending copies of this report to the Secretary of Homeland Security. In addition, the report is also available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report or need additional information, please contact me at (202) 512-4841 or huttonj@gao.gov.

Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Staff acknowledgments are provided in appendix IV.



John P. Hutton
Director
Acquisition and Sourcing Management

Appendix I: Scope and Methodology

The objectives of this review were to (1) assess the Department of Homeland Security's (DHS) efforts to implement procurement oversight, and (2) identify DHS components' use of strategic sourcing to leverage their buying power.

To assess DHS efforts to implement procurement oversight, we examined DHS's procurement oversight policies and guidance; reviewed prior GAO reports on acquisition and procurement oversight; interviewed knowledgeable officials from the Office of the Chief Procurement Officer (OCPO) and from DHS components; and examined OCPO and component documentation of oversight efforts, including OCPO's review schedule, quarterly reports, goal letters, operational status reports, and documentation of on-site reviews from 2007 to the present. Specifically, we interviewed the Chief Procurement Officer, the Director for Oversight and Strategic Support, officials from the four branches of the Oversight and Strategic Support Division, and senior officials, including four Heads of Contracting Activity (HCA), from the nine DHS contracting offices with HCAs to discuss the evolution of DHS's oversight efforts. To evaluate the extent to which DHS components address the findings and recommendations identified in on-site reviews, we interviewed OCPO and component contracting officials, reviewed on-site review findings and recommendations, and analyzed components' written responses regarding actions they took to address recommendations from their most recent reviews. For all eight contracting offices that OCPO reviewed,¹ we examined the contracting offices' descriptions of actions they took to address recommendations from their most recent on-site reviews and assessed their documentation of those actions.

To identify DHS components' use of strategic sourcing to leverage their buying power, we reviewed relevant policies and guidance, examined department and component documentation and interviewed OCPO and component officials on practices they employ, contracts they have leveraged, and views on resulting benefits. Specifically, we interviewed officials from DHS's strategic sourcing branch, as well as all nine contracting offices with HCAs, to gain an understanding of DHS's strategic sourcing processes, the availability of strategic sourcing contracting vehicles, and the potential of establishing component specific strategic sourcing goals.

¹OCPO did not conduct an on-site review for the Office of Selective Acquisitions.

We conducted our work from March 2012 to September 2012 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Appendix II: Comments from the Department of Homeland Security

U.S. Department of Homeland Security
Washington, D.C. 20528



**Homeland
Security**

September 5, 2012

John P. Hutton
Director, Acquisition and Sourcing Management
U.S. Government Accountability Office
441 G Street, NW
Washington, DC 20548

Re: Draft Report GAO-12-947, "DEPARTMENT OF HOMELAND SECURITY:
DHS Has Enhanced Procurement Oversight Efforts, But Needs to Update
Guidance"

Dear Mr. Hutton:

Thank you for the opportunity to review and comment on this draft report. The U.S. Department of Homeland Security (DHS) appreciates the U.S. Government Accountability Office's (GAO) work in planning and conducting its review and issuing this report.

The Department is pleased that GAO recognizes the evolution of DHS's procurement oversight program. Specifically, the report notes that the Office of the Chief Procurement Officer (OCPO) has streamlined the focus of its reviews from broad acquisition-related issues to compliance with contracting policies and regulations. It details that since 2011, OCPO more consistently developed quarterly reports to track components' performance against established goals and metrics reflected in OCPO's strategic plan and that components are generally responsive to OCPO's on-site review recommendations. In addition, GAO reports that OCPO continues to have mechanisms in place to help ensure that acquisition plans comply with applicable regulations, policies and procedures. The report also recognizes the success DHS has had leveraging its buying power through its strategic sourcing efforts and that the Office of Budget's Office of Federal Procurement Policy has cited DHS's strategic sourcing efforts as being among best practices for implementing federal strategic sourcing initiatives.

The draft report contained one recommendation, with which the Department concurs. Specifically, GAO recommended that the Secretary of Homeland Security:

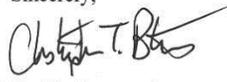
Recommendation: Direct the Chief Procurement Officer (CPO) to issue updated policy and guidance to reflect changes to the Department's procurement oversight efforts.

Response: Concur. DHS agrees that updated policy and guidance are necessary to reflect the Department's current approach to procurement oversight. Management Directive 0784 "Acquisition Oversight Program" and the "Acquisition Oversight Guidebook" have been revised to better mirror current procurement oversight practices.

Specifically, the directive was signed by the Under Secretary for Management on August 28, 2012, and the revisions to the Guidebook were completed on August 29, 2012. Both documents will be made available on DHS's internal website.

Again, thank you for the opportunity to review and comment on this draft report. Technical comments were previously provided under separate cover. Please feel free to contact me if you have any questions. We look forward to working with you in the future.

Sincerely,


for Jim H. Crumpacker
Director
Departmental GAO-OIG Liaison Office

Appendix III: Snapshot from a 2012 DHS Component Quarterly Report

#	Metric	Priority	FY11 Goal	FY11 Mid-Year	FY12 Goal	FY12 Mid-Year	Delta from FY12 Goal	% Comparison to FY12 Goal	% Change vs. FY11 Annual
1.1	Competition Rate (FYHSP) (USM MHA)	Contracting	71.4%	79.5%	76.0%	90.2%	14.2%	-18.7%	N/A
2.1	Reserved	Contracting	N/A	N/A	N/A	N/A	N/A	N/A	N/A
3.1	High-Risk Contracting – Cost Reimbursement Rate (AcqStat)	Contracting	N/A	15.3%	11.2%	3.7%	-7.5%	-67.3%	N/A
3.2	High-Risk Contracting – T&M / LH Rate (AcqStat)	Contracting	N/A	2.4%	1.5%	6.1%	4.6%	306.0%	N/A
3.3	High-Risk Contracting – Noncompetitive Contract Rate (AcqStat)	Contracting	N/A	12.4%	40.1%	23.9%	-16.2%	-40.3%	N/A
3.4	High-Risk Contracting – One-Bid Contract Rate (AcqStat)	Contracting	N/A	3.0%	20.1%	51.0%	30.9%	153.7%	N/A
3.5	High-Risk Contracting – Total High Risk Rate (AcqStat) (USM MHA)	Contracting	N/A	31.6%	62.0%	28.9%	-33.1%	-53.4%	N/A
4.1	Strategic Sourcing – Total Savings (AcqStat) (USM MHA)	Contracting	N/A	\$ 10,708,226	N/A	\$ 13,977,932	N/A	N/A	30.5%
4.2	Strategic Sourcing – Utilization Rate (AcqStat) (USM MHA)	Contracting	N/A	NPT	N/A	13.6%	N/A	N/A	N/A
5.1	Service Contracting – Management Service Spend (AcqStat)	Contracting	N/A	NPT	\$ 308,691,000	\$ 113,303,723	\$ (195,387,277)	-63.3%	N/A
5.2	Service Contracting – Performance-Based Services	Contracting	40.0%	37.5%	40.0%	64.0%	24.0%	60.0%	N/A
6.1	Acquisition Planning – Acquisition Plan Quality Compliance Rate	Contracting							
7.1	Procurement Systems – Uptime	Contracting	N/A	N/A	N/A	N/A	N/A	N/A	N/A
8.1	Cost/Price Expertise – Number of Procurements Supported	Contracting	N/A	N/A	N/A	0	N/A	N/A	N/A
8.2	Cost/Price Expertise – Dollars Supported	Contracting	N/A	N/A	N/A	\$ -	N/A	N/A	N/A
8.3	Cost/Price Expertise – Savings Supported	Contracting							
9.1	Green Contracting – Sustainable Purchasing Rate (FYHSP)	Contracting	95.0%	100.0%	95.0%	100.0%	5.0%	5.3%	N/A
10.1	Protests – Total Open GAO and COFC Protests	Contracting	N/A	0	N/A	1	N/A	N/A	N/A
10.2	Protests – Percent of Awards Protested	Contracting	N/A	NPT	N/A	2.04%	N/A	N/A	N/A
10.3	Protests – Sustained Protests Based on Total Decided	Contracting	N/A	0.0%	N/A	0.0%	N/A	N/A	0.0%
11.1	Small Business – Total Small Business Awards (FYHSP) (USM MHA)	Contracting	23.0%	15.1%	23.0%	13.2%	-9.8%	-42.6%	N/A
11.2	Small Business – Total SDB Awards (FYHSP) (USM MHA)	Contracting	5.0%	7.7%	5.0%	6.9%	1.9%	38.0%	N/A
11.3	Small Business – Total 8(a) Awards (FYHSP) (USM MHA)	Contracting	2.5%	2.5%	2.5%	2.6%	0.1%	4.0%	N/A
11.4	Small Business – Total SDVOSB Awards (FYHSP) (USM MHA)	Contracting	3.0%	4.6%	3.0%	2.7%	-0.3%	-10.0%	N/A
11.5	Small Business – Total WOSB Awards (FYHSP) (USM MHA)	Contracting	5.0%	2.0%	5.0%	1.2%	-3.8%	-76.0%	N/A
11.6	Small Business – Total HubZone Awards (FYHSP) (USM MHA)	Contracting	3.0%	2.3%	3.0%	1.5%	-1.5%	-50.0%	N/A
11.7	Small Business – Total Small Business Obligations via IDIQ & MAS (AcqStat)	Contracting	N/A	NPT	N/A	38.4%	N/A	N/A	N/A
11.8	Small Business – Total Non 8(a) SDB Prime (USM MHA)	Contracting	N/A	NPT	2.5%	4.3%	1.8%	72.0%	N/A
12.1	Small Business – Number of Small Business Events Held/Attended	Contracting	N/A	N/A	N/A	N/A	N/A	N/A	N/A
13.1	Past Performance – Contracts Entered in CPARS On Time	Contracting	NPT	NPT	90.0%	80.0%	-10.0%	-11.1%	N/A
13.2	Past Performance – Evaluations Completed in CPARS On Time	Contracting	NPT	NPT	90.0%	56.0%	-34.0%	-37.8%	N/A
13.3	Past Performance – CPARS Quality Compliance Rate	Contracting	90.0%	N/A	90.0%	N/A	N/A	N/A	N/A
14.1	Data Quality – FPDS Annual Certification Rate (FYHSP)	Contracting	90.0%	N/A	93.0%	N/A	N/A	N/A	N/A
14.2	Data Quality – FPDS Data Check Compliance Rate	Contracting	90.0%	97.4%	95.0%	99.8%	4.8%	5.1%	N/A

Source: DHS.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

John P. Hutton, (202) 512-4841 or huttonj@gao.gov

Staff Acknowledgments

In addition to the contact named above, the following individuals made key contributions to this report: Katherine Trimble, Assistant Director; Laura Holliday, Andrea Bivens, Laura Greifner, and Sylvia Schatz.

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