

Appendix A

IMPLEMENTING AND TRANSFORMING THE DEPARTMENT OF HOMELAND SECURITY

Focus Areas: Management Framework, Joint Requirements Planning and Risk Assessment Process for Informed Decision Making (RAPID), Investment Review Board, Corrective Action Plans

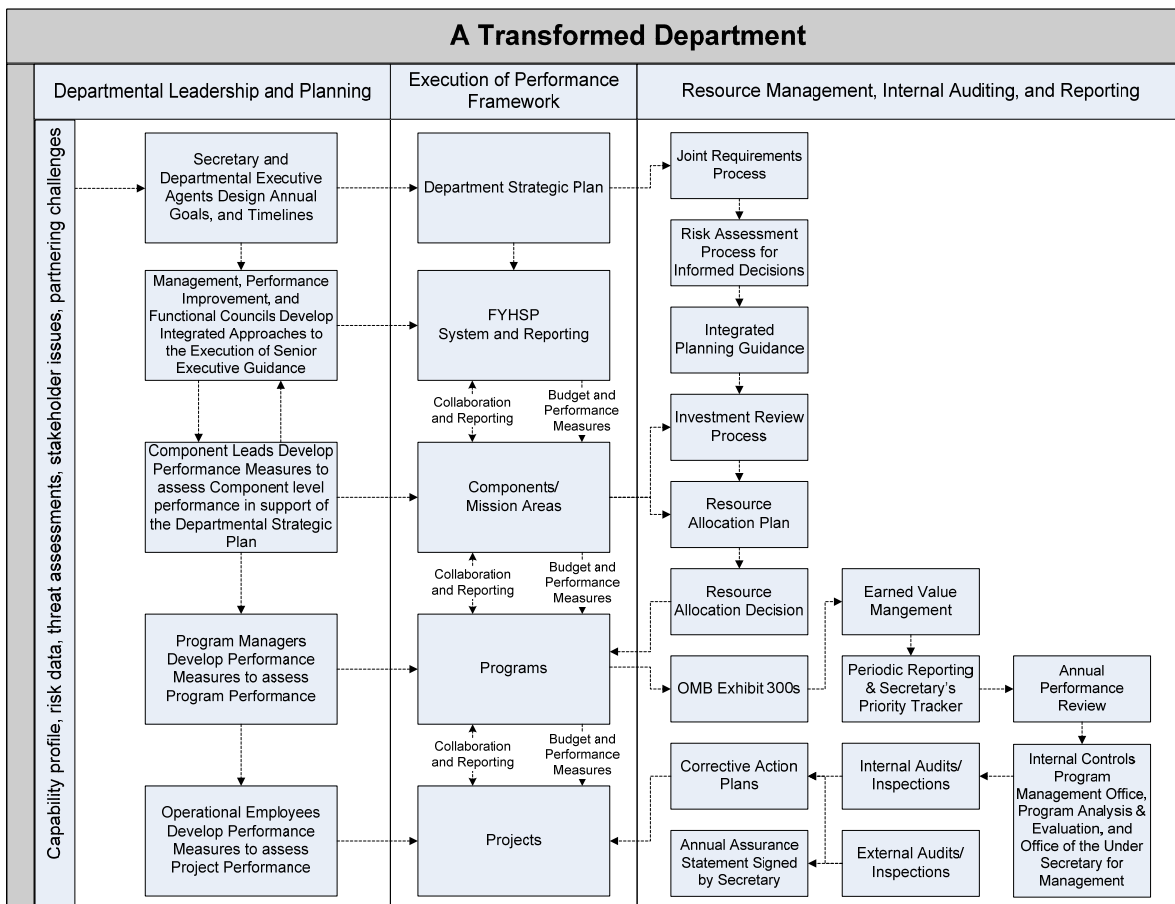
Lead Executive: Scott Krause, Chief of Staff, Office of the Under Secretary for Management, (202-282-8982)

Supporting Organization(s): All Mission Components, Directorates, and Offices

AREA A1: Management Framework

Description

Once implemented in 2003, the Department began by designing a framework based upon the need to transform various disparate Department challenges. This framework is the foundation for the Department's transformation and outlines the manner by which strategic goals are developed, resources are used, and performance is monitored as depicted in the table below.



Acknowledging administrative and operational weaknesses that remain, DHS' management framework enables DHS to design processes that focus on management challenges and improve operational performance. Subsequently, monitoring performance, enhancing accountability, and overcoming entity level management challenges will enable DHS to not only graduate from the GAO High-Risk Series in terms of Department Transformation, but also provides a foundation by which it will overcome challenges managing information sharing, flood insurance, protection of national critical infrastructure, federal real property, and strategic human capital initiatives.

Departmental leadership is committed to “*strengthening and unifying operations and management*” and has incorporated this as a facilitating mission goal in the Department's 2008-2013 draft Strategic Plan. This goal serves to see the improved performance of operations and programs delivering strategic outcomes and achieving mission goals.

*“**Improve Performance** – We will improve operational performance in support of DHS components delivering mission goals. We will lead efforts within the Department that provide structure to enhance Department-wide governance, decision making and oversight. We will optimize processes and systems to facilitate integration and coordination. We will foster leadership to perform duties and effect progress while adhering to DHS core values and guiding principles. We will leverage culture to implement best practices that benefit from component commonalities and differences.”*

-DHS Draft SP 2008-13

Within the context for meeting DHS' mission and under the framework of GPRA, DHS transforms the Department in defining its performance measurements, establishing key indicators for success, and assuring mission compliance by aligning programs to strategic goals. Each of these activities is currently managed by the Department across various offices that collectively work together. These offices participate in working groups and governing councils responsible to executive leaders that report directly to the Executive Office of the Secretary. Presently, participants include dedicated resources from the Office of Strategic Plans, Program Analysis & Evaluation, Departmental Components, Internal Control Program Management Office, and the Office of the Under Secretary for Management. Support provided by each of these offices in terms of monitoring and effecting the success of the management framework is described below:

Office of Strategic Plans

In regards to transforming the Department, the Office of Strategic Plans works closely with the Secretary to define Department strategic goals and priorities, align strategic objectives to goals, and develop strategic requirements to guide and align DHS programs and activities.

Program Analysis and Evaluation (PA&E) -Office of the Chief Financial Officer

PA&E supports mission accomplishment by monitoring the performance of programs and projects; ensuring that key indicators for performance are measurable; analyzing and assessing program performance in support of Department priorities, objectives, and goals; and provides support and oversees Government Performance Results Act (GPRA) reporting and development of the Future Year Homeland Security Program (FYHSP).

The FYHSP is the Department's five-year resource and performance plan. The goal of the FYHSP is to ensure we have the right programs adequately resourced yet prioritized within fiscal constraints to best meet our strategic goals and objectives. The FYHSP database is crucial for

maintaining information related to programs' success in meeting their program performance goals through performance outcomes, outputs and milestones. DHS uses the performance information in the FYHSP database to produce the DHS annual performance plan and FYHSP report. These reports communicate the Department's successes and future plans to meet strategic goals and objectives. The FYHSP directly links performance goals to program funding and appropriation line items. Table 1 includes an example of how the FYHSP database aligns appropriation line items to project initiatives.

Components

Components play the critical role of defining program outcomes and outputs, implementing and overseeing operations, and monitoring project performance. Components report program and project progress in FHYSP and execute management transformation efforts as they pertain to objectives and achieve both inter- and intra-Department synergies, information sharing, and operational goals.

Internal Control Program Management Office (IC PMO) - Office of the Chief Financial Officer
Reporting to the DHS Chief Financial Officer, the IC PMO aligns financial, management, and program internal controls; creates key indicators to assess internal control performance; and conducts reviews, or assists in the review of, projects, programs, and management functions to ensure compliance. The IC PMO also assists in the identification of root causes for internal control weaknesses, guides the development of necessary corrective action plans, and drafts the Secretary's Annual Assurance Statement.

Resource Management Transformation Office (RMTO) – Office of the Chief Financial Officer
The RMTO manages system transformation projects that increase efficiencies across the department. RMTO leads the effort to consolidate financial management systems across the department with a focus on standardizing and centralizing business processes, moving to a single OMB-compliant accounting line, facilitating clean audit opinions and yielding timely and accurate financial data. Success in achieving these goals rests upon an integrated core financial management system. The Under Secretary for Management, Chief Financial Officer, Chief Information Officer, Chief Procurement Officer and Chief Administrative Officer are unified in achieving efficiencies in their business processes and in the systems used throughout the department. RMTO also manages and coordinates the department-wide implementation of the eGov travel system modernization effort.

Office of the Under Secretary for Management (OUSM)

To ensure that necessary management capacity and oversight mechanisms are established and that potential administrative and operational synergies are realized, the Under Secretary for Management leads six lines of business offices that specialize in core mission support functions. Presently leading efforts to improve performance of the Department are the Offices of the Chief Administrative, Human Capital, Information, Financial, Procurement, and Security Officers.

Expected Outcomes

- Strengthening a standard of uniformity in DHS goal/program/project management
- Clarifying accountability, including roles and responsibilities of key personnel
- Improve execution of Management strategic objectives through Line of Business implementation strategies (e.g. Human Capital Operations Plan, Acquisition Management Strategy, and the Internal Controls Over Financial Reporting Playbook – ICOFR)

Accomplishments

November 2007	Eliminated significant material weaknesses through management of the Internal Control Over Financial Reporting Playbook
November 2007	Completed the Annual Financial Report
December 2007	Completed the Draft Strategic Plan Fiscal Year 2009-13
January 2008	Assessed and strengthened momentum of DHS Transition planning efforts to ensure continuity of leadership for critical Department initiatives
January 2008	Aligned SES performance plans with DHS strategic goals and priorities
January 2008	Appointment of DHS Performance Improvement Official
February 2008	Issued the Annual Performance Report and Plan
March 2008	Issued the Future Years Homeland Security Program Report
Quarterly	Reporting in the FYHSP system by program managers of actual data and the likelihood of meeting annual performance measure targets contained in the DHS Performance Plan
April 2008	Establish DHS Performance Improvement Officer Council

Actions Required to Complete

August 2008	Alignment of SES Performance Plans with approved DHS Strategic Plan
August 2008	Approve DHS Strategic Plan
August 2008	Align GAO performance expectations analysis to the DHS AFR/FYHSP and ensure milestones and measures address or adjust GAO recommendations
September 2008	Review entity-level controls using the GAO Evaluation Tool and risk assessments for Headquarters' management functions.
September 2008	Review action plans, definitions of success, and lines of accountability for addressing GAO management challenges
September 2008	Alignment of Components, Directorates, and Office objectives to DHS Strategic Plan
September 2008	Ensure accurate updates of all DHS Management Directives
September 2008	Revise FYHSP outcome and output based measures and goals
November 2008	Submit Secretary's Annual Assurance Statements
December 2008	Management Directorate requiring adherence to FYHSP Database measure inputs and quarterly updates

Impediments/Challenges

- Building a robust FYHSP Database that provides enterprise resource planning capability
- Establishing Department-wide processes and practices to ensure management framework alignment and execution
- Creating outcome and output performance measures that cascade from mission goals to priorities to programs to projects

Measures

Each Department program and project will develop and document outcome and output performance measures against a baseline of compliance highlighted in the FYHSP database. Gaps and poor performance will be identified and corrective/mission action plans will be required with the goal of reducing and ultimately eliminating weaknesses and filling

performance gaps. OUSM staff will report performance to DUSM for monitoring progress against this Plan.

AREA A2: Joint Requirements Planning and Risk Assessment Process for Informed Decision Making (RAPID) Steering Committees

DHS Contacts: Tina Gabrielli, National Protection and Programs Directorate (NPPD), (202-282-8582) for the Risk Assessment Process for Informed Decision Making Steering Committees

Mitch Crosswait, Policy, (202-282-9026) for Joint Requirements Planning and Strategic Requirements Planning Process

Description

DHS is implementing a Strategic Requirements Planning Process (SRPP) in order to identify functional requirements that are essential for the Department to meet its mission. This process is also designed to identify potential gaps and redundant services across DHS Components. The SRPP-generated strategic requirements will help DHS rationalize operations, identify synergies, and ensure that investments comply with established, agreed-upon and documented strategic requirements linked to strategic goals.

The SRPP utilizes Requirements Planning Teams (RPTs) to develop the strategic requirements in a standard format known as a CORE requirements document. RPTs include senior-level representatives from across DHS (and the interagency as necessary) with operational expertise. Each CORE requirements document contains the following: *Capabilities*, or high-level statements of something that needs to be done to meet a homeland security mission; *Objective measures*, or quantified statements of key outcomes needed to ensure the Capabilities are met; *Resources*, or combinations of means and ways to meet the Objectives; and *Evaluative measures*, or means to verify that the Objectives have been met. The RPTs follow a well-documented process to develop a CORE document for a particular area of interest. The RPTs determine where critical capability gaps exist, where we do not have sufficient resources to meet the CORE document capabilities and objectives. The RPTs also determine where redundancies exist, and where there may be more efficient ways to meet a particular capability or objective.

As part of the SRPP, the CORE documents, capability gaps and redundancies developed by the RPTs are briefed to the Deputy Secretary via the Joint Requirements Council, composed of senior leadership from across DHS. Following approval, they become key inputs to the Integrated Planning Guidance (IPG) document, whose purpose is to fill critical capability gaps and address redundancies via guidance to DHS components in their development of the FYHSP.

The Deputy Secretary directed that the SRPP be piloted in FY 2008 with the creation of two RPTs.

In addition to the SRPP, the Secretary directed the Office of Risk Management and Analysis (RMA) to lead the establishment of a strategic risk management framework to assist in addressing DHS challenges related to risk and to ensure timely and effective risk informed decision making. RMA, in collaboration with the Department's components, has developed a vision to support the Department's efforts to advance its risk management capabilities. The vision is twofold:

1. Establish and institutionalize an integrated risk management framework. This framework will consist of the doctrine, principles, processes, guidance, and information flows that will enable risk-informed and cost-effective decision making within components and at the DHS headquarters level. A properly executed risk management framework effectively serves as a force multiplier, as it enables better alignment of security priorities and resources to needs.
2. Conduct strategic, integrated risk analysis. We must be informed, at the strategic level, by an integrated departmental risk analysis. The integrated risk analysis should leverage the various risk assessments being conducted within and outside the Department.

An integrated risk management framework will help better ensure that these efforts are harmonized and work from the same principles and understanding. Strategic, cross-component analysis will leverage the advances DHS' components have made with regard to risk management while incorporating those advances into DHS' larger planning and resource allocation processes.

To enable the sharing and integration of risk related programs RMA implemented a risk governance process within the Department, the DHS Risk Steering Committee (RSC). The RSC provides strategic direction for integrating the Components' various risk management and analysis approaches to develop a Department-wide, coordinated approach.

A key team within the RSC governance structure is the Risk Analysis Process for Informed Decision-Making (RAPID) working group. RAPID is a strategic-level, Department-wide process that will assess risk and inform strategic planning, programming, budgeting, and execution processes. The process is focused on developing techniques to evaluate the risk reduction impacts of relevant DHS programs. RAPID looks at risk from a broad strategic perspective and seeks a common risk framework to influence resource allocations by seeking to answer - what are anticipated risks in key areas of concern? What program investments would provide the best risk reduction?

RAPID's goal is to provide a common currency for top-level decision-makers to assess programs across the Components in a single framework. Establishing guidance for the resource prioritization process to help programs across Components reflect policy priorities based on risk mitigation, effectively manage resources, ensure programmatic decisions are risk-informed, and ensure critical information is communicated to internal and external stakeholders. Once requirements are developed by the Strategic Requirements Planning Process, RAPID will help prioritize various strategic requirements aimed at different goals and objectives.

Expected Outcomes

- Establish strategic requirements for homeland security
- Identify gaps in our capability to achieve homeland security strategic requirements
- Identify redundancies where resources could be used more efficiently
- Address redundancies and gaps via appropriate resources allocation
- Provide strategic direction for assessing risk, Department-wide, to inform planning, programming, budgeting, and execution processes
- Establish guidelines and processes for DHS to integrate risk into other management systems, such as budget and program reviews

- Review specific DHS risk initiatives to ensure cross-DHS and interagency coordination, and ensure guidelines and standards are met

Accomplishments

April 2007	Implementation of three tiered Risk Steering Committee
March 2008	Implement prototype phase that seeks to demonstrate the RAPID method utility by applying a representative sample of cases, using the FY11-15 Future Year Homeland Security Program build as a framework for evaluation.
Summer 2008	Pilot Strategic Requirements Planning Process and produce two CORE strategic requirements documents

Actions Required to Complete

- Maintain an updated and informed three-tiered Risk Steering Committee membership
- Coordinate with Components in information sharing and collection activities
- IPG distributed to DHS components by October 2008 addressing capability gaps and redundancies identified in CORE strategic requirements documents

Impediments/Challenges

- Integrating the RAPID process with the Integrated Planning Guidance
- Resource constraints currently hinder implementation of full joint requirements process with a robust analytical capability.

Metrics

The Office of Strategic Plans will track the capability gaps and redundancies identified by the SRPP until they are closed and/or resolved. Areas where progress is not being made will be identified and addressed in IPGs and/or Resource Allocation Decisions (RADs).

RMA will each develop and document collaborative performance measures and monitor intra-agency participation in terms of coordination and the value of shared risk related information. Over time, trends and actual risks that are realized will be compared with expected risks and budget allocation attempts to mitigate identified risks. Gaps and poor performance will be identified and corrective/mission action plans will be required with the goal of reducing and ultimately eliminating the gaps. RMA staff will report performance to the Under Secretary for NPPD for the purpose of monitoring progress and mission support.

AREA A3: Investment Review Board

DHS Contacts: John Higbee, Office of the Chief Procurement Officer, (202-447-5398)

Description

As the Department matures and collaborates across Components through shared goals, shares resources and assets, rationalizes functional operations, and incorporates risk into formal decision making processes, an opportunity to enhance communication, and coordination lies in the determination of what investments are made and how acquisitions are overseen. In response to these challenges, the Department implemented the Investment Review Board (IRB).

The IRB is chaired by DHS' Deputy Secretary and is Co-Chaired by the Under Secretary for Management. Since the Department now functions as a single entity through its management framework, major investment decisions are no longer made by individual Components. Through the IRB, a Component, Directorate, or Office's major acquisitions are reviewed at specific points in the acquisition life cycle. Stakeholders and Headquarters analysts are invited to consider the details of the acquisition, the resourcing provided to the acquisition (funding, personnel and schedule), and the risks the acquisition faces. This is done from a user perspective, as well as an acquisition perspective. Once the IRB is completed, the IRB Chair provides an Acquisition Decision Memorandum to the IRB principals, the Component, and the program, detailing the decisions reached and outstanding actions assigned for completion.

The IRB plays a significant role not only in the decision making process regarding major investments; it also provides oversight of program life cycle management and program adherence to cost, schedule and performance expectations. The IRB provides a forum where DHS and Component leadership share programmatic information, allowing best practices to be shared and potential risks to be mitigated. The IRB process also heightens program accountability, due to the joint review process.

Expected Outcomes

- Independent assessment of projects and programs
- Consistent methodology for review and performance assessment
- Supports the technical, cost, schedule, and programmatic basis for external reporting
- Clear, directive feedback to programs, projects, and Mission stakeholders

Accomplishments

April 2006	Implementation of Periodic Reporting requirements for Level 1 and 2 investments for Earned Value Management System compliance
November 2007	Creation of the Acquisition Quick Look Team to review and implement enterprise-wide investment best practices
Monthly	Investment Review Board review of Level 1 investments

Actions Required to Complete

June 2008	Obtain approval of updated Management Directive 0003 to provide DHS-wide coverage and expand contracting to Acquisition
July 2008	Draft and begin approval process for Management Directive 1400 update
Sept 2008	Obtain approval / implement Management Directive 1400 update

Sept 2008 Acquisition Program Baseline (APB) upgrades completed on 20 Level 1 Programs

Sept 2009 Acquisition Program Baseline (APB) upgrades completed on all Level 1 Programs; upgrades underway on Level 2 programs

Impediments/Challenges

- Availability of leadership and multiple stakeholders to conduct expected numbers of IRBs
- Timely collection and assessment of the program/project data
- Headquarters Staffing required to support expected annual IRB throughput

Measures

On behalf of the Deputy Secretary's office, OUSM's Office of Chief Procurement Officer (OCPO) will develop and document acquisition baseline performance measures regarding the overarching performance of investments. Over time, investment related decision trends and performance collected from periodic reporting will be compared with cost, schedule and performance baselines. Investment challenges will be identified and best practices will be developed with the goal of improving major investment decisions and program management oversight. OCPO will report performance to Under Secretary for Management for the purpose of monitoring IRB effectiveness.

AREA A4: Corrective Action Plans

DHS Contacts: Michael Wetklow, Office of the Chief Financial Officer, (202-447-5196)

Description

Recognizing the Department's many challenges in terms of management and operations as detailed by both internal auditors such as the IG and external auditors such as the GAO, DHS is committed to improve its administrative, programmatic, and financial performance in a comprehensive manner through its management framework. In particular, DHS has developed a corrective action plan methodology that takes into account both internal and external feedback and appropriates the information to key leaders, decision makers, and accountable staff throughout the Department.

This corrective action plan methodology was developed in order to obtain a set of transformational objectives for each mission supported Component, Directorate, and Office that ensured conformance with overarching functional lines of business entity control requirements. These objectives include prompt and proper resolution of identified material weaknesses, the maintenance of accurate action plan records and reports, assurance of legal and administrative policies.

Having defined the corrective action plan objectives, DHS methodology formalized a phased approach for how the Department would implement transformation and ensure that operational performance criteria was being met in support of mission areas. For example, Financial Management transformation involved shifting the Department's efforts from audit driven activities to assuming management's responsibilities for internal controls with the end state of providing leadership useful financial information to guide mission support decisions. Other examples of overarching corrective action plans include management initiatives involving other lines of businesses such as Human Capital, Information Technology, and Acquisitions in addition to operational concerns such as Deepwater and SBInet.

Once transformation objectives are identified in response to identified material weaknesses or sub-optimal performance, the corrective action plan methodology requires comprehensive solutions to identify potential risks and incorporated mitigation strategies as key elements within final corrective action plans.

Implementing the corrective action plan methodology has proven to require clear leadership support in order to ensure that action owners are accountable and plans are completed within cost, schedule and performance criteria. Therefore, the Department created the DHS Accountability Structure which includes a Senior Management Council (SMC), an Internal Control Coordination Board (ICCB), and a Senior Assessment Team (SAT). The SMC approves the level of assurances for the Secretary's consideration and is comprised of the Department's Under Secretary for Management, Chief Financial Officer, Chief Administrative Officer, Chief Human Capital Officer, Chief Information Officer, Chief Information Security Officer, Chief Security Officer, and Chief Procurement Officer. The ICCB seeks to integrate and coordinate internal control assessments with other internal control related activities and includes representatives from all DHS lines of business to address crosscutting internal control issues. And, the SAT, led by the Chief Financial Officer, is comprised of senior level financial managers

assigned to carry out and direct component level internal control over financial reporting assessments.

Although DHS has implemented this corrective action plan methodology, many challenges remain as the Department works towards overcoming both weaknesses that were adopted from legacy agencies and continuous new legislative requirements and resource restraints. However, by enveloping this corrective action plan methodology within the overall management framework, the Department has created a comprehensive approach to identify opportunities for improvement, ensure accountability, and include cross-functional councils that provide oversight and share best practices.

Expected Outcomes

- Prompt and proper resolution of identified material weaknesses, reportable conditions, and non-conformance conditions, and suboptimal performance; including the development, maintenance, monitoring and reporting of corrective action plans
- Maintenance of accurate records and reports regarding corrective action plan status in order to ensure oversight, accountability, and timely decision making capability
- Assurance that corrective action plans are consistent with laws, regulations, and administration policy
- Assurance that performance appraisals of appropriate officials reflect effectiveness in resolving or implementing corrective action for identified material weaknesses, reportable conditions, non-conformances and sub-optimal performance
- Providing a framework that supports a commitment for continual improvement and best practice implementation

Accomplishments

Fiscal Year 2006	Creation of Senior Management Council
March 2007	Issued the Internal Controls Over Financial Reporting Playbook
November 2007	Development of Secretary Assurance Statement corrective action plans, including first Mission Action Plans covering operational and management (non-financial reporting) material weaknesses
March 2008	Issued the Internal Control Playbook for FY 2008
June 2008	Renewed Charter establishing the Senior Management Council, Internal Control Coordination Board, and Senior Assessment Team
June 2008	Instituted regular meetings of the Senior Management Council to monitor corrective actions identified in Mission Action Plans for internal controls over operations.

Actions Required to Complete

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| December 2008 | Complete FY 2009 Mission Action Plans describing corrective actions for material weaknesses, reportable conditions, and control deficiencies |
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- Allocate increased authority for Senior Management Council to support corrective action officials
 - Appoint corrective action officials that are appointed by senior management for all Components, Directorates, and Offices

Impediments/Challenges

- Timely collection and assessment of corrective action plan data
- Managerial performance and financial system reporting are key to this effort

Measures

The Office of the Chief Financial Officer leads the development and execution of corrective action plans through the Internal Control Program Management Office and documents corrective action plans. Over time, corrective action plan methodology trends and performance will be compared with cost, schedule and performance baselines. Investment challenges will be identified and best practices will be developed through the SMC, ICCB, and SAT with the goal of overseeing corrective action plan implementation and sharing best practices throughout the Department.

AREA A5: Financial Management Systems Framework

DHS Contacts: Avie Snow, Office of the Chief Financial Officer, (202-447-0040)

Description:

The RMTO serves as the program management office for TASC and eTravel, providing day-to-day project management and communications with stakeholders. The office reaches out to components to solicit participation and support in providing the way forward for financial systems consolidation and modernization within the department. The RMTO ensures all work aligns with the DHS strategic plan as it consolidates financial systems, integrates core department resource management systems, and standardizes business processes. As a result, DHS will be a better, more accountable steward of taxpayers' dollars.

Expected Outcomes:

- Strengthening Department-wide financial accountability, moving DHS closer to a sustainable clean audit opinion
- Providing the foundation for effective internal controls and segregation of duties supported by a compliant software
- Reducing reporting errors by eliminating manual processes and controls
- Utilizing real-time interoperability to streamline reporting across the financial management enterprise
- Supporting an approved Chart of Accounts compliant with the United States Standard General Ledger and OMB Circular A-127
- Ensuring compliance with the National Institute of Standards and Technology Special Publication 800-53 – Recommended Security Controls for Federal Information Systems and the GAO's Federal Information System Controls Audit Manual
- Achieving Federal Management Line of Business compliance by standardizing data collection and transaction processes throughout the organization
- Minimizing information security risks
- Finish DHS FedTraveler implementation by end of FY2010 providing DHS a single, end to end travel solution.

Accomplishments

Fiscal Year 2008	Determined a full-and-open acquisition strategy that encompasses financial management, procurement and asset management.
May 2008	Posted Request for Information in FedBizOpps seeking information from Financial Management Line of Business (FMLoB) shared service providers as well as other qualified commercial and/or government providers capable of implementing, operating and maintaining a proven, integrated federal financial management, asset management, and acquisition management system.
June 2008	Completed acquisition package materials.
July 2008	Met with potential vendors to explore early thoughts, questions and insights into the TASC acquisition strategy and program scope.

Actions Required to Complete

- Post Requests for Proposal on FedBizOpps ooa 30 Sept 2008
- Evaluate vendor proposals
- Award contract

Impediments/Challenges

- Budget constraints
- Overcoming legacy technology and management challenges

Measures

The Office of the Chief Financial Officer leads the effort to consolidate and modernize financial systems within the department. As the effort develops and acquisition plans are detailed, success will be monitored in conformance with cost, schedule, and performance measures. Investment challenges will be identified and best practices will be developed throughout acquisition life cycles with the goal of improving enterprise-wide financial management and overseeing system migrations.
