



COMMITTEE ON APPROPRIATIONS

David Price (D-NC), Chairman, Subcommittee on Homeland Security

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OPENING STATEMENT OF CHAIRMAN DAVID PRICE *Oversight Hearing: Major Systems Acquisition* *March 2, 2010 / 2:00 pm*

We are pleased to welcome Deputy Secretary Jane Holl Lute before this Subcommittee to discuss how the Department is managing its major systems acquisitions. This is her first appearance before us, so it is somewhat like learning to swim by being thrown into the deep end of the pool, but we are sure she is up to the task.

Deputy Secretary Lute brings to the Department a formidable resume from her career in the U.S. Army, as a member of the National Security Council staff, as UN Assistant Secretary-General, and in the private sector. Her broad experience as a leader in organizing responses to international crises, military intervention and peacekeeping operations will come in handy as she helps manage a sometimes unwieldy Department. Among the major tests she faces is putting DHS major systems acquisitions on track and keeping them there.

The Department of Homeland Security has struggled from its inception to manage major acquisition projects effectively. Congress chose to construct a large bureaucracy from scratch to manage and operate components that have been relocated from other Departments, at a time when securing the homeland had to be done both right, and right away. It was inevitable that not everything would work smoothly in the beginning. But that was seven years ago. Americans expect that a maturing agency should have addressed these issues – to ensure that taxpayer dollars are well spent; that planning, design, procurement and deployment of systems directly supports the Department’s mission priorities; and that deliverables arrive on time and on budget.

To be blunt, there has been great dismay at how some of the Department’s major acquisition programs have been handled. While sometimes we can say “enough is enough” and pull the plug on projects that go off course -- such as the Coast Guard’s original composite-hulled fast-response cutter, or its Vertical Unmanned Aerial System -- we often do not have that luxury.

Today we focus on four major acquisition programs: an experimental border security system for Customs and Border Protection; a major capital asset for the Coast Guard; a consolidated financial management system for the entire Department; and a long-running project to modernize trade and customs processes. All of these programs have drawn public criticism for various failings, whether they have been cost growth, charges of unfair contracting, delays, failure to define requirements or objectives, or simply not meeting agency needs.

What I hope to do today is learn how the Department is repairing the acquisition processes for these major systems, and to assess whether, despite initial problems, these acquisitions are now on track.

The Secure Border Initiative was launched in 2005 to leverage technology to expand our capacity to monitor and protect our borders, making our fencing and Border Patrol agents more effective. Four years ago DHS held an “industry day” to show how our first case study, the Secure Border Initiative network, would “integrate multiple state of the art systems and traditional security infrastructure into a single comprehensive border security suite for the department.”

It has been a bumpy road for SBInet. Initial plans deferred technology investment in favor of placing tactical fencing on 670 miles of Southwest Border. The initial 28-mile pilot project was late and failed to live up to its billing. Finally, original SBInet plans, which called for technology to be deployed in Tucson and Yuma Sectors by the end of fiscal year 2008, and to the entire Southwest Border by 2011, have been significantly delayed. “Block 1” – the first operational deployment of SBInet – will not be formally tested until later this year, with completion in 2013, and no decisions for deployment beyond Tucson until a 2011 Acquisition Review Board meeting. No funding is requested for deployment beyond Tucson or Yuma, or for “Block 2”, the next SBInet deployment. Therefore with only deployment to about 50 miles of the border scheduled, it appears SBInet deployment will take many more years.

Our second case study, the Coast Guard’s National Security Cutter, was a component of Deepwater, the much-maligned recapitalization initiative for the Coast Guard. The goal of the National Security Cutter was to provide a more capable replacement for the aging fleet of High-Endurance Cutters, one that could operate in conjunction with Navy surface ships, provide command and control capabilities, and even serve as a mothership for unmanned reconnaissance drones. The Coast Guard now has two of these vessels, but problems were identified with the design that would shorten the service life of these ships, costs have escalated significantly, and the production timetable has slipped. While supporters of the program say the vessels are extremely capable, critics have charged that the Deepwater acquisition process was more focused on the contractors designing a profitable ship instead of giving the Coast Guard what it needed to accomplish its missions. The

budget request before this Subcommittee requests \$538 million for the fifth in this line of ships, which if approved, will bring the total investment in the program to nearly \$3 billion.

The Transformation and Systems Consolidation project, or TASC for short, is our third case study, an ambitious project aimed at providing unified financial and asset management for the Department of Homeland Security. From its inception, the Department has struggled to demonstrate transparency and offer timely reporting on its finances. At OMB's direction, DHS attempted to develop an in-house financial management system called eMerge2. This was beyond the Department's capabilities, so they scrapped the program and sought a commercially available solution to their problem. The contracting process has resulted in lawsuits charging a lack of fair competition, followed by changes and further lawsuits. The challenge of getting the right system to implement across the entire Department, with its unique mix of old and new agencies, would be difficult enough without such obstacles. While a contract has not been awarded yet to begin this work, TASC is currently estimated to cost \$450 million, with life-cycle costs of over \$1 billion.

Last, but not least, on today's list is ACE, the Automated Commercial Environment. ACE has been on the drawing board for Customs, and now CBP, for over a decade. When I sat on the former Treasury Subcommittee, ACE was touted as the way to move Customs past its paperbound, 19th century procedures and 1970s-vintage computer systems and to implement the 1994 Customs Modernization Act. It was to be the platform for automating all major agency functions, to include import and export systems, finances, personnel, enforcement systems, and procurement.

Over the past decade Congress appropriated \$2.9 billion to develop and deploy ACE, including \$123 million for the related International Trade Data System (ITDS), an initiative to consolidate numerous federal trade data reporting and statistical requirements into one virtual "window." Congress has required expenditure plans for the project along the way to ensure that "best practices" were followed in designing and procuring the system.

There have been numerous GAO studies on the management of ACE. And OMB reviewed the program in 2006 and awarded it three stars, its highest score, for program performance and effectiveness. Given that this initiative has been studied and restudied time and time again, and that there are still major functions yet to be delivered by the program, I am eager to understand why the budget seeks to scale the program back in 2011. To put it another way, it appears that you would like to halt the development of new products, take a step back, and substantially re-define the requirements and timeline of the Automated Commercial Environment. We thought this type of review had been completed long ago, so we anticipate learning about your plan for getting

ACE and ITDS back on track. I approach this issue with an open mind, so I'm seeking your assistance in determining the most prudent course to take.

Deputy Secretary Lute, we look forward to hearing from you, and receiving your perspective on the problems I have outlined. Your full written statement will be entered into the record, so I ask you to limit your oral remarks to a five minute presentation. Before we begin, let me recognize the distinguished Ranking Member, Hal Rogers, for any comments he may wish to make.

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