

# **PALMS Does Not Address Department Needs**





# DHS OIG HIGHLIGHTS

## *PALMS Does Not Address Department Needs*

June 30, 2017

### Why We Did This Audit

The Department of Homeland Security remains on the Government Accountability Office's (GAO) high-risk list for management of its human capital and integration. In 2013, DHS entered into an agreement to provide the Department with a Performance and Learning Management System (PALMS) to improve the efficiency and oversight of DHS workforce training and performance management. PALMS is a talent management system that integrates learning and performance management capabilities.

### What We Recommend

We made seven recommendations to address challenges associated with PALMS acquisition and to improve future acquisitions.

#### **For Further Information:**

Contact our Office of Public Affairs at (202) 254-4100, or email us at [DHS-OIG.OfficePublicAffairs@oig.dhs.gov](mailto:DHS-OIG.OfficePublicAffairs@oig.dhs.gov)

### What We Found

DHS PALMS does not address the Department's critical need for an integrated, department-wide learning and performance management system. As of October 2016, PALMS has not met DHS operational requirements for effective administration of employee learning and performance management activities. This occurred because the PALMS program office did not effectively implement its acquisition methodology and did not monitor contractor performance. GAO also reported in its February 2016 report, GAO-16-253, that the Department experienced programmatic and technical challenges that led to years-long schedule delays. As a result, despite spending \$24.2 million as of February 2017, DHS PALMS does not achieve the intended benefits or address the Department's needs.

In addition, between August 2013 and November 2016, the Department spent more than:

- \$5.7 million for unused and partially used subscriptions;
- \$11 million to extend contracts of existing learning management systems; and
- \$813,000 for increased program management costs.

The Department also did not identify \$72,902 in financial credits stemming from the contractor not meeting performance requirements between June and September 2015.

### DHS Response

In its response to our draft report, DHS reported that it remains committed to ensuring efficient and effective delivery of capability to meet the enterprise-wide performance and learning needs, including addressing the operational concerns of all of its components. Accordingly, DHS agreed with our report recommendations.



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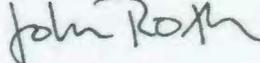
Department of Homeland Security

Washington, DC 20528 / [www.oig.dhs.gov](http://www.oig.dhs.gov)

June 30, 2017

MEMORANDUM FOR: The Honorable Chip Fulghum  
Acting Under Secretary for Management and  
Chief Financial Officer

Richard Staropli  
Chief Information Officer

FROM: John Roth   
Inspector General

SUBJECT: *PALMS Does Not Address Department Needs*

Attached for your action is our final report, *PALMS Does Not Address Department Needs*. We incorporated the formal comments from the Department in the final report.

The report contains seven recommendations aimed at enhancing the Department's overall effectiveness of its programs. Your office concurred with all seven recommendations. Based on information provided in your response to the draft report, we consider recommendations 1, 5, and 7 open and unresolved. As prescribed by the Department of Homeland Security Directive 077-01, *Follow-Up and Resolutions for the Office of Inspector General Report Recommendations*, within 90 days of the date of this memorandum, please provide our office with a written response that includes your (1) agreement or disagreement, (2) corrective action plan, and (3) target completion date for each recommendation. Also, please include responsible parties and any other supporting documentation necessary to inform us about the current status of the recommendation. Until your response is received and evaluated, the recommendations will be considered open and unresolved.

Based on information provided in your response to the draft report, we consider recommendations 2, 3, 4 and 6 open and resolved. Once your office has fully implemented the recommendations, please submit a formal closeout letter to us within 30 days so that we may close the recommendations. The memorandum should be accompanied by evidence of completion of agreed-upon corrective actions and of the disposition of any monetary amounts.



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Consistent with our responsibility under the *Inspector General Act*, we are providing copies of our report to appropriate congressional committees with oversight and appropriation responsibility over the Department of Homeland Security. We will post the report on our website for public dissemination.

Please call me with any questions, or your staff may contact John V. Kelly, Deputy Inspector General, at (202) 254-4100. You can also send your response to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Attachment



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**Abbreviations**

BPA	blanket purchase agreement
CBP	U.S. Customs and Border Protection
ECD	estimated completion date
FEMA	Federal Emergency Management Agency
FLETC	Federal Law Enforcement Training Center
GAO	Government Accountability Office
HRIT	Human Resources Information Technology
ICE	U.S. Immigration and Customs Enforcement
IT	Information Technology
LMS	learning management systems
OCPO	Office of the Chief Procurement Officer
OIG	Office of Inspector General
PALMS	Performance and Learning Management System
PARM	Office of Program Accountability and Risk Management
QASP	quality assurance surveillance plan
SaaS	software as a service



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SELC	Systems Engineering Life Cycle
SIO	Strategic Improvement Opportunities
TSA	Transportation Security Administration
USCG	United States Coast Guard
USCIS	U.S. Citizenship and Immigration Services
USSS	United States Secret Service



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### **Background**

In support of Department of Homeland Security Efficiency Review Initiatives to streamline human resources and information technology operations, DHS completed a study in 2011 that examined department-wide learning management systems (LMS). The study found that DHS components independently operated and governed nine separate systems from four different vendors and recommended the implementation of a single department-wide LMS as the most cost-effective approach.

Following multiple studies and market research, the Department concluded in January 2012 that a talent management system that integrates learning management and performance management capabilities would be the most cost-effective and efficient method. DHS developed a business case in July 2012 for the acquisition of a department-wide system for performance and learning management. The business case analyzed the rationale and benefits of consolidating learning and performance management capabilities into a single department-wide system. The business case also concluded that a department-wide system provides a more efficient learning and performance management capability at a lower cost than the sum of existing systems at DHS and the components. Based on the market research and analyses, the Department chose to acquire a “software as a service,” or SaaS, solution. The SaaS business model consists of an annual ‘rental’ fee, or subscription, that a service provider charges for customers to use software applications. The Department estimated the implementation timeframe for a SaaS solution to be 30 to 90 days, including customization, data conversion, and configuration.

In May 2013, DHS entered into a 5-year blanket purchase agreement (BPA) with Visionary Integration Professionals — with an estimated \$95 million ceiling — to provide DHS with a department-wide employee performance and learning management system, known as the Performance and Learning Management System, or PALMS. DHS established a program office within the Human Capital Business Systems to implement PALMS. The Department originally scheduled PALMS to become operational at nine components on a staggered schedule beginning with DHS headquarters in September 2013 and eight components to be operational on or before March 2015. Headquarters issued the first implementation task order against the BPA in August 2013 with a delivery target of December 2013. Due to unmet operational needs, the



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Department delayed PALMS multiple times and accepted<sup>1</sup> the system as operational in January 2015. However, the system only became partially operational for DHS headquarters users in October 2015.

In a 2016 Government Accountability Office (GAO) report, *Oversight of Neglected Human Resources Information Technology Investment Is Needed*, GAO-16-253, GAO reported that the Department experienced programmatic and technical challenges that led to years-long schedule delays. The Department had not developed complete life-cycle cost and schedule estimates, monitored total cost spent on PALMS, or consistently documented the results from progress and milestone reviews. GAO also found that the program management office had not fully implemented selected risk management practices.

### Results of Audit

PALMS does not address the Department's critical need for an integrated department-wide system; it has not met DHS operational requirements for effective administration of employee learning and performance management activities. This occurred because the PALMS program office did not effectively implement the acquisition methodology selected for PALMS and did not monitor contractor performance. As a result, despite spending \$24.2 million as of February 2017, DHS PALMS does not achieve the intended benefits or address the Department's need.

In addition, between August 2013 and November 2016, the Department spent more than:

- \$5.7 million for unused and partially used subscriptions;
- \$11 million to extend contracts of existing LMS; and
- \$813,000 for increased program management costs.

The Department also did not identify \$72,902 in financial credits stemming from the contractor not meeting performance requirements between June and September 2015.

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<sup>1</sup> Acceptance consists of approval of operational requirements after assessing whether PALMS can support day-to-day business and user scenarios, and the system is sufficient and correct for business use.



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### **DHS PALMS Does Not Meet Department Needs**

In 2013, DHS entered into an agreement to acquire PALMS to address its critical need for an integrated enterprise system with automated performance and learning management capabilities. The Department expected PALMS to improve the efficiency and reliability of performance and learning management processes. By implementing a department-wide system, DHS intended to integrate and automate performance and learning management activities of its workforce. Based on the Business Case, DHS expected PALMS to achieve cost savings of more than \$52 million over a 5-year period — \$40.8 million in supervisory labor costs and \$11.2 million for volume discounts. However, the Department did not achieve those efficiencies or cost savings because it has not implemented the performance management capability as of October 2016 and has not met the requirements of three major DHS components. Furthermore, the Department accepted PALMS as operational before verifying all the operational requirements.

The Department accepted PALMS as operational in January 2015 without verifying that 131 of the 481<sup>2</sup> (27 percent) operational requirements were functional and in compliance with system specifications. As summarized in table 1, PALMS program officials did not test 97 requirements, accepted 21 requirements despite failed test results, and did not verify 13 requirements for compliance with system specifications. After the testing phase in December 2014, seven different stakeholders, including an executive director within the Office of the Chief Human Capital Officer and representatives from five components and Headquarters, expressed serious concerns regarding PALMS' operational capability. In November 2014 and January 2015, the executive director brought these serious concerns to the attention of the Chief Information Officer and the Chief Human Capital Officer. In December 2014, component representatives from U.S. Immigration and Customs Enforcement (ICE), Transportation Security Administration (TSA), United States Secret Service, United States Coast Guard, Federal Emergency Management Agency (FEMA), and DHS headquarters also expressed concerns about PALMS' unmet requirements to the PALMS program office. Despite these concerns, DHS accepted PALMS in January 2015 as meeting minimum operational capability.

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<sup>2</sup> There were a total of 483 requirements listed in the Department's requirements traceability matrix. Of the 483 requirements, OIG found two duplicate requirements that decreased the total number of requirements to 481. Our report focused on the 131 requirements that the Department did not verify before PALMS acceptance. Based on our analysis of the Department's requirement traceability matrix, we did not review the remaining 350 requirements.



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**Table 1: Unverified Requirements**

Requirements		Reason for not verifying the Requirements	
97	Not Tested	66	Designated for Component Testing
		29	Deferred for completion after Acceptance
		2	Designated as 'Not Applicable'
21	Accepted with Failed Results	11	Passed by management
		10	Did not retest failed requirements
13	Not Verified	13	Did not check for system specifications

*Source:* Office of Inspector General (OIG) analysis of PALMS acceptance test results.

Although the Department accepted PALMS as operational in January 2015, the system’s learning management capability was not operational for DHS headquarters users until October 2015, and the performance management capability is still not operational due to unmet operational requirements. In February 2016, the Department launched a multiphase pilot of the performance management capability to determine the system’s readiness for deployment at DHS headquarters in fiscal year 2017. The first phase of the pilot resulted in a 13 percent success rate on the ability to duplicate employee performance plans and 0 percent success rate to produce required reports with Federal terms and requirements. As of June 2016, the second phase of the pilot continued to uncover new functionality issues. Based on the results of the first and second phases of the pilot, in September 2016, the DHS headquarters performance management team recommended DHS headquarters offices not use PALMS’ performance management capability for the fiscal year 2017 performance period. The team further recommended that DHS headquarters offices continue to use existing paper forms for employee performance plans and appraisals.

Despite these issues and recommendations, a September 2016 acquisition decision memorandum, based on a June 2016 acquisition review board decision, directed the Chief Information Officer to stop further development of three critical performance management requirements and allow DHS components to implement PALMS ‘as is.’ The memo also deferred the implementation of PALMS for FEMA, Coast Guard, and TSA because the system does not meet these components’ needs. However, the Department continued to pay PALMS subscription fees for performance management capabilities and service fees for department-wide system support.

FEMA, Coast Guard, and TSA reported disadvantages of PALMS, including access restrictions and limited reporting capabilities. Specifically, large segments of their workforce may not be able to access PALMS due to Personal Identity Verification card requirements and off-line training limitations. These



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components also noted that the limited reporting functions would reduce their capability to effectively track and report on workforce training.

The U.S. Customs and Border Protection (CBP) also noted that PALMS does not generate accurate reports of employee training. CBP issued a task order in June 2015 to the PALMS contractor for \$136,235 to develop additional PALMS reporting capabilities. However, CBP's field offices could not generate accurate reports on employee training as of October 2016.

Without a system that meets DHS' operational requirements, the Department cannot address its capability needs or achieve its intended training and performance management goals.

### Recommendations

**Recommendation 1:** We recommend that the DHS Chief Information Officer evaluate the current functional capabilities of PALMS and develop a plan to address the Department's outstanding capability needs for learning and performance management of DHS personnel.

**Recommendation 2:** We recommend that the DHS Chief Information Officer conduct an analysis of PALMS BPA pricing and terms and renegotiate as necessary to reflect the actual capabilities delivered.

### DHS Comments and OIG Analysis

In its response to our draft report, DHS concurred with all seven of our report recommendations. We incorporated the Department's comments, responses to our recommendations, and our analysis with the applicable recommendations in the report. We also included a copy of the management comments in their entirety in appendix B. DHS also provided technical comments to our draft report, which we considered in our analysis.

**DHS Comments:** DHS reported that it remains committed to ensuring efficient and effective delivery of capability to meet the enterprise-wide performance and learning needs, including addressing the operational concerns of all of its components. DHS agreed that PALMS did not deliver an integrated capability, resulting in three components remaining on their current systems and not migrating to the enterprise solution. DHS noted that the acceptance of PALMS operational requirements, despite failed test results, was a tradeoff decision within the delivery of the 'software as a service' product.



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DHS also noted that 29 of the 97 unverified requirements were deferred for Final Operating Capability (FOC) delivery and 27 of them were identified as passed before DHS headquarters went live in October 2015.

**OIG Analysis:** We believe the report accurately notes that the program officials did not test the 29 requirements before PALMS acceptance in January 2015 because they were deferred for completion after the system acceptance. The system's learning management capability was not operational for the headquarters users until October 2015, and the performance management capability is still not operational due to unmet operational requirements.

**DHS Comments to Recommendation 1:** DHS concurred with our recommendation and stated that the outstanding capability needs for DHS learning management and performance management are being analyzed, reviewed, and developed under the DHS Human Resources Information Technology portfolio, Strategic Improvement Opportunities (SIO) #4 and #7, respectively. For SIO #4, learning management, and SIO #7, performance management, DHS is currently evaluating and developing the consolidated list of enterprise-level functional and technical requirements with all DHS components. Estimated completion date (ECD): May 31, 2017.

**OIG Analysis of DHS Comments:** The Department's proposed corrective actions do not fully address the recommendation. The evaluation and review of the outstanding capability needs under the DHS Human Resources Information Technology SIO #4 and #7 should also include an evaluation of DHS PALMS' capability to address the consolidated list of enterprise level functional and technical requirements that will be developed. Until DHS includes an evaluation of PALMS' current capabilities as part of the SIO #4 and #7 evaluations and reviews, we consider this recommendation unresolved and open. The estimated completion date has passed. We will track the status until action is taken for the recommendation.

**DHS Comments to Recommendation 2:** DHS concurred with our recommendation and stated that the DHS Office of the Chief Procurement Officer renegotiated the BPA subscription rate for tier 4 from \$35.75 to \$26.81, as of June 2, 2016. DHS also stated that the Office of the Chief Procurement Officer (OCPO) is having ongoing discussions with the PALMS vendor to renegotiate BPA pricing and terms for future subscription renewal dates. ECD: May 31, 2017.

**OIG Analysis of DHS Comments:** We consider DHS' proposed corrective action to be responsive to the recommendation. DHS OCPO should renegotiate



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the subscription and program management prices to reflect the limited capabilities of PALMS for performance management. The recommendation is considered open and resolved. It will remain open until DHS provides support of the renegotiated BPA pricing and terms based on the PALMS' current capability. DHS will also need to provide support for the ongoing discussions with the PALMS vendor to renegotiate BPA pricing and terms for future subscription renewal dates. The estimated completion date has passed. We will track the status until action is taken for the recommendation.

### **PALMS Program Office Did Not Effectively Execute Its Acquisition Methodology**

The Department required the PALMS contractor to follow DHS' Systems Engineering Life Cycle (SELC) methodology and an agile development approach for PALMS implementation. DHS Acquisition directives and instructions require all information technology acquisitions to conduct SELC activities. The SELC is a systems engineering methodology for managing the acquisition of programs from inception to disposal. The PALMS contractor created a plan to follow the SELC methodology with seven review stages, each with specific exit criteria to successfully move to the next phase. However, DHS did not implement this plan or perform any of the required system engineering reviews.

As part of the agile development approach, the PALMS contractor developed a requirements management plan in August 2013 to manage PALMS operational requirements including conversion of requirements into "user stories." In October 2015, the Department approved and accepted this plan as complete even though the contractor did not develop user stories for 99 percent of the requirements. An agile development approach is a repetitive and incremental process to develop information technology capabilities in which requirements are expressed as user stories. The purpose of the user stories is to ensure that the requirements are tied into a functional system that can be changed as feedback is provided. However, the contractor did not develop user stories for 478 of the 481 PALMS requirements.

### **DHS Did Not Perform the Required Contractor Performance Monitoring**

The PALMS program office did not perform quality assurance monitoring of contractor performance. Federal regulations require agencies to use a quality assurance surveillance plan (QASP) to ensure that services the contractor provides conform to contract requirements. The Department's September 2014 QASP outlined 15 performance measures that provide incentives and penalties



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based on the contractor’s performance results. See Appendix C for the full list of performance measures.

One of the QASP performance measures indicates that the contractor, Visionary Integration Professionals, must complete data migration in accordance with the approved schedule. Table 2 describes the performance measure as provided in QASP. According to the September 2014 DHS PALMS task order, the contractor should have completed the migration of headquarters’ data by January 2015. However, the contractor did not complete the migration until October 2015.

**Table 2: PALMS QASP Performance Measure**

<b>Service: Migration Schedule</b>		
<b>Performance Standard</b>	Migration is completed in accordance with approved schedule.	
<b>Incentive / Credit</b>	<b>Actual Service</b>	<b>+/- % Performance Score</b>
	On-time payment of deliverables as defined in the task order.	Payment withheld for each deliverable defined in the task order until such time as the Government accepts each deliverable. Additionally, 25% of 1 month of the PALMS subscription value is credited if the services are delayed by greater than 30 days.

Source: DHS headquarters, PALMS BPA QASP (September 10, 2014).

Based on the performance measure shown in table 2, DHS should have received \$72,901.68<sup>3</sup> in financial credits toward subscription costs. A full assessment of the contractor’s performance may allow the Department to identify additional opportunities for financial compensation.

### **Recommendations**

**Recommendation 3:** We recommend that the DHS Chief Information Officer evaluate PALMS contractor performance across DHS components using the PALMS BPA QASP, and ensure that the Department receives full financial credit for contractor non-performance.

<sup>3</sup> According to Office of the Chief Human Capital Officer executives, PALMS was shut down from approximately January 2015 to May 2015. Furthermore, contract records show that there were no PALMS subscription values to use in our calculation during this period. Therefore, we excluded these months from our calculation.



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**Recommendation 4:** We recommend that the Undersecretary for Management implement controls for the Department and component Chief Information Officers to oversee information technology acquisitions for compliance with systems engineering requirements and agile acquisition methodologies.

**Recommendation 5:** We recommend that the Undersecretary for Management implement controls to ensure that technical monitoring of contracts occurs in accordance with Federal acquisition regulations.

### DHS Comments and OIG Analysis

**DHS Comments:** DHS stated that the PALMS HQ integrated master schedule (IMS) shows 100 percent completion of PALMS Systems Engineering Life Cycle (SELC) reviews, including the seven review stages and all tasks within those stages.

**OIG Analysis:** Our analysis of the IMS tasks the program office identified as equivalent of the SELC stage reviews revealed that the program office has developed only 5 of the 47 deliverables and work products listed in the SELC plan to support each stage of the PALMS program. The program office has not updated those five documents or the SELC plan since their early drafts in August 2013. We requested supporting documentation for all the IMS tasks identified as SELC reviews. The program officials responded that the only documentation available is the IMS itself showing the review of the technical deliverables.

The Department's SELC is the framework used to guide all DHS projects with specific guidance provided for each type of acquisition mechanism. It is composed of multiple stages with a defined set of activities and corresponding documents to record the result of activities. Stage reviews are conducted to validate that the acquisition has completed requirements for each stage and is ready to advance to the next stage. Based on the review of the IMS tasks the program office identified as SELC reviews, none of the seven PALMS SELC stage reviews were completed in the prescribed manner outlined by DHS policy.

**DHS Comments to Recommendation 3:** The Department concurred with our report recommendation and stated that DHS Office of the Chief Information Officer will evaluate the PALMS contractor performance across all DHS components using the PALMS QASP to ensure all performance standards were met and identify areas where they were not met. DHS CIO will determine if financial credits are applicable and, if so, will process them for payment, as appropriate. ECD: October 31, 2017.



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**OIG Analysis of DHS Comments:** We consider DHS' proposed corrective action to be responsive to the recommendation. The recommendation is considered open and resolved. It will remain open until we receive a:

1. Copy of Office of the Chief Information Officer's evaluation of the PALMS contractor performance across all DHS components using the PALMS QASP and identifying areas the vendor did not meet.
2. List of any financial credits identified by the DHS CIO and support for any payments resulting from the financial credits.

**DHS Comments to Recommendation 4:** The Department concurred with this recommendation and stated that the USM and CIO have implemented robust Acquisition Lifecycle Framework and SELC processes for Information Technology (IT) acquisitions. The USM has also recently approved an acquisition policy for the management of Level 3 acquisitions. PALMS pre-dated the latest implementations of these processes. However, the CIO will work with the DHS Office of Program Accountability and Risk Management (PARM) for Headquarters IT systems to develop and begin to enforce SELC tailoring plans that provide the appropriate level of systems engineering and agile acquisition methodologies to ensure best value from IT investments. ECD: June 30, 2017.

**OIG Analysis of DHS Comments:** We consider DHS' proposed corrective action to be responsive to the recommendation. The recommendation is considered open and resolved and will remain open until we receive and analyze the SELC tailoring plans that PARM develops with the appropriate level of systems engineering and agile acquisition methodologies to ensure best value from IT investments. We will also need support showing PARM's plan to enforce the SELC tailoring plans.

**DHS Comments to Recommendation 5:** The Department concurred with this recommendation and stated that DHS OCPO already has procedures and policies in place for Contracting Officer Representatives (COR). Contracting Officers ensure COR appointments are assigned to individuals only after a thorough review of training history. CORs must be certified at Level II or Level III depending on the complexity of the contract. DHS will reiterate the importance of CORs' responsibilities to technically monitor performance and deliverables at Task Order Kick-Off Meetings and in the Ordering Guide. ECD: June 30, 2017.

**OIG Analysis of DHS Comments:** DHS' proposed correcting action does not fully address the recommendation. A review of training history or the reiteration of the importance of COR's responsibilities does not serve as a control to ensure technical monitoring of ongoing contracts. Despite multiple



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delays, the contracting officer or the program manager did not ensure that the COR conducted technical monitoring of the contracts. An effective control to identify and correct such noncompliance with Federal regulations and DHS policies needs to be designed and implemented. This recommendation will remain unresolved and open until DHS implements controls to ensure technical monitoring of contracts in accordance with Federal acquisition regulations.

**Additional Costs Due to Implementation Delays**

DHS incurred more than \$11.8 million in additional costs due to PALMS implementation delays. The implementation delays occurred because the system did not meet the Department’s operational requirements. This caused the components to spend at least \$11 million for extending contracts of components’ existing, legacy LMS contracts and \$813,929 for PALMS program management costs.

In 2012, DHS created a migration schedule to overlap with the expiration of existing LMS contracts. For example, DHS headquarters’ initial LMS contract expired in December 2013. According to the initial migration schedule in the BPA, DHS headquarters should have implemented PALMS in September 2013. However, DHS headquarters did not begin using PALMS until October 2015, which resulted in an additional cost of at least \$1.26 million due to multiple extensions. Components also faced implementation delays and spent at least an additional \$9.79 million to retain their legacy contracts. See table 3 for additional information.

**Table 3: PALMS Implementation and Legacy LMS Contract Extensions**

	Migration Schedule		Contract Extension Costs (\$)	Program Management Cost Increases	Total Costs (\$)
	Original	Actual			
FLETC	Sep-13	Dec-15	864,206	--	864,206
HQ	Sep-13	Oct-15	1,258,335	\$469,898	1,728,233
ICE	Mar-14	Jun-16	1,493,319	--	1,493,319
USCIS	Sep-14	Oct-16	1,055,473	\$344,031	1,399,504
CBP	Mar-15	Jul-15	Unknown*	--	Unknown*
USSS	Sep-14	Pending	230,000	--	230,000
TSA	Sep-13	Deferred	5,361,250	--	5,361,250
FEMA	Sep-14	Deferred	782,564	--	782,564



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USCG	Mar-14	Deferred	Unknown*	--	Unknown*
Total			\$11,045,147	\$813,929	\$11,859,076

Source: OIG analysis of components' LMS contracts and PALMS migration schedule.

\*Coast Guard (USCG) and CBP did not know the number of legacy LMS contract extensions or the amount; therefore, OIG could not include their extension costs.

DHS also spent a total of \$813,929 for increased program management costs as part of the PALMS implementation for DHS headquarters and U.S. Citizenship and Immigration Services (USCIS).

**DHS Wasted More than \$5.7 Million for PALMS Subscriptions**

DHS spent more than \$5.7 million for PALMS subscriptions that components did not use or only used for parts of the subscription periods. The PALMS BPA pricing terms allowed DHS to pay for active system users on an annual basis rather than for a specified number of users up front for a specified period of time. However, the Department purchased 345,658 subscriptions before PALMS was operational for active DHS users. As a result, as shown in table 4, the Department did not use 231,583 of the 345,658 subscriptions and used 114,075 of the subscriptions for parts of the subscription period.

**Table 4: Unused and Partially Used PALMS Subscriptions**

Subscriptions		Wasted Funds	Reason
Unused	206,083	\$4,692,187	Expired before PALMS became operational
	25,500	\$537,540	Purchased excess PALMS subscriptions
Partially Used	114,075	\$535,763	Unused until PALMS became operational
Total	345,658	\$5,765,490	

Source: OIG analysis of PALMS task orders and implementation schedule.

DHS headquarters and components paid more than \$4.6 million for 206,083 subscriptions that expired before PALMS became operational. DHS headquarters also spent \$537,540 for 25,500 PALMS subscriptions in excess of the 16,000 needed for DHS headquarters users. In addition, DHS paid \$535,763 for 114,075 subscriptions that were used after the system became operational. This caused DHS to spend more than \$5.7 million for subscriptions that DHS employees were not able to use for performance and learning management.

To illustrate the waste in unused subscriptions that expired before PALMS became operational, CBP spent \$1,570,835 in September 2013 for 67,360 of



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the 206,083 unused subscriptions. These subscriptions had an initial 1-year duration and were to expire in September 2014, even though CBP and the vendor extended the expiration date to January 2015; the subscriptions expired without being used because PALMS was not operational by that date.

To further illustrate the waste in partially used subscriptions, CBP paid \$1.4 million in June 2015 for an additional 67,630 subscriptions that it could not use until PALMS became operational in July 2015. Because CBP could not use the subscriptions from June 1 to July 12, 2015, CBP wasted \$164,046 for the additional set of subscriptions purchased.

**Table 5: CBP Unused and Partially Used Subscriptions**

Task Order	Date		Subscriptions			Cost of Unused and Partially Used (\$)
	Expired	Operational	Purchased	Unused	Partially Used	
1st	1/26/15	7/13/15	67,360	67,360	N/A	1,570,835
2nd	5/31/16		67,630	N/A	67,630	164,046

Source: OIG analysis of CBP task orders and implementation schedule.

According to GAO’s *Standards for Internal Control*,<sup>4</sup> “waste is the act of using or expending resources carelessly, extravagantly, or to no purpose.” DHS expended funds carelessly or to no purpose because the Department purchased subscriptions before the system became operational and DHS users could not use them for learning and performance management. As a result, DHS wasted more than \$5.7 million for PALMS subscriptions. See Appendix D for a summary of subscriptions the DHS purchased before PALMS became operational.

### Recommendations

**Recommendation 6:** We recommend that the DHS Chief Information Officer develop guidelines to ensure information technology contracts include clear definition of subscription services, pricing methodologies, and payment and acceptance terms.

**Recommendation 7:** We recommend that the DHS Chief Information Officer put controls in place to ensure future task orders for PALMS subscriptions

<sup>4</sup> GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G, September 2014



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include consumption-based pricing for active system users as described in the PALMS BPA.

#### **DHS Comments and OIG Analysis**

**DHS Comments to Recommendation 6:** The Department concurred with our recommendation and stated that the DHS CIO will work with the DHS OCPO to develop guidelines to ensure information technology contracts include clear definition of subscription services, pricing, methodologies, and payment and acceptance terms. ECD: June 30, 2017.

**OIG Analysis of DHS Comments:** We consider DHS' proposed corrective action to be responsive to the recommendation. The recommendation is considered open and resolved. It will remain open until we receive and analyze the Department's guidelines to ensure information technology contracts include clear definition of subscription services, pricing, methodologies, and payment and acceptance terms.

**DHS Comments to Recommendation 7:** The Department concurred with recommendation 7 and stated that the current controls in place are for DHS components to review its user accounts prior to funding and issue an order for subscriptions against the Enterprise Talents Management System (ETMS) ETMS/PALMS BPA. The BPA term states that DHS is to only pay for active (or current) system users on annual basis. DHS Components are to apply the appropriate tier rate (in accordance with BPA Pricing) based upon the cumulative amount of users. This will be emphasized in the update to the ordering guide. ECD: May 31, 2017.

**OIG Analysis of DHS Comments:** DHS' proposed corrective action does not fully address the recommendation. The terms in the BPA or emphasis in the ordering guide may not serve as a control that would ensure future task orders for PALMS subscriptions include consumption-based pricing based on active system users. We consider this recommendation unresolved and open until DHS implements controls that would ensure future task orders for PALMS subscriptions include consumption-based pricing based on active system users. The estimated completion date has passed. We will track the status until action is taken for the recommendation.



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### **Appendix A** **Objective, Scope, and Methodology**

The DHS Office of Inspector General was established by the *Homeland Security Act of 2002* (Public Law 107-296) by amendment to the *Inspector General Act of 1978*.

We conducted this audit to determine whether the PALMS acquisition addressed the Department's critical capability need for an integrated department-wide learning and performance management system. To achieve our audit objective, we interviewed officials in the DHS Directorate for Management, Coast Guard, CBP, TSA, USCIS, FEMA, ICE, Secret Service, and the Federal Law Enforcement Training Center. We also obtained and reviewed public laws, DHS directives, congressional budget requests, contract documents, project management documents, and financial documents.

To determine whether PALMS met the Department's needs, we reviewed PALMS' 2012 Business Case; acquisition documents; 2013 blanket purchase agreement and 2013-2016 task orders; Requirements Traceability Matrix as of February 2016; User Acceptance Testing results and briefs; Human Resources Information Technology Executive Steering Committee meeting briefs and minutes; and components' business cases. We obtained and analyzed data related to September 2014 QASP, the contractor performance, and contractor invoices to determine the financial credit amount.

To determine the amount of additional costs for legacy systems extensions, we examined contracts in effect from September 2013 to December 2016 and performed analysis based on the DHS schedule for PALMS implementation. To determine the funds expended for subscriptions before the system was operational, we evaluated the subscription task orders issued from August 2013 through September 2016 and implementation schedule. We calculated it based on the subscription beginning date and the date the system became operational. From this we identified funds that were wasted between August 2013 and November 2016.

We assessed the controls related to the acquisition of PALMS. We conducted a limited assessment of the PALMS SELC plan and the use of the agile methodology for compliance with the DHS policies and procedures. Our limited assessment would not necessarily disclose all material weaknesses in this control structure. However, our assessment disclosed weaknesses in the oversight of this contract, which are discussed in the body of the report.



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We did not rely on computer-processed data to materially support findings, conclusions, or recommendations in this report.

We conducted this performance audit between October 2015 and October 2016 pursuant to the *Inspector General Act of 1978*, as amended, and according to 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 upon our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objectives.



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**Appendix B**  
**DHS Comments to the Draft Report**

U.S. Department of Homeland Security  
Washington, DC 20528



**Homeland  
Security**

April 19, 2017

MEMORANDUM FOR: John Roth  
Inspector General

FROM: Jim H. Crumacker, CIA, CFE  
Director  
Departmental GAO-OIG Liaison Office 

SUBJECT: Management's Response to OIG Draft Report: "PALMS Does Not Address Department Needs" (Project No. 16-003-AUD-MGMT)

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

The Department remains committed to ensuring efficient and effective delivery of capability to meet the enterprise-wide performance and learning needs, including addressing the operational concerns of all of its Components. DHS agrees that the Performance and Learning Management System (PALMS) did not deliver an integrated capability, resulting in three Components remaining on their current systems and not migrating to the enterprise solution. The Department evaluated both the learning and performance management capabilities as delivered and decided to move forward with decoupling the performance module from PALMS. This left the full operating capability for learning management to the six Components implementing it, to meet their requirements.

The draft report states the Department accepted PALMS as operational without verifying that 27 percent of operational requirements were functional and in compliance with system specifications. However, it is important to note that there were several requirements that management accepted as being satisfied within the delivery of the Software as a Service (SaaS) product, even though DHS subject matter experts (i.e., users) deemed these requirements as having failed testing. In these cases, DHS management made a tradeoff decision of accepting the delivery over forcing a specific design based on customized user requirements.

When purchasing SaaS products, accepting delivery frequently results in tradeoffs between customer's desired design and the solution as delivered by the vendor for all of its customers. Often crucial to the affordability of a particular SaaS product is the goal to limit the number of customizations; this allows the government to leverage ongoing product upgrades without having to fund the maintenance cost of customizations. All requirements accepted by management met the contractual terms for the delivery of the service but may not have been designed or customized to the users' preference.



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In addition, DHS believes the draft report incorrectly states that there were 97 requirements not tested, of which 29 were deferred for completion after acceptance. Per a contract modification on September 24, 2014, the 29 requirements were deferred after Initial Operating Capability (IOC) acceptance and identified for Final Operating Capability (FOC) delivery. DHS tested the 29 requirements after IOC, and all but two identified as passed before HQ went live in October 2015 and before FOC acceptance in July 2016.

The draft report also states that the PALMS contractor created a plan to follow the System Engineering Life Cycle methodology with seven review stages, each with specific exit criteria, but that DHS did not implement this plan. To the contrary, DHS led the effort to develop the plan because the plan originally submitted by the contractor did not adequately represent the required implementation tasks for the government and the vendor to get to a deployed system. DHS did subsequently implement the plan. The PALMS HQ integrated master schedule (IMS) previously provided to the OIG shows 100 percent completion of tasks, including the seven review stages and all tasks within those stages.

The draft report contained seven recommendations with which the Department concurs. Attached find our detailed response to each recommendation.

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

Attachment



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### Attachment: DHS Management Response to Recommendations Contained in OIG Draft Report 16-003-AUD-MGMT

The OIG recommended that the DHS Chief Information Officer (CIO):

**Recommendation 1:** Evaluate the current functional capabilities of PALMS and develop a plan to address the Department's outstanding capability needs for learning and performance management of DHS personnel.

**Response:** Concur. The outstanding capability needs for DHS learning management and performance management are being analyzed, reviewed, and developed under the DHS Human Resources Information Technology (HRIT) portfolio, Strategic Improvement Opportunities (SIO) #4 and #7, respectively. For SIO #4, learning management, and SIO #7, performance management, DHS is currently evaluating and developing the consolidated list of enterprise-level functional and technical requirements with all DHS Components. Estimated Completion Date (ECD): May 31, 2017.

**Recommendation 2:** Conduct an analysis of PALMS [Blanket Purchase Agreement] BPA pricing and terms and renegotiate as necessary to reflect the actual capabilities delivered.

**Response:** Concur. The DHS Office of the Chief Procurement Officer (OCPO) renegotiated the BPA subscription rate for tier 4 from \$35.75 to \$26.81, as of June 2, 2016. Additionally, DHS OCPO is having ongoing discussions with the PALMS vendor to renegotiate BPA pricing and terms for future subscription renewal dates. ECD: May 31, 2017.

**Recommendation 3:** Evaluate PALMS contractor performance across DHS Components using the PALMS BPA [Quality Assurance Surveillance Plan] QASP, and ensure that the Department receives full financial credit for contractor non-performance.

**Response:** Concur. DHS OCIO will evaluate the PALMS contractor performance across all DHS Components using the PALMS BPA QASP to ensure all performance standards were met and identify areas where they were not met. DHS CIO will determine if financial credits are applicable and, if so, will process them for payment, as appropriate. ECD: October 31, 2017.

The OIG recommended that the DHS Undersecretary for Management (USM):

**Recommendation 4:** Implement controls for the Department and Component Chief Information Officers to oversee information technology acquisitions for compliance with systems engineering requirements and agile acquisition methodologies.

**Response:** Concur. The USM and the CIO have implemented robust Acquisition Lifecycle Framework (ALF) and Systems Engineering Life Cycle (SELC) processes for Information Technology (IT) acquisitions. The USM has also recently approved an acquisition policy for the management of Level 3 acquisitions. PALMS pre-dated the latest implementations of these processes. However, the CIO will work with the DHS Office of Program Accountability and Risk Management (PARM) for Headquarters IT systems to develop and begin to enforce SELC



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tailoring plans that provide the appropriate level of systems engineering and agile acquisition methodologies to ensure best value from IT investments. ECD: June 30, 2017.

**Recommendation 5:** Implement controls to ensure that technical monitoring of contracts occurs in accordance with Federal acquisition regulations.

**Response:** Concur. DHS OCPO already has procedures and policies in place for Contracting Officer Representatives (CORs). Contracting Officers (COs) ensure COR appointments are assigned to individuals only after a thorough review of training history. CORs must be certified at Level II or Level III depending on the complexity of the contract. DHS will reiterate the importance of CORs' responsibilities to technically monitor performance and deliverables at Task Order Kick-Off Meetings and in the Ordering Guide. ECD: June 30, 2017.

The OIG recommended that the DHS CIO:

**Recommendation 6:** Develop guidelines to ensure information technology contracts include clear definition of subscription services, pricing methodologies, and payment and acceptance terms.

**Response:** Concur. DHS OCIO will work with the DHS OCPO to develop guidelines to ensure information technology contracts include clear definition of subscription services, pricing, methodologies, and payment and acceptance terms. ECD: June 30, 2017.

**Recommendation 7:** Put controls in place to ensure future task orders for PALMS subscriptions include consumption-based pricing for active system users as described in the PALMS BPA.

**Response:** Concur. The current controls in place are for DHS Components to review its user accounts prior to funding and issue an order for subscriptions against the Enterprise Talent Management System (ETMS) ETMS/PALMS BPA. The BPA term states that DHS is to only pay for active (or current) system users on annual basis. DHS Components are to apply the appropriate tier rate (in accordance with BPA Pricing) based upon the cumulative amount of users. This will be emphasized in the update to the ordering guide. ECD: May 31, 2017.



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**Appendix C**  
**PALMS QASP Performance Measures**

Service Level Measure	Performance Standard
<b>Program Management Performance Measures</b>	
Risk Management	Risks are managed effectively.
Status Reporting	Status reports are delivered on schedule.
<b>Implementation and Integration Performance Measures</b>	
Training	Students are satisfied with the training.
Data Conversion	Existing ETMS data is converted correctly.
Migration Schedule	Migration is completed in accordance with approved schedule.
Implementation	Migration is completed on schedule.
<b>Production Service Delivery Performance Measures</b>	
Production Service Availability	Each environment (e.g., development, test, training, and production) is available to perform functions as designed.
Production Service Response	The production system provides timely response to user requests.
Security Operations	Security audit findings are resolved in a timely manner so the service maintains Authority to Operate.
Firewall Management	Compliance with firewall configuration and change management processes.
Physical and Information Security	Proactive physical security.
Time to Resolve Help Desk Tickets	Responsive level 3 support service is provided.
Help Desk Response	Help Desk calls answered promptly.
Return to Operations (RTO)	Return to Operations in the event of disaster.
Production Service Availability	Environment is completed with subscription terms.

Source: DHS headquarters, PALMS BPA QASP (September 10, 2014)  
ETMS – enterprise talent management system



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**Appendix D**  
**Subscriptions Purchased Before PALMS Became Operational**

Task Orders for Subscriptions	Number Purchased	Unused Subscriptions	Partially Used Subscriptions	Subscription Start Date	Subscription Expiration Date	System Operational Date	Total Cost of Subscriptions (\$)	Cost of Unused and Partially Used (\$)
DHS HQ 1st	41,500	41,500	--	8/30/2013	1/26/2015	10/6/2015	967,780	967,780
DHS HQ 2nd	41,500	25,500	16,000	6/1/2015	5/31/2016		874,820	654,895
CBP 1st	67,360	67,360	--	9/30/2013	1/26/2015	7/13/2015	1,570,835	1,570,835
CBP 2nd	67,630	--	67,630	6/1/2015	5/31/2016		1,425,640	164,046
USCIS 1st	21,245	21,245	--	6/1/2015	5/31/2016	9/30/2016	447,845	447,845
USCIS 2nd	21,245	--	21,245	6/1/2016	5/31/2017		569,578	188,819
FLETC 1st	2,000	2,000	--	1/15/2014	1/15/2015	12/10/2015	46,640	46,640
FLETC 2nd	2,000	--	2,000	6/1/2015	5/31/2016		42,160	22,177
USSS 1st	6,500	6,500	--	9/9/2015	9/8/2016	11/30/2016	137,020	137,020
USSS 2nd	7,200	--	7,200	9/9/2016	9/8/2017		193,032	43,366
ICE 1st	23,000	23,000	--	6/1/2015	5/31/2016	6/1/2016	484,840	484,840
USCG	44,478	44,478	--	9/28/2013	2/28/2015	N/A	1,037,227	1,037,227
<b>Grand Total</b>	<b>345,658</b>	<b>231,583</b>	<b>114,075</b>				<b>\$7,797,417</b>	<b>\$5,765,490</b>

Source: OIG analysis of PALMS task orders and implementation schedule.



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**Appendix E**  
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