

**The United States Secret  
Service Has Adequate  
Oversight and  
Management of its  
Acquisitions  
(Revised)**





# HIGHLIGHTS

## *The United States Secret Service Has Adequate Oversight and Management of its Acquisitions*

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**February 10, 2015**

### **Why We Did This**

The Department of Homeland Security (DHS) and its components continue to face challenges in overseeing and managing acquisition programs. The Office of Inspector General (OIG) conducted this audit to determine whether the Secret Service had adequate oversight and management of its acquisitions.

### **What We Recommend**

We recommend that the Secret Service finalize and issue component-specific acquisition guidance and select a Component Acquisition Executive.

#### **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**

The United States Secret Service's acquisition management program office, established in 2011, has adequate oversight and management of its acquisition process, complies with DHS acquisition guidance, and has implemented some best practices. However, the Secret Service does not have its own guidance for acquisitions valued at less than \$300 million and, at the time of our audit, the component did not have a designated Component Acquisition Executive.

### **United States Secret Service Response**

The Secret Service concurred with both recommendations and took action to address them, including selecting a Component Acquisition Executive, who was subsequently designated by the DHS Acting Deputy Under Secretary for Management.

## ***Errata page for OIG-15-21***

### *The United States Secret Service Has Adequate Oversight and Management of its Acquisitions*

**Page 5: Audit scope and methodology paragraphs were added (see below):**

**Inserted: Scope and Methodology**

To achieve our objective, we reviewed: (1) applicable laws, regulations, and guidance for procurements and acquisitions in the Federal Government, DHS, and the Secret Service; (2) prior OIG and Government Accountability Office audit reports on DHS' major acquisitions; and (3) acquisition program documentation for Secret Service acquisition programs.

We interviewed numerous senior management and acquisition program officials, including officials from the Secret Service's Office of Administration in Washington, DC. We also interviewed staff at DHS' Office of Program Accountability and Risk Management.

We conducted this audit between May 2014 and September 2014 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective.

**Note:** A new report format was implemented and the scope and methodology section was inadvertently removed during the review and editing process.

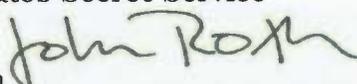


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Department of Homeland Security

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

February 10, 2015

MEMORANDUM FOR: The Honorable Joseph Clancy  
Acting Director  
United States Secret Service

FROM: John Roth   
Inspector General

SUBJECT: *The United States Secret Service Has Adequate Oversight and Management of its Acquisitions*

Attached for your information is our revised final report, *The United States Secret Service Has Adequate Oversight and Management of its Acquisitions*. We reissued the report with a change to page 5. The revision did not change the findings or recommendations made in the original report. Please see the attached errata page for details.

The previously issued report provided the results of our work to determine whether the United States Secret Service (Secret Service) has adequate oversight and management of its acquisitions. Since the Secret Service established its acquisition management program office in 2011, it has had adequate oversight of its acquisition process, complied with DHS acquisition guidance, and implemented some best practices. The Secret Service has not finalized guidance for acquisitions with life cycle costs of less than \$300 million.

### **Results of Audit**

Although the Secret Service has adequate oversight and management of its acquisitions, having its own policies and procedures, as well as a designated Component Acquisition Executive (CAE), would strengthen its acquisition program. In addition, to help ensure program success in the future, the component should continue to incorporate best practices into its day-to-day acquisition activities. Taken together, these actions will decrease the risk of waste, fraud, and abuse and improve the Secret Service's ability to acquire goods and services in a timely manner and at a reasonable cost.

In fiscal year 2014, the Secret Service had an operating budget of about \$1.6 billion. According to Office of Administration senior officials, the majority of the budget goes to salaries, with the component spending less than \$500 million



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on items such as information technology, training, rent, utilities, procurements, and acquisitions.

### Oversight and Compliance

The Secret Service complies with the supplemented DHS' *Acquisition Management Directive*, (Directive Number 102-01, Revision 01), originally issued in January 2010, which provides a policy and structure for managing acquisitions. The directive categorizes DHS acquisitions as major or nonmajor based on life cycle cost estimates. Appendix B outlines the Department's acquisition life cycle framework.

The Department encourages components to develop their own policies and guidance for nonmajor programs, as long as they are consistent with the spirit and intent of the directive and the directive's implementing guidance. However, the Secret Service does not have a component-specific policy for its nonmajor acquisitions, which comprise the majority of its acquisitions.

As shown in table 1, the directive categorizes DHS acquisitions as Level 1, 2, or 3, depending on their life cycle cost estimates. The level also determines the acquisition decision authority (ADA) for the program as it moves through each acquisition phase. ADAs have overarching responsibility for acquisition costs, schedule, risk, and system performance of their acquisition portfolios. ADAs are also responsible for assessing missed milestones (breaches), directing corrective actions, and approving any revisions to the cost, schedule, and performance parameters.

**Table 1 – DHS Acquisition Program Levels**

	Life Cycle Cost	Acquisition Decision Authority
<b>Level 1 (Major)</b>	Greater than or equal to \$1 billion	Deputy Secretary
<b>Level 2 (Major)</b>	\$300 million or more, but less than \$1 billion	Chief Acquisition Officer
<b>Level 3 (Nonmajor)</b>	Less than \$300 million	Component Head or CAE

Source: DHS OIG, based on DHS Instruction Manual 102-01-001 *Acquisition Management Instruction/ Guidebook*, October 1, 2011

As of June 2014, the Secret Service had seven acquisition programs. Our review of the programs showed the Secret Service complied with the guidance in the directive and thus provided adequate oversight of its acquisitions. Specifically, acquisition staff members, working with program managers, guide programs through the acquisition process. This includes developing and



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presenting required documentation for department- and component-level decision makers. Table 2 lists the Secret Service’s seven acquisition programs, as of June 2014.

**Table 2 – Secret Service Acquisition Programs as of June 2014**

Name of Program	Acquisition	Acquisition Phase <sup>1</sup>
Information Integration and Technology Transformation (IITT)	2	Obtain
Multi-level Security*	3	Produce/Deploy/Support
Combined Operations Logistics Database*	3	Obtain
Cross Domain*	3	Obtain
Information Technology Infrastructure	2	Sustainment
Enterprise Financial Management System	3	Sustainment
Next Generation Limousine	3	Analyze/Select

Source: Secret Service

\*Although associated with the IITT program, these are considered independent Level 3 acquisitions.

For the IITT program, a Level 2 acquisition, the Secret Service provided the DHS review board with evidence of program necessity, cost, schedule, and performance goals. The DHS review board approved one portion of the IITT program to proceed to the “obtain” phase. The CAE reviews and approves Level 3 programs at the component level. For the Next Generation Limousine program, a Level 3 acquisition, the program manager provided the acting CAE with documentation supporting the acquisition need. The acting CAE approved this program to proceed to the next phase—the “analyze/select” phase. For both programs, the Secret Service complied with the acquisition process established by the Department.

The Secret Service has had challenges with three of its acquisition programs. A contract award protest in the IITT program and a failed test and evaluation of the Combined Operational Logistics Database 2 affected these programs’ schedules. In both cases, the Secret Service complied with guidance by reporting these breaches to the proper decision makers and providing remediation plans. Although the Cross Domain program has not had a breach, a technical issue is affecting integration of the program. According to a Secret Service official, a solution for the issue was identified and communicated to the acting CAE.

<sup>1</sup> Appendix B shows the defined acquisition phases in the DHS Acquisition Life Cycle Framework.



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## **Secret Service Acquisition Policy**

The Department encourages components to develop their own policies and guidance for Level 3 programs (with life cycle costs of less than \$300 million), as long as they are consistent with the spirit and intent of the directive and its implementing guidance. The Secret Service drafted its own policy, but has delayed issuing it until DHS completes a revision of its directive, which is intended to incorporate a recent departmental initiative. According to a DHS official, the Department does not expect to complete revisions to the directive until 2015.

By having component-specific acquisition policies and procedures, the Secret Service could decrease the risk of waste, fraud, and abuse and increase the likelihood of acquiring goods and services in a timely manner and at a reasonable cost.

## **Component Acquisition Executive**

Although the Secret Service CAE left in November 2012, at the time of our audit, the Secret Service Director had not yet selected a replacement. In DHS, the CAE, the component's senior acquisition official, is selected by the component head and designated in writing by the DHS Acting Deputy Under Secretary for Management. According to DHS acquisition guidance, the CAE leads a process and staff to provide acquisition oversight, program management, and policy and guidance. The CAE also ensures compliance with laws, regulations, and departmental policy.

At the time of our audit, the deputy CAE at the Secret Service was performing these duties as an acting CAE. Having a designated CAE emphasizes the importance of acquisition management and oversight. This position is particularly critical at the Secret Service because most of its acquisitions are Level 3 programs requiring component-level review and CAE approval.

## **Best Practices**

The acquisition management program office is taking steps to incorporate acquisition processes into Secret Service operations and to educate staff on its benefits. The Secret Service should continue these best practices to expand the acquisition knowledge base throughout the component. Staff members in the acquisition management program office assist program managers, provide acquisition orientation for new employees, and coordinate training and certifications. The office also sends periodic acquisition newsletters highlighting available online courses and in-house training to acquisition personnel.



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At the time of our audit, the acting CAE was interacting with senior management. For example, in late 2012, the acting CAE became an advisory member of the Enterprise Governance Council, the body responsible for business-level reviews of significant Secret Service investment initiatives. The acting CAE also attended program management reviews for information technology programs and incorporated acquisition elements into the process for requesting funding for proposed new projects.

### **Recommendations**

**Recommendation 1:** We recommend that the Assistant Director of the Office of Administration finalize and issue the component-specific acquisition policy.

**Recommendation 2:** We recommend the Director of the United States Secret Service select a Component Acquisition Executive for designation by the Department of Homeland Security Under Secretary for Management.

### **Scope and Methodology**

To achieve our objective, we reviewed: (1) applicable laws, regulations, and guidance for procurements and acquisitions in the Federal Government, DHS, and the Secret Service; (2) prior OIG and Government Accountability Office audit reports on DHS' major acquisitions; and (3) acquisition program documentation for Secret Service acquisition programs.

We interviewed numerous senior management and acquisition program officials, including officials from the Secret Service's Office of Administration in Washington, DC. We also interviewed staff at DHS' Office of Program Accountability and Risk Management.

We conducted this audit between May 2014 and September 2014 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based upon our audit objective.



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## **Discussion with Component and Audit Follow-up**

During our audit, we discussed the results with the Secret Service. We provided a notice of findings and recommendations and held an exit conference on September 11, 2014. Secret Service management provided written technical comments and an official response. We incorporated technical comments, as appropriate, in this report. Appendix A contains the official management response.

The Secret Service concurred with recommendation 1. The Secret Service has written and coordinated its component-specific acquisition policy internally and expects to publish and issue it by December 31, 2014. OIG has determined the Secret Service action is responsive to the intent of the recommendation and considers recommendation 1 resolved and open. We will close the recommendation when we receive a copy of the issued policy.

The Secret Service concurred with recommendation 2. As recommended, the component nominated an individual whom the DHS Acting Deputy Under Secretary for Management designated as the component's permanent CAE on December 1, 2014. OIG has determined that the DHS and Secret Service actions fully address recommendation 2 and has closed the recommendation.

Within 90 days of the date of this memorandum, please provide our office with a written response that includes the contact information for responsible parties and any other supporting documentation necessary to inform us about the status of the open recommendation. Please email a signed pdf copy of all responses and closeout request to [OIGAuditsFollowup@oig.dhs.gov](mailto:OIGAuditsFollowup@oig.dhs.gov).

Major contributors to this report are Paul Wood, Audit Director; Cecilia Carroll, Audit Manager; Shamika Morris, Auditor-in-Charge; Polin Cohanne, Senior Program Analyst; David Kinard, Auditor; Richard Joyce, Program Analyst; Vashti Gordon, Program Analyst; Kelly Herberger, Communications Analyst; and Nancy Pergolizzi, Independent Referencer.

Please call me with any questions at (202) 254-4100 or your staff may contact Mark Bell, Assistant Inspector General for Audits, at (202) 254-4100.



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## Appendix A United States Secret Service Comments to the Draft Report



U.S. Department of Homeland Security  
**UNITED STATES SECRET SERVICE**

Washington, D.C. 20223

November 12, 2014

MEMORANDUM FOR: The Honorable John Roth  
Inspector General  
U.S. Department of Homeland Security

FROM:  The Honorable Joseph Clancy  
Acting Director

SUBJECT:  OIG Draft Report: "The United States Secret Service has Adequate Oversight and Management of its Acquisitions" (Project No. 14-116-AUD-USSS)

Thank you for the opportunity to review and comment on this draft report. The U.S. Secret Service (USSS) appreciates the Office of the Inspector General's (OIG) work in planning and conducting its review and issuing this report.

We are pleased to note that the OIG found the USSS to have adequate oversight and management of its acquisition program. The USSS is committed to enhancing and strengthening its policy guidance and continuing to incorporate best practices in our day-to-day acquisition activities. As a follow-up to the OIG review, the Cross-Domain Memorandum of Agreement (MOA) between USSS and DHS Office of Intelligence and Analysis was finalized on October 21, 2014. This MOA supersedes the MOA with U.S. Customs and Border Protection.

The draft report contains two recommendations and the USSS concurs with both of the recommendations. Specifically, the OIG recommended that:

**Recommendation 1:** We recommend the Assistant Director of the Office of Administration finalize and issue the component-specific acquisition policy.

**Response:** Concur. The USSS recognizes the benefits associated with having component-specific guidance. The policy has been written and coordinated through the USSS Directives System. It is undergoing final review to incorporate comments received during formal coordination. It is expected to be published and issued by December 31, 2014.

**Recommendation 2:** We recommend the Director of the United States Secret Service select a Component Acquisition Executive (CAE) for designation by the Department of Homeland Security Under Secretary for Management.



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**Response:** Concur. The USSS is aware that most of its acquisitions are Level Three programs requiring component CAE review and approval. We also realize how important it is to have a permanent CAE to ensure consistent compliance with laws, regulations, and departmental acquisition policies. I submitted our nomination of the Acting CAE to the DHS Under Secretary for Management for his designation. As a result of this action, we respectfully request that this recommendation be closed.

Again, thank you for the opportunity to comment on this draft report. Technical comments were previously provided under separate cover and nothing in the report was found to be sensitive. Please feel free to contact me with any questions. We look forward to working with you and your staff in the future.



## Appendix B

### DHS Acquisition Life Cycle Framework

Acquisition Phase	Acquisition Decision Event	Purpose
Need	1	Documents the user's need and plans for the Analyze/Select Phase
Analyze/Select	2A	Formally establishes the program to analyze appropriate methods for meeting approved requirements
Obtain	2B	Plans for method of development and delivery; establishes strategy for acquisition/procurement and testing of solution
	2C	Provides Low Rate Initial Production (if required)
Produce/Deploy/Support	3	Gets capability to the user and maintains it
Sustainment	Post-3	Provides maintenance at intended levels of performance and meeting of contingency usage requirements

Source: DHS OIG, based on DHS Chief Acquisition Officer memorandums, May 9, 2013, and June 13, 2014; and DHS Instruction Manual 102-01-001 *Acquisition Management Instruction/Guidebook*, Appendix J, October 1, 2011.



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