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HUMAN CAPITAL LINE OF BUSINESS INTEGRATION AND MANAGEMENT

I. Purpose

This Management Directive (MD) establishes the Department of Homeland Security's (DHS) vision and direction on the authorities and responsibilities of the leadership of the Department's Chief Human Capital Officer. It reinforces our commitment to create a unified 21st century department in both mission accomplishment and support systems performance as quickly as possible. As such, this directive is the principal document for leading, governing, integrating, and managing the Human Capital (HC) functions throughout DHS. Essential to the success of Departmental operations is an integrated, progressive support infrastructure designed to function in a highly dynamic environment. Our Strategic Goal of Organizational Excellence mandates a collaborative approach from every entity within the Department.

Creating functional excellence, as described herein, requires every executive, manager, and employee in the Department to create the environment that rewards collaboration, promotes best practices, and shares accountability for the performance of the management support systems that enable the Department to fulfill its mission. This concept of dual accountability mandates that both OE heads and key departmental functional experts are responsible for organizational excellence. The Line of Business Chief described herein will be held accountable for designing the system to optimize the Human Capital function, setting the standards for functional performance, creating the department-wide policies and processes, providing the automated solutions to yield greater efficiencies, and nurturing the development and success of centers of excellence. OE heads will likewise be accountable to support these progressive business functions as a key part of their commitment to mission accomplishment.

In all efforts of this magnitude, when so much is to be gained, the integration and alignment of each function requires strong communication, respect for both individuals and process, and a shared resolve to find solutions that benefit both mission accomplishment and functional excellence. DHS leadership across the Department must challenge traditional approaches and communicate and execute as a team to design and execute these support functions that will constitute progressive 21st century excellence in governance.

II. Scope

This Directive applies to all DHS organizational elements, except the United States Secret Service (USSS) and United States Coast Guard (USCG), which are exempted by statute. That notwithstanding, as part of the larger DHS team, both the USSS and USCG will collaborate and participate in the efforts described herein to further both operational and organizational effectiveness and efficiency. DHS OIG is covered under this directive where it does not conflict with the authorities and responsibilities given to the Inspector General under the Inspector General Act of 1978 and its amendments.

III. Authorities

This MD is governed by numerous Public Laws, regulations, rules, and other directives, including but not limited to:

- A. The Chief Human Capital Officers Act of 2002.
- B. Public Law 107-296, Homeland Security Act of 2002, codified in Title 6, US Code.
- C. Delegation Number 0201.1, Delegation to the Under Secretary for Management.
- D. Department of Homeland Security Management Directive 0010.1, Management Directives System and DHS Announcements.
- E. Department of Homeland Security Management Directive 0110, Organization Control System.
- F. Department of Homeland Security Management Directive 3030, SES Merit Staffing Plan.
- G. Secretary of Homeland Security Memorandum, dated September 12, 2003; Subject: DHS Leadership Meeting - Organizational Integration.
- H. Secretary of Homeland Security Memorandum, dated August 12, 2004; Subject: Functional Integration Effort.
- I. Deputy Secretary of Homeland Security Memorandum, dated August 13, 2004; Subject: Guidance for DHS Functional Integration Effort.
- J. President 's Management Agenda, August 1, 2001.
- K. Securing our Homeland, US Department of Homeland Security Strategic Plan, February 2004.

IV. Definitions

- A. **Center of Excellence**: An organizational entity with expertise, capabilities, and resources in a specific discipline area chartered to support DHS-wide requirements. The mission, charter, roles, responsibilities, resources, authority, implementation plans, and service level agreements for each Center will be reviewed by the HC Council and approved by the DHS Chief Human Capital Officer (CHCO).
- B. **Chief Human Capital Officer (CHCO)**: The CHCO is the DHS official who exercises leadership and authority over HC policy and programs DHS-wide in partnership with heads of the OEs. In accordance with the Chief Human Capital Officers Act of 2002, there is a single CHCO in the Department.
- C. **Dual Accountability**: The shared responsibility of both OE Heads and LOB Chiefs to build a progressive 21st Century DHS. Dual accountability recognizes mission accomplishment as the ultimate responsibility of the OE Heads, and also requires them to support functional integration. Dual accountability recognizes the LOB Chiefs' professional expertise in their specialty area and consequently their primary responsibility to drive functional excellence across DHS, and to do so focused also on DHS mission accomplishment.
- D. **Functional Integration**: Functional Integration is a transformation process that enhances efficient and effective use of resources by establishing unified policies and business processes, the use of shared or centralized services and standards, and automated solutions. Functional integration is a structured cooperation and collaboration among DHS OEs and LOB Chiefs for the purpose of achieving functional excellence in support of Departmental mission and objectives. This is accomplished by decreasing fragmentation and duplication, providing enhanced integrated services, and increasing efficiency and quality of management lines of business.

E. **Human Capital (HC)**: Term used to describe the way an organization attracts, manages, develops, and cares for its employees. It includes responsibility and accountability for managing, leading, and promoting the effective human resource practices of the organization consistent with laws, rules, and regulations, including merit system principles, while avoiding prohibited personnel practices. Specifically, it includes: workforce and succession planning; executive and leadership development; employee recruitment, deployment, and retention programs and strategies; developing and advocating a culture of continuous learning and employee development; performance management and compensation support systems, including systems of classification and award/recognition programs; benefits administration and counsel, including retirement, life, and health benefits; labor and employee relations, including alternative dispute resolution; work/life programs, including employee assistance programs, alternative work schedules/places, drug/alcohol free workplace programs, and family-friendly initiatives; and design, development, and maintenance of a Human Resources Information Technology (HRIT) in support of all of the above.

F. **HC Council**: The functional advisory body that assists the DHS CHCO in evaluating and determining the best course of action for the HC function. The DHS HC Council is chaired by the DHS CHCO.

G. **Human Capital Function**: The personnel resources, HC assets, budgets, and processes, to include record-keeping and operational activities used to deliver mission and enterprise HC services in order to provide meaningful input to managerial decision-making, document employee entitlements, and to ensure proper pay.

H. **Key HC officials**: HC personnel occupying the following positions within the OEs: HC Directors and Deputies or in those OEs having only a small HC program staff, the head or lead position normally referred to as Senior HC Official and within the OCHCO, as designated by the CHCO.

I. **Line of Business (LOB) Chief**: This includes the DHS Chief Procurement Officer, DHS Chief Administrative Services Officer, Chief Financial Officer, the Chief Human Capital Officer, and the Chief Information Officer.

J. **Organizational Element (OE)**: Directorates and agencies comprising the Department of Homeland Security, as defined in MD 0010.1.

K. **OE Heads**: DHS Under Secretaries of the Border and Transportation Security (BTS), Information Analysis and Infrastructure Protection (IAIP), Science and Technology (S&T), Management, and Emergency Preparedness and Response (EP&R) Directorates and their mission leaders, administrators and commissioners; the Director of the US Secret Service; the Commandant of the U.S. Coast Guard; the Director, U.S. Citizenship and Immigration Services (CIS); and the Inspector General (IG).

L. **Service Level Agreement (SLA)**: Formal agreement that defines customer service expectations and responsibilities between DHS Mission OEs and support service providers, whether internal or external. SLAs are defined or renewed annually and are used to communicate baseline mission service requirements. SLAs will be signed by the responsible official providing the service, the responsible official receiving the service, and the DHS CHCO.

V. Responsibilities

A. **The Secretary** has ultimate authority, accountability, and responsibility for all HC management within DHS. As permitted by law and regulation, the Secretary has delegated those authorities to the Under Secretary for Management.

B. **The Under Secretary for Management**

1. The Under Secretary for Management is responsible for establishing the general policy direction for all Management programs within the Department. As permitted under law and regulation, in order to carry out Human Capital Management responsibilities, the Under Secretary for Management, through this Directive, redelegates Human Capital Management authorities not already delegated by law to the CHCO. The Under Secretary is also primarily responsible for ensuring the strategic plans are coordinated with, and are mutually supportive of the efforts of the other Line of Business Chiefs, including the Chief Financial Officer (CFO), Chief Procurement Officer (CPO), Chief Human Capital Officer (CHCO), Chief Information Officer (CIO), and Chief Administrative Services Officer (CAO). This continuous review by the Under Secretary serves to ensure that supportive and complementary integration between or among functions as well as within the function is identified and completed.

2. The Undersecretary for Management, with the LOB Chiefs, is responsible and accountable for designing the optimum Department-wide integrated systems to continuously improve mission support. This requires a team approach, working in collaboration with all OEs, to drive performance excellence in each function in order to create the most progressive support system possible.

C. **OE Heads**

1. OE Heads must all recognize their shared, related, and interdependent responsibility to collaborate and deliver effective and efficient services throughout the Department on behalf of the American taxpayer. In addition, OE Heads must all recognize the unique challenges presented by the mission of the Department of Homeland Security and plan to ensure the continued delivery of effective services in the event of national emergencies and disasters.
2. OE Heads will work together to achieve organizational and systems alignment over time such that coherent, analogous organizational structures between OEs and the Department are built to foster greater efficiency and clarity.
3. The OE Head, in addition to other duties, is responsible for:
 - a. Ensuring that HC Management duties, as defined in this directive, are carried out effectively and efficiently in support of mission accomplishment and functional integration goals.
 - b. Supporting and enforcing the tenets of functional excellence as defined by the DHS CHCO.
 - c. Supporting and implementing the annual goals established in collaboration with the DHS CHCO.
 - d. Incorporating DHS' CHCO's input into performance appraisals, bonus or award recommendations, pay adjustments, and other forms of commendation of OE Key HC Officials. In the spirit of dual-accountability, the OE Head and the Under Secretary for Management will confer to resolve any issues.
 - e. Collaborating with DHS CHCO in recruiting and selecting Key HC Officials in the following manner:
 - (1) Seek concurrence of the DHS CHCO on the qualification standards including knowledge, skills, and abilities (KSAs) or competencies for said position(s);
 - (2) Seek the assistance of the DHS CHCO in identifying candidates for consideration;

(3) Provide DHS CHCO the opportunity to participate in the interview process of the best qualified list of candidates; and

(4) Seek the concurrence of the DHS CHCO on the final selection.

f. Ensuring the OE HC Director/Senior HC Official is organizationally placed at a senior level and is included in the strategic leadership team in the OE.

g. Advising and collaborating with the Under Secretary for Management on any OE reorganization or restructuring plans that will result in functional realignments outside of the line of business and any action that would reduce stature or level within the line of business.

h. With the DHS CHCO, and through their OE HC Directors, collaborating to support that the appropriate HC resources are made available for Department-wide HC services and providing the direction required to achieve HC functional excellence.

D. **The DHS CHCO** is responsible for:

1. Conducting program reviews and, in turn, recommending program improvements, corrective actions, and if necessary, revocation of delegated authorities in the specific function.

2. Exercising the authorities delegated by law, executive order, regulation, or as assigned by the Secretary.

3. Advising and assisting the Secretary, Deputy Secretary, Under Secretary for Management, OE Heads, and other senior officials in carrying out DHS' responsibilities for all HC activities relating to the programs and operations of the Department.

4. Communicating and implementing the Secretary's and Under Secretary for Management's leadership direction related to the HC function.

5. Designing, in collaboration with the HC Council, the optimum structure, processes, and systems to support both Departmental and OE mission and goals and achieve functional excellence. This includes defining functional performance metrics by which the OEs can measure the performance of delivered mission HC services and enterprise HC services.

6. Establishing Department HC priorities, policies, processes, standards, guidelines, and procedures. In the spirit of dual-accountability, the OE Head and the Under Secretary for Management will resolve any issues.
7. Collaborating with OE Heads in recruiting and selecting Key HC Officials, in the following manner:
 - a. Concurring on the qualification standards including KSAs or competencies for said position(s) with the OE;
 - b. Assisting in identifying candidates for consideration;
 - c. Opting to participate in the interview process of the best qualified list of candidates; and
 - d. Concurring in the final selection made by the OE Head.
8. The DHS CHCO will provide the OE HC Director written performance objectives for the HC area at the start of the performance cycle. The DHS CHCO will, in turn, provide input/feedback to the rating official for the OE's HC Director's accomplishment of those objectives, and will provide input on bonus or award recommendations, pay adjustments, and other forms of commendation.
9. Re-delegating certain authorities to OE HC Directors/Senior HC Officials, as necessary, to ensure the appropriate and efficient administration of the Human Capital Functions.
10. Providing the Department's Secretary, Deputy Secretary, and OE Heads an annual evaluation of HC performance. This will include an assessment of each OEs functional performance. Reports will be prepared by the end of the first quarter of each fiscal year and will include the President's Management Agenda (PMA), the DHS Strategic Plan, and other program metrics as they are established.
11. Analyzing workforce requirements for functional personnel to establish recommended staffing and resource level parameters and guidelines for each OE to consider.
12. Establishing and chairing a HC Council.
13. Establishing training and development guidelines for HC professionals.

14. Establishing Executive Resources policy as delegated by the Under Secretary for Management, unless otherwise excluded by statute, regulations or the Secretary, Department of Homeland Security; establishing implementing directives for the overall management of the DHS Executive Resources Program, and overseeing the day-to-day program operations.

E. **DHS HC Directors/Senior HC Officials** are responsible for:

1. Serving as the principal advisor to the head of the OE on HC issues.
2. Ensuring that HC programs meet the mission needs of the Department and the OE.
3. Advising (e.g., in writing or orally) the CHCO concerning the mission and business needs of their OE.
4. Advising and partnering within their respective OE to ensure that HC staffs provide quality and timely support to mission requirements.
5. Participating in the development of DHS-wide HC direction and policies as members of the HC Council, and implementing DHS-wide HC policies within their respective OE.
6. Collaborating with their supervisor to ensure that key areas of emphasis discussed with the CHCO are considered in the development of their personal performance elements, and for cascading them through performance elements of employees in the functional area, as deemed appropriate by the HC Director/Senior HC official or Deputy.

F. **The DHS HC Council** is responsible for actively engaging in the following:

1. Development of a Departmental HC strategic plan.
2. Development of HC strategies and policies that are linked to the DHS mission, vision, core values, goals, and objectives.
3. HC assessment and accountability, which includes coordination and consolidation of OE HC projects/activities and implementation of shared services.
4. HC management policies, processes, best practices, performance measures, and decision criteria for managing the delivery of HC programs and services to enhance efficient and effective HC management.

5. Centers of Excellence, boards, and working groups tied to DHS HC Council priorities.

6. Formal communication programs for internal and external constituencies.

G. The ***BTS Under Secretary*** is responsible for assisting in the coordination of HC activities between the DHS CHCO and the OE HC Directors/Senior HC Officials of agencies in the BTS Directorate. The BTS Under Secretary will facilitate the dotted line reporting relationship between the DHS CHCO and OE HC Directors/Senior HC Officials of agencies in the BTS Directorate, promoting communication, feedback, and cooperation along the chain of command.

H. ***All DHS HC employees*** are responsible for being knowledgeable of and complying with policies and programs established by the DHS CHCO and appropriate HC Directors/Senior HC Officials and for conforming to applicable laws and regulations. DHS will provide training and/or guidance from time to time to assist employees, including HC Directors/Senior HC Officials and other senior executives, to develop their knowledge of operations, policies, procedures, and programs related to the HC function.

VI. Policy & Procedures

A. ***Policy***

1. It is the policy of DHS that the Office of the DHS CHCO shall serve as the foundational DHS organization through which all Department-wide HC activities and services will be overseen, defined, and measured.

2. **Authority and Accountability for Integration.** The DHS CHCO, through the DHS HC Council and its centers of excellence, shall design, direct, and oversee the implementation of the integration of Human Capital Management across the Department to improve mission support quality and efficiency. OE Heads, OE HC Directors/Senior HC Officials, and the DHS CHCO will all share accountability to the Secretary for successful planning and implementation of functional integration and adherence to this Management Directive.

B. ***Principles***

Functional integration will rely on the following principles:

1. Focus on Mission.

2. Recognize our employees as our most valuable asset and make the investments in their career development and professional growth.

3. Plan rigorously and implement when success is likely.
4. Continuously assess and improve operational effectiveness.

C. **Procedures**

1. HC functional integration will be driven by the following:
 - a. **Policies & Processes:** DHS will standardize HC policies and appropriate procedures across the Department to ensure functional excellence. This will be an ongoing effort.
 - b. **Systems:** The Department will continue to consolidate and integrate the number of systems supporting the Department's HC functions, ensuring such action results in efficiencies and does not compromise mission effectiveness.
 - c. **Organizations:** A guiding principle of the DHS CHCO will be to consolidate the number of organizations that perform the same function and create centers of excellence, ensuring such action results in efficiencies and does not compromise mission effectiveness.
2. **Integration Milestones.** The DHS CHCO, in collaboration with the OE Heads and HC Council, will annually establish milestones for the functional integration of HC activities.
3. **Performance Metrics.** To track progress and OE HC Directors/Senior HC Officials and HC organizations, the DHS CHCO will annually recommend certain key performance metrics to OE Heads and OE HC Directors/Senior HC Officials. Some suggested performance metrics will be relevant to all DHS OEs, and some will differ by OE.
4. **Service Level Agreements.** All SLAs between DHS OEs and support service providers (both internal and external) will include:
 - a. Resources Required
 - b. Performance Period
 - c. Performance Metrics and Reporting
 - d. Responsibilities
 - e. Funding Mechanism

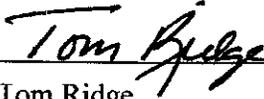
- f. Terms and Pricing for Services
- g. Dispute Resolution Process
- h. Corrective Action Plans
- i. Termination Policy
- j. Continuous Improvement Goals
- k. Signatures of the Responsible Director for the Provider, the Receiver of Service, and the DHS CHCO
- l. Other content as determined by the DHS HC Council

D. **Implementation** of these policies and programs may be delegated to managers and supervisors responsible for managing assigned personnel. Managers and supervisors at all levels are accountable for the execution of responsibilities within the framework of Federal and DHS policies.

VII. Questions

Questions or concerns regarding this directive should be addressed to the Office of the DHS CHCO.

Dated: October 28, 2004



Tom Ridge
Secretary of Homeland Security