

**PROGRESS IN ADDRESSING MANAGEMENT  
CHALLENGES AT THE DEPARTMENT OF  
HOMELAND SECURITY**

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**HEARING**  
OF THE  
**SELECT COMMITTEE ON HOMELAND  
SECURITY**  
**HOUSE OF REPRESENTATIVES**  
ONE HUNDRED EIGHTH CONGRESS  
SECOND SESSION

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## **PROGRESS IN ADDRESSING MANAGEMENT CHALLENGES AT THE DEPARTMENT OF HOMELAND SECURITY**

**Thursday, May 6, 2004**

HOUSE OF REPRESENTATIVES,  
SELECT COMMITTEE ON HOMELAND SECURITY,  
*Washington, DC.*

The committee met, pursuant to call, at 10:42 a.m., in Room 2318, Rayburn House Office Building, Hon. Christopher Cox [chairman of the committee] presiding.

Present: Representatives Cox, Dunn, Shays, Camp, Shadegg, Sessions, Turner, Dicks, Frank, Slaughter, DeFazio, Lowey, Andrews, Norton, Lofgren, McCarthy, Pascrell, Etheridge, Lucas, and Chandler.

Chairman COX. [Presiding.] Good morning. A little over a year has passed since the Department of Homeland Security opened for business on March 1, 2003. With the stroke of a pen, the President and the Congress created the third largest cabinet department and with it a remarkably lengthy to-do list. The task that we set before the leaders of this new Department required creative thinking and extraordinary energy, as we are now keenly aware, also definite persistence.

The Homeland Security Act not only created entirely new functions, such as intelligence fusion, infrastructure protection and cybersecurity that had to be built from scratch, but also required the merger of 22 government agencies into one coherent whole. That is a management challenge of the first magnitude.

Secretary Ridge and you, Admiral Loy, have taken command of not one but many distinct organizations, each with its own operating culture and mission, and you have had to undertake this complex merger in a near constant heightened alert environment and while under unprecedented scrutiny from the administration, the Congress and the American public.

There has been no greater challenge to leadership in any of our Federal agencies, and I want to commend the Secretary and you, Admiral Loy, for the remarkable progress that you have made in one short year. Some of the Department of Homeland Security's accomplishments over the past year have been visible. Others have taken place behind the scenes.

Everyone has been able to see our airports, seaports and borders hardened, and a good deal of publicity has surrounded the Federal government's grants of billions of dollars for States, local governments and first responders to help prepare our communities for

terrorist attacks. Less visible but just as important is the dramatic improvement in intelligence and information sharing among Federal agencies and their State and local partners.

Today, we have asked Admiral Loy to join us to talk about all of these accomplishments and the many remaining management challenges. While the operational and analytical elements of the Department have been busy preventing and protecting us from terrorist attack, the Department's managerial leadership has been developing an overarching strategic plan to guide the Department's future.

You have been working on integrating legacy systems and procedures in order to achieve a more centralized, mission-focused structure. This integration is critical to the long-term success of the Department and its mission to make America safer. It will be, therefore, a continuing focus of congressional oversight.

Admiral Loy is the Deputy Secretary and the functional equivalent of chief operating officer who is leading this effort, and by all accounts your leadership is visionary and firm. Thank you on behalf of the American people for your dedication and hard work and we welcome your testimony today.

Management Directorate, which Admiral Loy oversees, has been tasked with consolidating administrative support systems Department-wide and enhancing interoperability of the many legacy IT systems within the Department. We hope to learn more today about the effectiveness of these efforts and to offer our support to ongoing efforts to consolidate and integrate DHS operations as quickly as possible.

This committee has an important role to play in working with the Department during this merger integration process. By focusing on milestones and setting goals for management improvements, this committee can help the Department to implement your strategic plan—a plan that is in place and that will build upon the successes of the past year.

We look forward to working with you, Admiral Loy, on setting achievable goals and milestones for implementing your strategic plan and in making sure that this plan is tied to the 5-year budget that you will be submitting to Congress later this month.

We also look forward to working with you as we continue to develop our DHS authorization bill. The committee clearly wants this authorization process to be an institutionalized means of helping the Department, now and over the long-term. As you know, one of the ideas that we have discussed is elevating the Department's cross-cutting management functions into your office in order to provide clearer lines of authority and responsibility with respect to IT personnel, procurement, and finance functions.

We will work with you to ensure that these and other reforms that we may adopt help you to do your job better, which is our goal. I thank you again for your appearance today and now recognize the ranking member, Mr. Turner from Texas, for an opening statement.

Mr. TURNER. Thank you, Mr. Chairman. Welcome, Admiral Loy. We appreciate your presence here, and I know I speak for everyone on the committee when I say thank you for your continued service to our country.

I know you face a daunting challenge in trying to oversee the integrating of the 22 legacy agencies and 180,000 employees, and I know it is a difficult job, and I know that you are well aware, as we all are, that some of the management challenges that you deal with are unique to your agency and that failure to carry them out correctly could subject us to serious exposures in terms of our national security, and I know you carry that burden every day.

We are here today, of course, to try to review the progress of the Department more than one year after its establishment to review your achievements and to probe some of the remaining management challenges that we know must be overcome.

I want to applaud you for your progress. The issuance of the first strategic plan earlier this year was a needed step, and I think it is clear the Department one year into its existence is much more mature today, and its structure seems to be gaining greater clarity.

There are issues, of course, that we all know remain and some that have come to my attention, including my concern about the widely reported accounting irregularities involving a suspected \$1.2 billion shortfall, which we understand led two of your departments' front-line units to declare a hiring freeze earlier this spring. I would like to know whether this suspected shortfall was the result of an internal accounting error or failure of coordination between Department components or whether it is really a true budget shortfall.

With a total budget of \$36 billion for this fiscal year, I know you agree that it is critical that the Department be able to account for its finances with precision and be overseen by a strong Chief Financial Officer.

Information technology is another area that remains, I think, a management challenge. I am concerned the Department may be falling short on integrating the basic systems that would improve daily operations and improve information sharing and ensure that the Department is a unified and well run agency. It is troubling to me, as described by an official source in the press, that the Department may not know, for example, how many employees it actually has. And, obviously, that kind of information in the press undermines the credibility of the Department. And I am not sure I understand why that kind of information would not be in existence.

I also find it somewhat troubling that the Chief Procurement Officer and the Chief Information Officer appear to be organizationally weak and may not have sufficient authority over the hundreds of legacy agency systems and functions for which they are responsible.

I know there have been a number of initiatives made in this area, such as the Investment Review Board to examine purchases over \$50 million, and additional reforms may be needed to ensure the Department's purchases and use of IT are appropriately coordinated.

I also am concerned with the reports that there is a high degree of turnover among executives in the IT and contracting areas. Clearly, such occurrences in high turnover would hamper the ability of the Department to accomplish its mission.

And, finally, I want to briefly touch upon the new pay-for-performance system for employees. We all understand the vital mis-

sion of protecting the homeland depends upon a highly skilled and highly motivated workforce. We know we can invest billions in technology, have the best strategies available, but, ultimately, our security lies in the hands of the dedicated men and women who work every day in your Department.

I hope the Department continues to develop its human resources system, and as you do so seek to ensure fairness, transparency and employee involvement in the overall process. Unless our employees are appropriately compensated and experience job satisfaction, we know their morale will suffer and our homeland security will be compromised. As a former military officer, I know you understand very well the value of the highly motivated and dedicated workforce.

The Department clearly has had to blaze a pathway into some uncharted territory in the last year. It has made some mistakes, but it is finding its way and it is making progress. And I know that through your leadership, Admiral Loy, along with Secretary Ridge, that the Department is committed to addressing each of the management challenges that I mentioned in accomplishing the vital mission of protecting our country.

So our committee is here in a bipartisan way to help you accomplish your task. Only by letting us know what your problems are and where the Congress needs to step forward and help can we do our job to join with you in protecting our Nation. Thank you again, Admiral, for being here. Thank you, Mr. Chairman.

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON-LEE

I would like to thank Chairman Cox, Ranking Member Turner, and our witness today, Honorable James Loy for making today's hearing happen. The subject of this hearing has been a harbinger of evil that we, unfortunately, must address if we expect to truly secure our nation before the next terror threat occurs or before another person is injured or killed. The thorough and proper integration of 22 separate agencies into one umbrella is no small task; therefore, there is always room for improvement. In this case, however, quick and complete improvements are necessary to save lives. The management and functional problems that existed when each pre-DHS division of government continue to exist now, and in fact, the integration of these divisions may have exacerbated a lot of those problems. For four (4) of the seven major agencies (i.e., Immigration and Naturalization Service (INS), Federal Emergency Management Agency (FEMA), Customs Service, Transportation Security Administration, the Office of Domestic Preparedness, the U.S. Coast Guard, and the Secret Service) that became DHS on March 1, 2003, auditors reported 18 *material weaknesses* (i.e., a condition that precludes the entity's internal control from providing reasonable assurance that misstatements, losses, or noncompliance would be prevented or detected on a timely basis) in internal control for fiscal year 2002. In addition, for five (5) of the seven (7) major agencies, auditors reported that the agencies' financial management systems were not in substantial compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996. These statistics are very troubling when we think about the reality that the Homeland Security Act essentially conglomerated the material weaknesses and proven inability to comply with the FFMIA.

For example, according to a GAO study released on September 10, 2003 (GAO-03-1134T) with respect with the former Immigration and Naturalization Service (INS), for both FY 2001 and 2002, auditors reported that INS did not have a reliable system for *providing regular, timely data on the numbers of completed and pending immigration applications, and the associated collections of fees valued at nearly \$1 billion for FY 2002!* What this means is that over the course of these fiscal years, INS did not accurately or regularly determine the fees that it earns without relying on an extensive service-wide, year-end physical count of over 5.4 million pending applications. Supposedly, INS has been working on a new tracking system to facilitate its inventory process. I would like to know the progress of this system. How can we realistically rely on the Administration's newly announced immigration policy when

we know from the above data that it may well have been created based on significantly estimated performance and fee data?

In addition, relating to the problems arising from the conglomeration of the different agencies and from a conversation that I had with a member of the Houston Airport System, there needs to be an "intermodal law enforcement mechanism" to ensure that law enforcement is in a position to react quickly once the magnitude of the emergency has been determined. For example, at Bush Intercontinental Airport in Houston, there is a concern that more law enforcement agents are needed. When an emergency arises that falls outside the scope of the Houston Police Department's (HPD's) jurisdiction, the Federal Bureau of Investigation (FBI) is the next first responder to receive the call of duty. This period of problem identification and jurisdiction determination creates a time lag that puts lives in serious jeopardy. The FY 2004 budget did not fund the addition of law enforcement personnel, so we are now in a quandary.

In addition, with respect to the hiring cap for professional and administrative positions at TSA for airports, I spoke with a constituent at the Houston Airport System and he complained that the cap is creating a major source of vulnerability. Houston has 3 airports, and two of them are considered "high traffic" or extremely busy. Furthermore, at Bush Intercontinental Airport, there is a proposal to add as many as 18 new TSA checkpoints in the expansion of its international wing. With this kind of expansion at other airports around the nation coupled with ever-increasing air travel, we need to make some serious changes in the way TSA and other divisions manage their duties.

I hope that we can arrive at some positive solutions to these problems so that the vulnerabilities that are being created don't escalate.

Thank you.

Chairman COX. Thank the gentleman. The Vice Chairman of the full committee, the gentlelady from the State of Washington, Ms. Dunn.

Ms. DUNN. Thank you very much, Mr. Chairman. After the tragic events on September 11, Congress and the President acted swiftly to create the Department of Homeland Security, a department designed to remedy internal government problems and to make it much more difficult, if not impossible, for terrorists to assail our way of life.

The issue of homeland security was not at the front of most Americans' minds before the attacks on September 11, and the organization of Federal government reflected that fact. September 11 was our wake-up call, and the President and the Congress answered that call.

The Department of Homeland Security is a demonstration of our commitment to protect Americans and to prepare in case of another attack. Creating the Department of Homeland Security has been a gigantic undertaking. Mergers of this magnitude are unusual if not unprecedented, whether we are talking about the private sector or the public sector. DHS combined the efforts of 22 separate entities, all responsible for some piece of the security puzzle, into one department focused on a new mission—to protect our homelands.

Today, we look to the Deputy Secretary of the Department of Homeland Security, Admiral Loy, to guide us through the management strategy for continuing to build a strong and focused Department. We know that managing 22 legacy agencies and organizations is an extraordinary assignment. We understand the structural and cultural barriers that hinder transformation in a merger situation. We applaud the leaders of the Department for making significant progress over this last year, and we are here to support and encourage Department-wide implementation of mission-driven policy.

The mission of the Department of Homeland Security is perhaps the most important mission that we, the Federal government, will ever undertake. I am pleased that we have individuals like Admiral Loy leading the effort, because I know he also understands it, and I look forward to your testimony, Admiral Loy.

Chairman COX. Thank the gentlelady. I would advise members that Admiral Loy has agreed to be with us for this hearing till 12:30. All members are free to make opening statements under our rules. Those members who waive opening statements will have an additional 3 minutes added to the time allotted for their questions. And so at this time, I would ask if there are further opening statements?

If not, Admiral Loy, we have, of course, your prepared testimony, and you are recognized for purposes of summarizing it for us orally.

**STATEMENT OF THE HONORABLE JAMES M. LOY, DEPUTY  
SECRETARY, DEPARTMENT OF HOMELAND SECURITY**

Admiral LOY. Thank you, Mr. Chairman. Chairman Cox, ranking member Turner, distinguished members of the committee, I am pleased to appear at the hearing of the House Select Committee on Homeland Security. The Department of Homeland Security appreciates the support we have received from this committee as we have worked with you to establish and refine this Department in support of our unified effort nationally to prevent and deter terrorist attacks and to protect against and respond to threats and hazards of all kinds to our Nation.

Authorizing oversight from the Congress is an enormously important function. It provides ideas, and it provides the reinforcement of direction and provides programmatic support as part of the annual dialogue between the executive and the legislative branches. Secretary Ridge and I and the rest of DHS recognize the value of that discourse and we try to look forward to holding up our end of the conversation.

The Department of Homeland Security has indeed made, we believe, significant organizational strides during the first year of our operation. Nearly 180,000 employees and a budget of over \$31 billion were brought under DHS just a little over a year ago.

We are in the midst really of three full-time jobs at the Department. First, we are executing the merger that has been described—22 executive branch elements coming into one cabinet-level agency. Second, we are trying to do that without detrimental impact on mission accomplishment; in fact, our challenge, of course, is to make significant improvements in meeting that mission. And, third, and last, we are forging a new identity in culture, born in the ashes of September 11, 2001 and dedicated to ensuring to the very best of our ability that such events never recur.

Any one of these challenges is a very heavy lift. All three together properly draw the attention of many to applaud, to constructively criticize or to wonder aloud as to what it is that we are really doing. That review is welcome. We certainly do not have a corner on the market of good ideas, and although we are very proud of what we have gotten done this past year, we still know we have a long way to go, and we welcome the assistance of all to help us secure America.

I believe the committee interests cross all three of our challenges, but I also sense that today we are principally interested in governance. Setting up the management structure of DHS was debated well, of course, in the creation of the Homeland Security Act. On the other hand, as often is the case, every bill is not perfect, and there are areas properly available for us to review, and I look forward to that discussion.

I would like to just offer quick comments in three areas and then take your questions. First, there are many noteworthy accomplishments to review from year one. Among the Department's accomplishments in consolidating inherited support systems during its first year are these: 8 payroll systems that have been reduced to 3, and the Department expects to be using only 1 system by the end of 2004; 22 human resource offices that have been reduced to 7; 13 contracting offices that have been reduced to 8; 19 financial management service providers that have been reduced to 10.

DHS has initiated an ambitious management initiative called eMerge2, designed to produce a consolidated enterprise solution for a variety of administrative functions, including accounting, budgeting and acquisition.

DHS has instituted and designed the Future Years Homeland Security Program, the FYHSP, the parallel, if you will, to the Department of Defense's FYDP, with the goal of tying overall strategy to a 5-year resource plan outlining long-range goals and resource requirements.

In February, the Department proposed new regulations for human resource management. The goal of the effort was to design a flexible and competitive system viewed as an opportunity to take an historic step in Federal government employment policy. The public comment period at the tail end of this project ended on March 22, 2004, but I must say how proud we are at the inclusive nature of that process from beginning to end.

We had an 80-person team that was designing this new system. That team included representatives from all walks of not only our Department but the unions that represent our employees and everyone else that we felt had an equity in the system along the way.

There are over 3,500 comments now in the public docket from the comment period, and at the present time DHS and OPM, our partner in this effort, are analyzing those comments. Officials hope to issue final regulations later this year after the meet-and-confer process has concluded. Following the issuance of final regulations, the system, as proposed, will be phased in over several years.

We have also made progress in consolidating and integrating operational programs. For example, there is currently now on the shelf an interim national response plan and a national incident management system. There is in final review the first formal version of that national response plan. This represent an effort to consolidate from as many as 12 different contingency plans which used to be on the shelf a single way that this Department will coordinate the requirements associated with any national hazard, manmade or otherwise, that comes towards this country's direction.

The Department has taken steps towards consolidating its first responder grants and programs; as Mr. Turner mentioned, those grants and programs that support the first responder community,

always the first on the scene and most often the last to leave any kind of an event. The One Face at the Border Program was designed and implemented consolidating three very different border inspection functions into one. That has now proven itself over months of use as to be a constructive change to the way we welcome people through the portals of our country.

Several programs and ideas that were free-standing and set asides of themselves have now been integrated to forge a curb-to-cockpit system of aviation security for our Nation that is admittedly not yet complete but is, oh, so much better than that which was in place on that day back in September of 2001.

It still remains clear that we have challenges that lie ahead. I would offer that information technology, further systems integration, information sharing, and issues about interoperability are areas that continue to deserve and receive serious attention in the Department. These are initiatives underway that have not culminated in a final game plan as to how best to do them. More on that thought in just a moment.

A secondary of attention from my opening remarks is vision. As the chairman mentioned, on the occasion of the first anniversary of this Department in 1 March, the Secretary published our first strategic plan. This was an effort undertaken by the leadership cadre of the Department—off-site together, no facilitators in place, just us trying to figure out the best way to forge our future.

The national strategy for homeland security and the Homeland Security Act of 2002 served to mobilize and organize our Nation to secure the homeland from terrorist threats. To be successful, complex missions required a focused effort from all society. This is an all-hands evolution for our country.

One primary reason for the establishment of the Department was to provide the unifying corps for the vast national network or organizations and institutions involved in efforts to secure our country. In order to better do this and to provide guidance to the 180,000 men and women in the Department who work every day on this important task, the Department found itself required to develop its own strategic plan.

The new vision and mission statements plus the strategic goals therein will provide the framework for the thousands of action items that will focus to daily operations of the Department. I would trust that each of you have seen copies of our plan at this point. We will certainly make sure they are sent to you if you have not.

The vision, very clearly: Preserving our freedoms, protecting America, we secure our homeland. I think its simplicity offers focus. Our mission: We will lead a unified national effort to secure America. We will prevent and deter terrorist attacks and protect against and respond to threats and hazards to the Nation. We will ensure safe and secure borders, welcome lawful immigrants and visitors and promote the free flow of commerce.

The core values of the Department of Homeland Security are personal attributes expected of every employee. I watched it work almost magically with my service in the Coast Guard for over 40 years. Core values are enormously important as that third job we undertake to build DHS identity and culture.

Those are simply three: Integrity, service before self, each of us serves something far greater than ourselves; vigilance guarding America, relentlessly identifying and deterring threats that pose a danger to the safety of our people; respect, honoring our partners, honoring the concepts for which America stands—liberty, democracy, civil rights—and act on such things as our constitutional duty requires.

And seven action oriented strategic goals: Awareness, prevention, protection, response and recovery and then service and organizational excellence as mandates from the Secretary to all of our workforce to take us where we want to go.

Objectives are arranged under each goal, and there are literally hundreds of milestones, activities and projects associated with each objective. Our planning mandate is to link each and every such activity and project to a line item in the 2006 budget as it comes forward and display its owner and timeline to any and all who would look.

I personally review those milestones monthly and demand the metrics necessary for objective monitoring of progress. This strategic plan has given the DHS workforce the confidence of knowing where their work fits into the big picture and the comfort that it all makes sense and that the boss has a solid game plan and the will to exercise it.

And, lastly, Mr. Chairman, I offer this simple notion that a department like ours with thousands of very important activities must take the time to prioritize our work. Secretary Ridge gave us all kudos for work well done in year one and then quickly delivered a set of seven key priorities for us to concentrate on in year two. They are information sharing and infrastructure protection, interoperability, integrated ports and borders, new technologies and tools, better prepared States and communities, improved customer service for immigrants and a 21st century department.

I will leave that list just on the table as a menu of things that you perhaps would like to discuss, but please know we have taken each of them, made a senior department official personally responsible for it, had a 20-page paper developed that described our intention for specific goals, responsible owners and milestones. We turned a solid information brief to the Secretary to be sure we were on the right track, and in several instances are setting up program shops to manage our progress in that subject area.

Mr. Chairman, there has been a tremendous amount accomplished since this Department was created, and we are cognizant of how much more work remains to be done. I tried to identify several areas as I prepared my testimony where the Congress might look to help us.

One of the biggest challenges that faces us at the moment, in particular, is the need to consolidate the Department's headquarters location in a single place. This co-location will serve to improve communications, provide efficiencies and better establish our identity as a department. We are working with the Armed Services Committees to expand our presence at the Nebraska Avenue complex, and I seek your support to that end.

Beyond that, we have asked Congress to delay the deadlines for biometrically based passports to be mandatory at our borders. I

personally wonder if high consequence areas like nuclear, biological and cyber are properly organized and recognized in the Department. I even wonder if adequate attention can be given to major policy judgments from a small shop well hidden inside the Chief of Staff's organization.

These are just a few of the areas the Secretary will seek your support on as we take stock after year one and try to make adjustments to how we do business. Mr. Chairman, thank you for allowing me to run on just a bit. There is just an incredible array of work being done and to be done in this new department.

Again, we are proud of our work so far, appreciative of the committee's support, but mostly the Secretary and I are proud of our workforce—180,000 plus strong who day after day make their contribution to securing our homeland. They deserve the resources and support they need to do their work and the very best leadership and management that we can muster. We are trying hard to give them that every day.

I look forward to your questions, and thank you very much, Mr. Chairman, for allowing me to make an opening statement.

[The statement of Admiral Loy follows:]

PREPARED STATEMENT OF ADMIRAL JAMES LOY

Chairman Cox, Ranking Member Turner, distinguished members of the Committee—I am pleased to appear at this hearing of the House Select Committee on Homeland Security. The Department of Homeland Security appreciates the support we have received from this Committee as we have worked with you to establish and refine this Department in support of our unified national effort to prevent and deter terrorist attacks and protect against and respond to threats and hazards to the nation.

I would also like to acknowledge the tremendous work of the Department's management team and their dedicated staff in keeping DHS on track and focused on our ultimate goal of transforming a formerly disparate set of organizations into a cohesive 21st century Department.

This reorganization of government has presented the biggest 'change management' challenge of all time. Never before have we witnessed a full-scale government divestiture, merger, acquisition and startup all coming together at once—certainly not on this scale. Neither have we seen a consolidation of this size occur with such national importance and urgency and in such a short amount of time.

Our biggest challenge was to establish the Department, transfer her employees in from other agencies, and establish a working organizational environment while making sure that we did not lose a step in accomplishing all of the critical missions with which we were charged.

This reorganization and transition required looking beyond old agendas, missions, cultures, histories and processes . . . and coming together as one holistic enterprise. It required—and finally enabled—employees from many different organizations to rally around a single mission: to deter and prevent terrorist attacks, to protect our people and infrastructure and respond to threats and hazards to our nation in a way that is respectful of individual privacy and civil liberties . . . ultimately, to secure borders, but also keep open the doors so characteristic of, and essential to, this welcoming and economically thriving country.

In the post 9/11 world, our employees renewed their respect for the importance of their jobs and recognized the need to do them differently and better. And so our charge was to unify that sense of purpose and mission. Our charge was to make it easier for them to do their jobs and, as a nation, approach the protection of our people and our way of life in a smarter, more effective and more efficient way.

When the President laid out his direction and the Congress created the Department of Homeland Security, the expectations were clear that this Department be unlike any other within the federal government. At the core of these expectations was the priority of developing a model agency for the new century that supports in an effective, efficient and rational manner the unified national effort to secure America.

In order to respond to new and different 21st century threats, this Department's organizational identity must incorporate the characteristics of flexibility, innovation, efficiency and responsiveness. The Department's ability to become a modern, agile, and integrated organization is essential to adequately support this Department in its efforts to confront the challenges of the new century in a bold way.

The definition of a 21st century Department is a consolidated and focused Department that seeks to integrate, with laser-like precision, the various resources and efforts across the federal government in order to prevent, protect against and respond to terrorist attacks that threaten the American way of life. Inherent in this definition of a 21st century Department is the need for DHS to be organized and to be able to provide the highest quality of support service for the men and women on the front lines in the war on terrorism. Just as this Department was created to execute a mission unlike any other agency in government, so should the delivery of service be as unique in supporting this critically important mission.

The Department of Homeland Security has made great organizational strides during the first year of operations. Nearly 180,000 employees and a budget of \$31.2 billion were brought under DHS a little more than a year ago.

At the same time, from the start, we also had to remain focused on our operational activities—that is, while we worked swiftly to get servers up, systems consolidated, a stapler on every desk—we had to be squarely focused on the protection of the country.

Operationally, one of the top priorities achieved by the Department was to integrate specific departmental functions to enhance efficiencies and create greater accountability in one seamless border service. For the first time in the country's history, all agencies of the United States Government with significant border responsibilities have been unified into one agency of our government, Customs and Border Protection (CBP); one agency, one face, to manage and secure the Nation's borders.

#### *Strategic Planning, Financial Management, & Budget*

The Department's first high-level Strategic Plan was released in February. This Strategic Plan sets forth the vision and mission statements, core values, guiding principles and strategic goals and objectives that provide the framework to guide the actions that make up the daily operations of the Department. The full breadth of our activities is guided by the high-level goals of: Awareness, Prevention, Protection, Response, Recovery, Service, and Organizational Excellence.

The Department's Strategic Plan reflects the determination of our nation to prevail against terror, to protect our homeland and to improve the way we serve our diverse customers. Describing who we are and what we do, it conveys the beliefs and values that govern our conduct. It outlines what we will accomplish. This document provides the vision and direction, as well as the goals and objectives for the Department while our detailed budget plan describes how we will achieve those results. Each program in the budget plan will be linked to our goals and objectives and will have timelines and ownership associated with specific performance.

One of the biggest strategic challenges currently facing DHS is the need to consolidate the Department's headquarters operations in one location. This collocation will significantly improve the communications, efficiency, and effectiveness of the Department's management and day-to-day direction. Without Congressional approval, however DHS cannot fully move into its preferred headquarters—the Nebraska Avenue Complex (NAC), which is currently an active military base. DHS, the Navy, and the General Services Administration have jointly submitted a legislative proposal to establish the DHS headquarters at the NAC. We believe Congress should pass this legislation as a stand-alone bill so that the Department can consolidate its headquarters as soon as possible. Every day that DHS fails to consolidate its operations, the Department is hobbled in achieving its ultimate goal of protecting the American people and the homeland.

Equally important to this Department is sensible financial management and sensible financial management requires informed financial and management decisions. To ensure policy decisions are made based on sound rationale, such as a program's contribution to our strategic goals and measurable results, DHS has put in place a comprehensive planning, evaluation, and investment review process.

At the core of this process is the Future Years Homeland Security Program—FYHSP. Section 874 of the Homeland Security Act of 2002, requires the Department to prepare the FYHSP. The FYHSP process will help ensure that current and out year program requirements are properly identified, planned, and aligned with DHS goals and priorities and have measurable meaningful performance outcomes. The Department's first FYHSP is expected to be provided to Congress this month.

In the past year, an Investment Review Board (IRB) and Joint Requirements Council (JRC) were established. The JRC identifies crosscutting opportunities and

common requirements among DHS Organizational Elements for investments and aids in determining how best to ensure that the Department uses its resources wisely and in the best interest of the American public. The IRB is an executive committee that reviews high-level investments for formal entry into the annual budget process and also serves as a forum for discussing investment issues and resolving problems requiring senior management attention. Specifically, the IRB and JRC review major capital investments to:

- Integrate Departmental priorities, resource planning, investment control, budgeting, acquisition, and investment management to ensure resources are wisely used.
- Ensure that spending directly supports and furthers DHS's mission and provides optimal benefits and capabilities to stakeholders and customers.
- Identify poorly performing programs and investments so corrective actions can be taken.
- Identify duplicative efforts for consolidation and mission alignment when it makes good sense or when economies of scale can be achieved.

Over the past year, DHS has streamlined the number of financial management service providers in the Department from nineteen to ten with a continual focus on further consolidations. We are implementing a consolidated bankcard program that is reducing the significant number of bankcard programs for purchase, travel, and fleet throughout the Department among the 22 legacy entities to three. We developed and delivered to Congress on time, the Department's FY 2005 President's Budget and accompanying Congressional Justifications. We subjected ourselves to, and successfully completed, an audit of our consolidated FY 2003 financial statements. We have also made strides in our attempt to build one financial system for the Department. Most importantly, all of this has been accomplished with no negative impact on mission operations.

Essential to sound financial management is a sound and robust financial management system. When DHS was created, we inherited over 100 resource management systems from the 22 organizations that were merged to create DHS. Few of these systems are integrated, several are outdated and many have limited functionality. To address this problem, the Department has undertaken a resource transformation initiative entitled *eMerge*<sup>2</sup>. The goal of *eMerge*<sup>2</sup>, which stands for "electronically Managing enterprise resources for government effectiveness and efficiency", is to improve resource management and enable the bureaus to move "Back Office" effectiveness and efficiency to "Front Line" Operations.

*eMerge*<sup>2</sup> is a business-focused program that seeks to consolidate and integrate the Department's budget, accounting and reporting, cost management, asset management, and acquisitions and grants functions. Once procured and developed, the solution will be rolled out in several phases focusing first on those organizations most in need of improved basic financial management services. *eMerge*<sup>2</sup> is currently in the midst of an exhaustive requirements definition and design phase, which is expected to evolve into a solutions acquisition phase this summer. As *eMerge*<sup>2</sup> is implemented over the next few years, it will greatly enhance Departmental visibility, oversight and accountability of component operations and financial management.

Holding managers accountable for achieving established goals and results is integral to DHS's financial management and planning. Towards this end, the performance budget forges a strong link between resources and performance, shows what is being accomplished with the money being spent, and establishes accountability for the levels of performance achieved. The Program Assessment Rating Tool (PART) complements the performance budget by providing the Department an objective means of assessing the value and contribution of individual programs to achieving the Department's objectives. It also provides a tool for assessing how the program is being managed.

#### *Shared Services*

In July 2003 an integrated project team was established to realign and transform support services for the 68,000 mission delivery employees assigned to Immigration and Customs Enforcement (ICE), Customs and Border Protection (CBP), and Citizenship and Immigration Services (CIS). This was especially difficult because ICE was highly decentralized, and CBP was highly centralized. The team was to develop a basis for shared services, consolidate services where appropriate to realize economies of scale, and ensure accountability. The result was that CIS, ICE, and CBP each became primary service providers for selected services. For example, CBP provides facilities acquisition and management, ICE provides supervisory leadership training, and CIS provides records management. For some services, however, the three components remain self-supporting. Those services include procurement, per-

sonal property, budget, and labor and employee relations. This effort within the Department is referred to as the “Tri-Bureau” effort.

On March 1, 2003, DHS faced the daunting task of supporting 22 different components receiving services from nine different parent agencies. To provide continuity of service, DHS signed Memoranda of Understanding (MOU) with each of the parent agencies to continue that support. Then, on May 1, the Under Secretary for Management established a transition team to consolidate support services throughout the department. The team identified 255 unique services in the 22 components and DHS headquarters resulting in 3,457 separate services requirements. The services were catalogued under eight lines of business: administrative services, human resources, information technology, procurement, financial management, civil rights, legal, and security. By October 2003, the department was supporting 1463 of the 3457 services, and it is the expectation that most of the services will be provided by DHS by the end of FY 2004.

The Department’s Office of Administrative Services has been able to consolidate 35% of Administrative Services functions through the Tri-Bureau effort. Additionally, DHS has consolidated 22 different personal property management systems down to 3 and will utilize one, single property management system with implementation of the emerge2 initiative.

The Department has also managed to consolidate 22 different processes for each administrative support service across the Department, such as mail, printing, vehicles, etc., down to 8 processes. Further implementation of the shared services strategy utilized under the Tri-Bureau effort will allow even further consolidation of these processes to occur.

The consolidation of processes and systems supports the DHS goal of being a 21st century Department. Above all, supporting the DHS organizational elements in their mission is the top priority. The use of national standards, proven management controls, and a practice of continuously improving program performance are enabling the Office of Administrative Services to effectively develop and implement a consolidated approach for the management of DHS safety, environmental management, records and publications, real property, personal property, and mail operations.

For example, asset management and mail management consolidation studies are currently underway within the Department. The intent of the real property consolidation studies, as part of our overall asset management plan, is to assess and analyze the Department’s real property portfolio to develop the most effective and efficient profile that best supports the organizational mission.

The Asset Management Board is responsible for coordinating and reviewing the policies, procedures and utilization of the physical assets of the Department including real and personal property. The board ensures consistent priorities for capital improvement projects at all levels. In addition, the Board oversees a system of asset program councils that bring together program experts and users to define guidance, metrics and requirements. These councils serve multiple roles: program management oversight and control, strategic sourcing initiatives, and development of new joint requirements.

Additionally, integrated and standardized mail handling and management processes are currently under development to improve the security, movement, and delivery of mail across DHS, and the development of consolidated mail facilities are already improving the productivity and safety of the DHS mail operations.

#### *Procurement & Acquisition*

Within the procurement and acquisition arenas, the Department has consolidated acquisition support for the 22 legacy agencies within 8 major procurement programs within DHS. Acquisition support for S&T, IAIP, CIS, ODP, the Office of the Secretary and Under Secretary for Management, as well as other headquarters customers has been consolidated within one major acquisition program.

DHS is currently managing several complex enterprise-wide acquisition programs. The U.S. Coast Guard’s Integrated Deepwater System (IDS) Program, for example, is one of the largest performance-based acquisition programs in the United States. The Coast Guard, one of the nation’s five armed services, is a military, multi-mission, and maritime service within the Department of Homeland Security. This service is responsible for the protection of the public, the environment, and U.S. economic and security interests in the maritime domain—including America’s coasts, ports and inland waterways as well as international waters.

In order to meet America’s 21st-century maritime threats and challenges, the Coast Guard initiated the Integrated Deepwater System (IDS) Program in the late 1990s. The Deepwater Program is intended to provide the capability and capacity for the Coast Guard to meet all maritime missions legislatively mandated in the

Homeland Security Act. Deepwater assets are needed to perform missions in ports, waterways, coastal areas, and extending seaward to anywhere the Coast Guard needs to take appropriate action and respond 24 hours a day, every day, in various environments from Arctic to tropical and equatorial climates throughout the world. The Deepwater Program will recapitalize and transform the Coast Guard to ensure it has the necessary platforms and systems to continue to meet these and future missions and sustain its operational excellence well into the 21st century.

The Office of Small and Small Disadvantaged Business Utilization (OSDBU) has created a robust and innovative outreach program for its constituency. Outreach includes counseling on how to market to DHS and its buying activities and provides opportunities for these small businesses to engage both federal government employees and large business concerns that may be interested in the supplies or services these firms offer. The OSDBU has conducted extensive outreach to the Department's business partners and has assisted in the development of a website designed to assist the private sector in realizing business opportunities with the Department.

DHS has also implemented new and consolidated acquisition policies and procedures (Homeland Security Acquisition Regulations and Homeland Security Acquisition Manual) that are among the most flexible in the entire federal government. Under them, simplified selection procedures are authorized for "commercial item" purchases of \$7.5 million or less—that's 50 percent higher than most agencies—and red tape can be slashed altogether for so-called "micro-purchases" under \$7,500, triple the normal amount. Publication of this regulation and guidance was another major step in combining the cultures of 22 disparate agencies by ensuring that these organizational elements now operate under a single, DHS-wide program regulation.

We've also established a department-wide program for strategic sourcing and supply chain management. Specifically, DHS has initiated 14 cross-functional commodity councils tasked with creating sourcing strategies for goods and services acquired throughout the Department. Councils govern a wide range of requirements, from simple items such as office supplies, to more sophisticated requirements, such as boats and their maintenance, or complex IT infrastructure needs. Accrued savings in excess of \$1M is expected for consolidation of handgun testing requirements. Combining office supply needs will result in realized savings of 55 percent off retail pricing arrangements. For DHS Headquarters alone, approximately \$750,000 was saved over a six month period. Significant savings have been realized in the early stages of this initiative—for FY 05, a total of \$100 million is expected to be realized.

In February of 2004, DHS announced its partnership with the Department of Defense's EMALL program, which is an internet-based marketplace that allows purchasers to access DoD's wide variety of vendors and catalogs and enhances DHS' ability to provide a one-stop shopping experience to acquire the goods and services needed to support DHS' mission. The partnership with DOD EMALL enables DHS to participate in one of the largest existing government-to-business exchanges and will result in a projected savings for the Department in FY 05 of \$8 million.

#### *Human Capital*

In the area of human capital, we have made tremendous strides towards organizational efficiency and unified policy. The Department has managed to consolidate the 22 different human resource servicing centers that existed and reduced the number down to seven with the goal of consolidating down to three or fewer of these centers. Additionally, the eight different payroll systems have been consolidated down to three, with the goal of utilizing one, single payroll provider for the entire Department by Spring 2005.

Our Human Capital office has also established unified policies on performance management and Senior Executive Service performance appraisals.

As the Congress recognized with the passage of the Homeland Security Act, DHS has been given a critical responsibility. Our mission is to protect the country from terrorists and keep terrorists' weapons from entering the country. We can't afford to fail. We need the ability to act swiftly and decisively in response to critical homeland security threats and other mission needs. It is essential that we continue to attract and retain highly talented and motivated employees who are committed to excellence—the most dedicated and skilled people our country has to offer. The current system is too cumbersome to achieve this goal.

The existing system was designed for a different time. The world has changed, jobs have changed, missions have changed . . . and our HR systems need to change as well to support this new environment. The current system, while it has many positive features, is insufficient to meet our needs.

The Department, in conjunction with OPM, had an historic opportunity to design a system that meets our critical mission requirements and is responsive to DHS employees. We understood Congress' desire to allow employees to participate in a

meaningful way in the creation of a new system. With OPM Director James' support and leadership, we engaged in an unprecedented collaborative effort to create the new system. Over 80 DHS employees, supervisors, union representatives and OPM staff were appointed to a Design Team. During the spring of 2003, that team conducted 64 nationwide town hall and focus group meetings to gain input from employees in all major DHS components. They also contacted over 65 public and private sector organizations and human resource experts as part of their research. The Secretary appointed a Senior Review Committee to guide the work of the Design Team and to review all the options developed by the Team. The Committee included both DHS and OPM leaders and the three Union Presidents from the largest DHS unions.

In developing these proposals for a new human resource management system, the Secretary and the Director accepted the guiding principles developed by the Senior Review Committee and the Design Team. These principles state that the Department of Homeland Security must ensure, first and foremost, that such systems are mission-centered. Such systems must be performance-focused, contemporary, and excellent. They must generate respect and trust; they must be based on the principles of merit and fairness embodied in the statutory merit system principles; and they must comply with all other applicable provisions of law. We have worked hard to solicit the input of our employees and their representatives, the general public, and other interested parties during the thirty day public comment period.

We are proposing a system that has a stronger correlation between performance and pay and greater consideration of local market conditions. Our proposal contains three major changes to the current General Schedule pay structure: first, we have proposed open pay ranges eliminating the "step increases" in the current system which are tied to longevity; second, we are proposing that pay would be adjusted by job type in each market not across all job types in each market; and third, we are proposing to create performance pay pools where all employees who meet performance expectations will receive performance based increases.

The proposals for performance management are designed to foster high levels of performance and to ensure that good performance is recognized, rewarded, and reinforced. The system will be designed to make meaningful distinctions in performance and to hold employees accountable at all levels. We are proposing to phase in the performance management system before making any adjustments to pay based on that system. We are fully cognizant that this is one of the biggest challenges that lies ahead and that there is detailed work that must be done before we can implement the new system.

Our proposed labor relations construct meets our operational needs while providing for collective bargaining and encouraging consultation with employee representatives. One of the most significant changes which we have proposed is the scope of bargaining over management rights. In the face of a committed and unpredictable enemy, the Department must have the authority to move employees quickly when circumstances demand; it must be able to develop and rapidly deploy new technology to confront threats to national security; and it must be able to act without delay to properly secure the Nation's borders and ports of entry. We propose that the Department not be required to bargain over the exercise of these rights. Our proposal provides for consultation with employee representatives both before and after implementation when circumstances permit. We have proposed to retain the same bargaining obligations as we have today concerning the exercise of the remaining management rights.

We recognize that these are significant changes. They are necessary for the Department to carry out its mission and fulfill the requirements of the Homeland Security Act to create a 21st century system that is flexible and contemporary while protecting fundamental employee rights. We have developed these proposals with extensive input from our employees and their representatives. And we continue to encourage a dialogue as we proceed through the regulatory process.

The comment period for the proposed regulations closed on March 22nd—there are approximately 3,500 comments in the public docket including comments from members of Congress, the unions representing DHS employees, other employee groups, individual employees, and members of the general public. Those comments are being analyzed at this time.

As required by the Homeland Security Act, DHS and OPM are reviewing all the recommendations from employee representatives and will prepare, after full and fair consideration of those recommendations, a Congressional notification which highlights those recommendations which have been accepted and those which have not been accepted.

DHS and OPM have worked with the Director of the Federal Mediation and Conciliation Service to draft procedures to govern the legislatively-mandated "meet and

confer” process—we will be reaching out to employee representatives who commented on the proposed regulations to include them in this process as appropriate. Additionally, DHS and OPM have continued to have discussions with the three major unions representing DHS employees—to ensure a clear understanding of their joint comments and to agree on the process going forward.

We hope to issue final regulations later this year after the meet and confer process has concluded—and to begin, as indicated in the preamble to the proposed regulations, a phased approach to implement the regulations across DHS. We have asked for over \$100 million to support the implementation of the regulations including monies to support training of our managers in the new system—implementation will continue throughout the next two fiscal years.

In the interim, our employees continue to do outstanding work on behalf of the American people. We are proud of all we have accomplished in our first year. And, we are especially proud of the employees who have made it possible.

#### *Information Technology*

Information technology will provide the Department of Homeland Security a competitive edge as it transforms into a 21st century agency. There is no mission endeavor that will not benefit by exploiting information technology to prevent terrorism, or to facilitate the movement of goods and people. Whether it is sharing the latest geo-spatial data with our federal, state, local, and tribal partners, or processing immigration benefits, information technology will enable smarter, more customer friendly solutions for America. Further, modern back-office systems to provide a responsible accounting of the taxpayers’ funds and to manage a highly motivated workforce must be deployed quickly and cost effectively to manage our 180,000 employee workforce.

Merging 22 agencies, also presents information technology challenges for our 21st century agency. Rationalizing disparate technologies with conflicting business rules, consolidating data centers and networks, getting the right information to border agents, preventing cyber attacks against our mission critical systems, or even having a common email system must be achieved to help detect and deter future terrorist attacks.

The challenge facing the IT function of DHS is very complex. For example, to accomplish its dual mission of border security and trade facilitation, U.S. Customs and Border Protection (CBP) is modernizing its operational processes and the information technology that supports them. As an integral component of “Smart Borders,” the web-based Automated Commercial Environment (ACE) will provide CBP officers with the state-of-the-art tools and enhanced information they need to decide—before a container or other cargo reaches the border—what should be targeted because it is high risk, and what should be expedited because it complies with U.S. laws. The burden of paper-intensive manual processing of goods will be significantly reduced, facilitating the movement of commerce, and reducing costs for both government and the private sector. The ACE will provide a single, centralized, on-line access point to connect CBP and the trade community, enabling businesses and their CBP account managers to have a national account view of their trade activity. Through the creation of a shared data warehouse, ACE will enable border enforcement agencies access to a large volume of information, streamlined data collection, and a significantly enhanced capability to share and analyze information. The ACE will ultimately be delivered to all ports, locations, and transportation modes.

Ultimately, there are three major areas of focus with regard to information technology within the Department. The first is to ensure that the men and women on the front lines of the Department have all the IT enabled solutions, tools, and training they need to safeguard the United States and to deliver the Department’s safety and service related missions. We must deliver new mission solutions with quality and speed, in a secure and cost-effective manner.

The second area of challenge addresses the integration of existing IT enabled solutions. Guided by our Enterprise Architecture, the Department is identifying opportunities to consolidate and rationalize mission solutions. For example, in mission areas like threat identification and management, identity credentialing and collaboration, we have identified multiple solutions in use within the various organizational elements of the Department. The IT role is to facilitate the operators and subject matter experts in our agencies in determining the optimal number and nature of mission solutions needed.

Finally, the third area of challenge is to realize efficiencies and economies of scale that the President and Congress desired by creating DHS. We must rapidly identify and eliminate overlap and redundancy within the IT infrastructure, as well as in key IT support programs including Information Security. At the same time, we must

ensure that we maintain mission operations while we restructure, integrate, and consolidate our IT infrastructure.

In his proposal for creating the Department nearly two years ago, the President highlighted the use of enterprise architecture techniques to improve both the sharing and use of information. The President stated that the “development of a single enterprise architecture for the department would result in elimination of the sub-optimized, duplicative, and poorly coordinated systems, and processes, that are prevalent in government today. There would be rational prioritization of projects necessary to fund homeland security missions based on an overall assessment of requirements rather than a tendency to fund all good ideas beneficial to a separate unit’s individual needs even if similar systems are already in place elsewhere.”

The Department’s leadership has discussed the vision and strategy of DHS and how that strategy must fulfill the President’s vision; additionally, that vision must be supported by a disciplined capital planning and investment control process that is guided by business-driven enterprise architecture. Version 1 of the enterprise architecture describes a target information management infrastructure that will be dramatically different from the one DHS has today. One that will provide timely, accurate, useful and actionable information to all individuals who require it all the time. We believe this effort was truly unique in the federal government in that we delivered a comprehensive and immediately useful target enterprise architecture in less than four months.

Version 1 of the Homeland Security Enterprise Architecture (HLS EA) defines the enterprise architecture at a conceptual level and outlines a general transition strategy that must be broken down further for the architecture to be implemented.

Version 2 is currently on track for completion early in the 4th quarter, FY04. Along with continuing the hard work of developing greater detail, we will continue reaching deeper to find more opportunities for consolidation and opportunities to develop new and improved mission support capabilities enabled by information technology. Version 2 of the enterprise architecture, together with the associated transition plan, will serve as the basis for further improving DHS mission performance and facilitating IT alignment, integration, and consolidation.

By creating the Department, the Congress took a great step toward bringing together many of the Federal agencies involved in homeland security—Customs, INS, FEMA, and others. We’ve put significant efforts into integrating these functions, both at the level of technology and at the level of operational processes. We’ve built and continue to optimize a single DHS wide-area network, and we’ve established a common e-mail domain and Department-wide collaboration capabilities.

Under the direction of Secretary Ridge, the Department was tasked with the creation of an integrated information technology (IT) infrastructure that supports the missions of the Department and is accessible by federal, state and local law enforcement agencies. To carry out that activity, the DHS CIO, with representation from every major DHS directorate and key agency/bureau, established the goal of “One Network” by December 2004 and “One Infrastructure” by December 2005.

The DHS *IT Infrastructure Roadmap*, completed in FY 2003, delineates the integration, consolidation, and transformation of existing DHS infrastructures into a single world-class IT infrastructure capable of supporting real-time information flow throughout DHS. The Roadmap focuses on centralizing development of standards and protocols, improving transportation of information, and streamlining processes and procedures, to achieve a centrally managed, homogeneous IT infrastructure with an integrated network, consolidated data centers, and standardized collaboration and desktop environments.

Immediately after the Department’s formation last Spring, the key Federal agency partners laid the policy basis for information sharing in a Memorandum of Understanding that gives priority to preventing terrorism and mandates faster and broader exchange of law-enforcement and intelligence data. Additional MOUs and operating agreements implementing this policy have been developed around specific needs.

*Watch List Consolidation, Interoperability, Information Sharing, & Infrastructure Protection*

In May, the President established the Terrorist Threat Integration Center (TTIC), and DHS immediately assigned staff on site to coordinate information exchange, while technical staff have been working closely to establish secure communications for automated operations.

Following issuance of HSPD-6, Secretary Ridge, Attorney General Ashcroft, Director of Central Intelligence Tenet and Secretary Powell established a framework for interagency cooperation to set up the Terrorist Screening Center for initial operations on December 1. DHS, FBI, and State Department staff have moved into this

joint operations center, and have established the secure communications and systems to create a consolidated Watch List for use by all key agencies. At the same time, the agencies are planning for a 2004 milestone to further automate the distribution of these data by establishing direct system-to-system links, based on a common data format.

Agreed standards for data exchange are a key enabler for integrated computer systems. DHS is leveraging work already under way in the Department of Justice through its GLOBAL Information Sharing Initiative and the Intelligence Community's Metadata Working Group. Our goal is maximum use of common data formats so that Federal and local partners can build systems that will immediately interoperate with others, without expensive customization.

In March, Secretary Ridge announced the initial deployment of the first component of the Homeland Security Information Network (HSIN). This component, based on software adapted from the Department of Defense, will provide secure communications between DHS and 100-plus sites in all 50 states and major cities. Additional capabilities will be added to the HSIN framework, which is designed to create a shared collaboration space among all Federal, State, and local entities partnering in the homeland-security mission.

Whether fighting a fire or responding to a terrorist attack, efficient and effective emergency response requires coordination, communication, and the sharing of vital information and equipment among numerous public safety and security agencies. As the *National Strategy for the Physical Protection of Critical Infrastructures and Key Assets* makes clear, "systems supporting emergency response personnel, however, have been specifically developed and implemented with respect to the unique needs of each agency. Such specification complicates interoperability, thereby hindering the ability of various first responder organizations to communicate and coordinate resources during crisis situations."

In line with the needs of emergency response providers and the National Strategy cited above, DHS has developed intradepartmental program offices to address several key homeland security priorities. Accordingly, DHS is establishing a program office to significantly improve interoperability, allowing firefighters, police officers and other emergency personnel to communicate and share equipment with each other during a major disaster. The Directorate of Science and Technology (S&T) within DHS has been tasked to lead the planning and implementation of the Office of Interoperability and Compatibility (OIC) in coordination with other DHS programs. By coordinating and leveraging the vast efforts spread across the federal government, OIC will reduce unnecessary duplication in programs and spending, identify and promote best practices, and coordinate federal activities related to research and development, testing and evaluation, standards, technical assistance, training, and grant funding related to interoperability.

In a related vein, the Department has announced the formation of a Federal Advisory Committee on Data Integrity, Privacy and Interoperability to advise the Secretary and the Chief Privacy on programmatic, policy, operational, administrative and technological issues within the Department that concern privacy, data integrity and data interoperability. This Advisory Committee will serve an important function to ensure that DHS decision-makers have available the expertise of leading authorities on these matters as policies concerning data sharing are developed and implemented.

There has been a tremendous amount accomplished since this Department was created, and we are fully cognizant that much more work remains to be done. We must also focus on further refining ourselves and our identity both operationally and organizationally. Some of these steps to accomplish this objective have been laid out for you today. We look forward to continuing to work with the Committee and the Congress in furthering our national goal of ensuring the security of this great nation.

Chairman COX. Thank you very much, Admiral Loy. We are, of course, on both sides of the aisle very proud of the 180,000 plus people that work at the Department of Homeland Security. And as I mentioned and Mr. Turner mentioned and Ms. Dunn mentioned, the operational side of DHS couldn't be more important and more noticed by us in Congress and by the country.

The importance of the operational side and the analytical side of DHS is one of the reasons that your management challenges are so great, because at the same time that the Nation expects you to execute all of these functions and perform all of these analyses and

undertake all of these activities, we also want you to consummate this merger. We also want you to build from scratch brand new pieces of this enormous cabinet department that didn't exist before.

I want to, just for flavor, put before you three quotations from different observers about the management challenges that DHS faces and ask you to react to them as scene setters. First, Professor Donald F. Kettle, who is a public administration expert, offers the observation that, quote, top officials have been able to devote relatively little time to the vast management problems of getting such a large operation up and running, because senior officials are so buried under the pressing day-to-day operational issues and have little energy and less time to devote to resolving management issues.

Second, the General Accounting Office has observed that, "The challenges in integrating disparate organizational cultures and the major transformation that DHS is undergoing requires a strong Chief Operating Officer to elevate attention to and integrate management initiatives and institutionalize accountability for addressing them."

Third, "Most independent experts," this is a quotation, "Most independent experts consistently find that successful change management initiatives can take from 5 to 7 years."

Given the challenges that DHS faces in merging 22 agencies, many with their own long-standing management challenges, the organizational transformation that you are trying to work, I would ask you to take into account some of these comments are critical, some mere observations, and tell us the following: First, how long do you believe it will take before the Department can achieve what you would consider to be full integration? And for that purpose, imagine your aspirational goal for what full integration could theoretically mean.

Second, do you see yourself as filling the job description of the strong chief operating officer? And I don't mean for you to have to evaluate your strengths and weaknesses but rather the box that you have on the chart. Is that job that you hold responsible for being the strong chief operating officer that GAO says that we need?

Third, is there anything that we can do organizationally, that Congress can do to assist you in this respect so that this taffy pull that Professor Kettle mentions that you have got to do two things at once—you have got to run the place, and then you have got to tackle the management challenges—that it isn't a distraction but rather we can do both simultaneously?

One option, as you know, this committee is considering is transferring the components of the management directorate to the Office of the Deputy Secretary. TIOs, by way of example, and the Department of Transportation and Commerce are located in the Office of the Secretaries, elevating positions such as the CIO and the CFO would enable them to more easily and more efficiently guide Department-wide policy efforts.

What are your thoughts? Do you agree that reform such as that might help enhance overall management of the Department?

Admiral LOY. Thank you, Mr. Chairman. It is a very wide-ranging question. Let me see if I can take it in pieces. First of all, with

respect to how long it will take, of course we all have as a reference point the last time we tried this kind of reorganization in the Federal government was about 1947, and it took us about 40 years, and that just got us to Goldwater–Nichols where we had an awful lot more work to do after that. So that standard is certainly something that we are not abiding by.

I truly believe, sir, given where we have come from, and even some of the numerical references I tried to give you in my opening testimony where we started with 19 of these and are at 10 now on our way to 1; where we started with 22 of these and we are on 7 now, on our way to 1. There is a bit of evidence there that suggests even in the face of sort of saying, “Well, we took the low-hanging fruit, the easy stuff early and the rest of the way to 1 is going to be very difficult,” that that functional integration effort, I believe, by the time this Department is celebrating its third birthday should largely have been accomplished. And the framework associated with it should in fact be in place, including largely the cultural buy-in, if you will, from the 22 disparate organizations that came together to form the new department.

I think we at the top of the organization have to stress this DHS identity. The notion that it is a “one team-one fight” slogan, if you will, from Secretary Ridge is a very real rallying cry for many in the Department.

And I also believe that it has an enormous amount to do with keeping the other leaders in the organization—the agency heads, the undersecretaries—on board with the direction that we are going. That is why all of those players were in the room when we went off to our off-site to develop the strategic plan. I was not interested in someone being able to say, “I didn’t have my opportunity to see where we were going and now I am not going there.” They were all in the room, believe me, and they all contributed, and what we ended up with, with our vision, mission and goal set, is a package deal bought into by every member of that leadership team. The ownership that we walked out of there with is a statement about everybody going in that direction.

So I would think, sir, that at end of the third—when this organization is celebrating its third anniversary, we will have accomplished this framing integration effort functionally that we have set out to do.

This notion of whether or not the Deputy Secretary is the right place to push that, I think without a doubt, sir, that it is. It is the only place that the entire Department comes together, and the committee’s expectation of what the COO ought to get done should rest with that position in the Department.

To that end, I look forward to conversations and work with you on whether or not organizational elements such as you suggest with respect to the Undersecretary for Management would be better served in an adjusted position within the Department. At the moment, I feel absolutely no qualms in reaching to the Undersecretary for Management and as necessary to the CFO–CIO. I spent personally an awful lot of time with the CIO, with the CFO, with others at that level.

We have arranged a meeting standard in the Department where the Secretary personally meets with all of the undersecretaries and

his direct reports once a week. I attend that meeting and then have another meeting with a widened horizon that pulls all those players to the table, and I am able to hear literally on a weekly basis from every one of those places inside the Department.

So how you go about the engagement process I think is absolutely crucial, and I think the right place you put the responsibility is in the Deputy Secretary's chair.

What can the Congress do to assist? You have offered at least an initial notion, sir, with your comment about the Undersecretary for Management. I suggested in my opening comments that there are a couple of places that we have come to recognize where if the threats to this Nation are really looked at carefully in terms of maybe a pie chart that has segments about the threat itself, the likelihood of the threat and the consequences of the threat, several things to me have literally jumped off the table with respect to the consequence piece.

So I offered in my opening remarks at least a short inventory of things nuclear, of things biological and of things cyber that may actually be something that we want to focus our attention on organizationally as well as functionally. We have not made those judgments yet inside the Department, and I have not taken to the Secretary any recommendations in that regard, specifically, but those are several things, sir, that we are already talking about.

Chairman COX. Thank you very much for your complete answer. I look forward to working with you on these aspects and challenges.

The gentleman from Texas, Mr. Turner?

Mr. TURNER. Thank you, Mr. Chairman. Thank you again, Admiral Loy. Now, sometime if I take a big picture view of what we are facing and the challenge we are trying to overcome, it strikes me sometimes that we have yet to really fully understand and comprehend the changed world that we live in. For decades, we all knew that protecting the national security was carried out primarily by the Department of Defense—the Army, the Navy, Air Force, the Marines.

Admiral LOY. Coast Guard, sir.

Mr. TURNER. Coast Guard. Absolutely, yes, sir. And in the post-September 11 world, we were confronted with the fact that the enemy was one that we have not dealt with before and that this war against our terrorist enemies is not going to be won by simply toppling states that may be terrorist havens, because terrorists can find havens in many places in the world. And by our actions to merge 22 agencies, I think what we were really saying is that we now have 22 new agencies who must be dedicated to the same mission as the Department of Defense, and that is national security.

And the Congress, to my knowledge, has never hesitated to fund whatever is necessary in the Department of Defense to protect our national security, but I am convinced that we have a long way to go in terms of fully carrying out the task of securing the necessary resources, necessary programmatic efforts necessary to protect the national security in this new environment.

And I am pleased to hear your thinking, particularly along the lines of your personal efforts to try to think in terms of the threat,

the likely threat and the consequences, because it clearly is the catastrophic event that we must fear the most.

I hope you will take a look at a bill that I introduced Tuesday to try to move us forward in a more rapid pace in the area of bioterrorism to deal with the—.

Admiral LOY. Certainly will, sir.

Mr. TURNER. —piece of the picture that I think is being neglected.

But when I think about the fact that a lot of those agencies, let's say Customs and Border Patrol, for example, were engaged prior to the merger in a task that we all knew was important, that is protecting our borders against illegal immigration, and yet we know that there are estimates now that in spite of all those previous efforts, there are somewhere between, I am told, 7 to 12 million illegal immigrants in this country today.

And so all of a sudden in the post-September 11 environment we have decided that there can't be any because one of those illegals might be a terrorist. And so we are trying to reconstruct the agencies of government to ensure that what was previously just a law enforcement function that it didn't work perfectly, we could all probably live with it without great danger, and so we ended up with 7 to 12 million illegal immigrants in this country. Now we have declared we can't have any. And that is a major shift in the responsibility of government.

I have had a lot of concerns about this issue of information sharing. I am sure the 9-11 Commission is going to be full of recommendations for us on how to solve the information sharing task, and you and I had a conversation in my office a few weeks ago about the need that I see and I think you share to develop a comprehensive intelligence information sharing system that can collect intelligence and share it among a wide variety of Federal agencies in real time so that when you are looking at someone who is crossing our border and you work for the Customs and Border Patrol agencies, you can say, "I can find out what my government knows now about this individual that is coming across the border." And so that local law enforcement officials when stopping somebody who might be speeding and looks suspicious can find out in real time what all of our government agencies know.

I have concerns that, even sitting on some of the classified briefings we have from time to time, that different agencies of government who brief us on threats are not even saying the same thing. So, if you will, address this issue that I know you have concern about. I think I suggested once that you look at what the Miracle Foundation software was to try to develop a comprehensive information sharing system.

Are we working toward that end? Are we still working within the FBI and still working within DHS to improve IT and yet have we come to grips with this concept of total intelligence information sharing in real time and how we are going to have to go about getting that?

Admiral LOY. Yes, sir, I am happy to comment on that. Just this last week I have been personally involved three or four hours a day in an eligible receiver exercise which puts at the table all the players in the Federal government with a scenario being played out.

This particular one had to do with a ship coming towards the United States, and a lot of inputs to the exercise offered insight that there might be something on that ship that we were very concerned about. And then proceeded to a national capital region kind of scenario where in fact there was already a device somewhere in the United States, and more and more evidence became focused on the capital region.

I only use that as a forum to offer for you that the sharing process you were describing, such that whether the agency found it out or whether the Bureau found it out or whether some longshoreman on the port in Norfolk observed it and made it an observation to whomever and passed it up the line, through the course of this exercise this week I felt better than I have ever felt with respect to all players seeing all information and being able to make judgments toward their responsibilities attendant to that.

I would extend your concerns, because I know you have them, sir, as you expressed them, about the sharing process among Federal agencies to include the down-the-line—that horizontal sharing is very, very important, and I think the establishment of TTIC and the TSC are concrete steps along the path toward where we want to be in that regard.

Now, are they permanent steps or not? I think that is a judgment to be taken down the road when TSC, for example, who is in the process of developing the integrated watch list has accomplished its purpose, although it is a dynamic one with people coming and going on to that list every day. Once that purpose has been accomplished, is that the final organizational placement, a free-standing agency for our terrorist watch list? I think that is to be determined down the road.

But the TTIC organization, which absorbs all source intelligence, foreign and domestic, to grapple and have at their analytical table, if you will, the means to think through the bigger picture, that process seems to be working very, very well. John Brennan, I believe, is doing one of the most positive jobs that is being done in our Federal government as the Director of TTIC.

I was just in New Hampshire last week, sir, Kentucky the week before, announcing the establishment of the Homeland Security Department's piece of that action, which is to take the products of an all-source intelligence activity and read them through the lenses of the homeland security glass and then share them vertically down through State and local activities to get to the other end. This little chart is just a little depiction of the homeland security information network that we delivered and activated in New Hampshire and in Kentucky just last week, which will be at 50 State and 6 territories and 50 of our largest urban centers to the point where that traffic police officer will have at his disposal real-time information about who he might be dealing with as he pulls over someone for a speeding violation.

So we are well on the way to accomplishing your vision, I think, Mr. Turner. Lots of work still to be done and the edges and the marginal adjustments to those things to make sure they are right, but I think your vision is no different than that of all of us who are working so hard to make it happen on the job.

Chairman COX. Gentelady from Washington, Ms. Dunn, is recognized for 8 minutes.

Ms. DUNN. Thank you, Mr. Chairman. Thank you. I have a couple of questions, Admiral. According to a study by a leading consulting firm, most corporate majors fail to deliver results that meet expectations. The study found that the failures were most often attributable not to flawed vision but to poor integration. This is obviously not your average two-party merger. We are dealing with 22 distinct organizations with distinct cultures. What are the control mechanisms that you as a manager of this project are focusing on, number one? And given the reality of the political climate and the pressure to get things done as quickly as we can, with your priority list constantly changing, how do you decide what is or is not a realistic expectation?

Admiral LOY. It is a great question and one that we pour over daily in the Department, Ms. Dunn. I think I would answer it this way: The Secretary, by way of the strategic plan with respect to functional excellence in five action goals and two service goals, if you will, has challenged each and every member of the Department to rise to the occasion and be part of the new way of doing business in government. That last goal, called organizational excellence is all about forging a 21st century cabinet-level agency, not being bound by the baggage, if you will, or even the legacy sometimes enormously proud of many of those agencies that came together with us on March 1 last year.

We have forged over the course of this year not only those evens strategic goals but then these theme areas which the secretary has now sort of pulled into a core of absolute that we believe are the crucial keys to the functional integration of the Department at the other end of the day.

So 3 years from now, as I indicated to the chairman, when we wake up on that March the 1st, if we have played our cards right, if we have led and managed well, if we have delegated well to people who perfectly are able to the job done that we asked them to get done, as long as we are clear and provide them the resources to do it, I think we will be where we want to be in these seven core theme areas. So that is about the things that make a difference as to whether our homeland will be secure.

It is about better critical infrastructure protection, it is about better information sharing, to go back to Mr. Turner's point, it is about better interoperability. God knows if we learned a single lesson from the horrors of September 11 in New York it was that the firemen could not talk to the police officers, who couldn't talk to the EMTs, who couldn't talk to their base. That is totally unacceptable.

So when the interoperability theme was provided and a rose was pinned on one senior leader in the Department to be responsible for that, his responsibility is not to live within his little cell and make it happen. His responsibility is to reach wherever he needs to reach to pull together the wherewithal to make that happen.

I am personally monitoring those things month after month after month, looking at the milestones and the individuals responsible for that work, and it is that commitment, if you will, I believe, that will make a difference to allow this merger, which you properly de-

scribe as enormously challenging, to succeed at the other end of the day.

I mean it is trite to say failure is not an option and such things as that. It is far more fundamental to have in place the mechanics necessary to take us from where we are to where we want to be.

Ms. DUNN. Very interesting. Thank you. You actually answered my second question, so let me put to you another one. I appreciated your detailed description about the progress the Department is making in consolidating the functions of the systems and so forth. And so let's talk for a minute about program consolidation. It seems to me that one of the critical benefits gained from consolidating all those agencies is that all components would be able to take advantage one mission-centered R&D program. What is your response to that observation? And how are we making sure that R&D efforts are also being coordinated Department-wide?

Admiral LOY. Two things. First of all, you are absolutely right on point with a very important part of what we are trying to do. The science and technology directorate, under Dr. McQueary's direction, is responsible for this particular one. And his outreach with respect to functionally integrating the R&D efforts as well as other science and technology applications for the Department is where we hold him responsible over time.

There is probably—some might see it as a complication, I don't perhaps necessarily do—but in the law that created the Department, there is at least two organizations, the Coast Guard and the Secret Service, that have been decreed in the law to “stay in tact,” quote, unquote, as they came into the Department, for very good reasons. But what I imagine, for example, with respect to the R&D process is a several-fold approach. One, what do we do with laboratories inside the Department and laboratories that are outside the Department but actually can bear on what we are doing in DHS? The integration of those efforts functionally are a fundamental absolute for Dr. McQueary to have some degree of control over what is going on there.

The second thing is about customer requirements. Dr. McQueary should not sit in his cubicle and imagine what are the right R&D programs to be defined for the Department of Homeland Security, he must be aggressively accepting and challenging his customers, including the other directorate chiefs and undersecretaries in the Department to define for him the things that will make their work better.

For example, having spent a couple of years at the Transportation Security Administration, I can tell you that our goal there is in the longer-term to get away from heavily people-dependent technologies at our airports and on the way toward some smaller, faster, better box that will be the enabling device 3, 4, 5 years from now to replace lots and lots of people with a capable piece of technology that can do the security job that we want done at the airport.

So I would offer that that is not where Dr. McQueary would logically wake up in the morning, but I can tell you Dave Stone wakes up in the morning thinking about that, so Dr. McQueary's review of customer requirements has to be a complete one. And when that is complete, then the Secretary can help Dr. McQueary define pri-

orities in terms of what his budget allows him to get on with. But in that scheme, he is serving a customer base that is, as the Department, representative of R&D needs across the Nation.

Chairman COX. The gentlelady's time has expired. The gentleman from New Jersey, Mr. Andrews is recognized for 8 minutes.

Mr. ANDREWS. Thank you, Mr. Chairman. Thank you, Admiral, for your testimony and more importantly for your service to the country. It is very much appreciated.

Admiral LOY. Thank you, sir.

Mr. ANDREWS. This morning, if a person who was on the CIA watch list tried to board an airplane, would the TSA know that in real time? Would they know the person who tried to get on the airplane is on the CIA watch list?

Admiral LOY. To the degree that you are referring—we have two lists, sir, that are in use, if you will, at the airports, and they are actually used by the airlines as well as TSA for the moment. That is what the CAPP system is all about at the moment. And the means by which we offer insight to the no-fly list and the selectee list offers guidance as to whether or not that person gets on the airplane at all, no-fly list, or whether he gets on the airplane with secondary screening if he is on the selectee list.

Mr. ANDREWS. Is there anybody who is on the CIA watch list who is not on these two lists that the TSA has?

Admiral LOY. Sir, I am not sure what you are referring to as the CIA watch list. The CIA makes a contribution to these two defined lists that are if not real time certainly within a 24-hour window updated daily.

Mr. ANDREWS. Isn't there supposed to be one list? Isn't that what an integrated watch list is?

Admiral LOY. Actually, it is the Terrorist Screening Center that is developing an integrated single watch list for all of us to use across the Nation, and when that product is complete, that is precisely the list that we will be using, sir.

Mr. ANDREWS. Okay. So it is at least logically possible that the CIA has a list of people that they are watching because they are worried about them and that some of the people who are on that CIA list are not on the same list that we are using to keep people off of airplanes. Is that right?

Admiral LOY. It is conceivable, but in my practice, sir, the CIA, the Bureau and others who can make a contribution to either of those lists I just described, one is associated—the no-fly list are those terrorists that have been deemed so or those who associate with terrorists, and the selectee list is just a lesser level of concern but offers us a chance to not just pass them through primary screening but require that they go through secondary screening.

Mr. ANDREWS. But we are still relying upon someone at CIA or FBI to insert that information on the list that TSA is using, correct?

Admiral LOY. That is correct, sir.

Mr. ANDREWS. So if TSA doesn't ask or CIA or FBI don't offer the information, it doesn't wind up on the list, doesn't wind up on the list that keeps people off an airplane.

Admiral LOY. That would be correct. My experience has been they do project those names forward and we put them on the list.

Mr. ANDREWS. Okay. Isn't that why we wanted an integrated watch list, so we wouldn't have any possibility of someone getting to it 48 hours late or forgetting to ask? Isn't that why we wanted it?

Admiral LOY. One of many reasons, but, yes.

Mr. ANDREWS. Okay. Why don't we have one? We are two and a half years after September 11. I mean I know almost nothing about running an intelligence operation, and I know even less about software, but what is the big deal about taking a list that the CIA and the FBI had, merging it into one secure, well vetted, limited access database that everybody uses? Why haven't we done this in 30 months?

Admiral LOY. That particular chore was assigned and is precisely the reason that the President chose not to wait for a maturing process of a new department to come into vogue but rather establish the TSC to stand up and do that job. That is exactly what they are doing.

Mr. ANDREWS. But the job isn't done yet. The TSC hasn't done it. Is there something more complicated here than saying everybody who is going to make a contribution to a list that people have got to worry about has got to put them all in the same list and same database? Is it more complicated than that?

Admiral LOY. It is a very complicated system, sir, but I am not the one responsible for that at the moment. I would be happy to find out from the Director of the TSC and get back to you.

Mr. ANDREWS. Well, you know, we are here talking about management issues, and, boy, if this isn't a management issue, I don't know what is. And this is not a rhetorical question. There may be something far more complex about how to do this than what I just said, and if there is, I welcome to hear it, but I haven't heard it yet, and I just don't understand why all of the intelligence sources that are out there working on these problems, they are not contributing to a common database that has very secure access, very limited use by very trustworthy people.

I just don't get this, and we have had various people from the Department before the committee over about an 18-month period now giving us deadlines that don't get met and procedures that don't seem to come about. I appreciate the fact that you will get us an answer from someone who is supposed to be doing the answer, but we have had that before, and I just don't understand this.

And I will tell you something: The number one job of the Department is not simply to make us safer, it is to build confidence in the public that we are in fact safer. And this is not a confidence-building measure here, and I understand that you have been given—you and your colleagues have been given probably the most difficult organizational merger in the modern history of the United States, public or private sector, and if the issue here were that the health benefits weren't uniform among different agencies, I am sympathetic to that but I understand.

Admiral LOY. Yes, sir.

Mr. ANDREWS. If the issue were that you have got stovepipe computer systems that can't necessarily share data in an efficient way, I understand. If the issue were that you haven't worked out the

encryption technology so that you can carefully limit such a secure database as the integrated watch list, I would understand. What I do not understand is that we are here 2 years later and we still don't have this in place. I mean can you tell us when we will? I mean I know it is not your specific responsibility, but when is this going to happen?

Admiral LOY. I think the goal is to have it done very soon, sir. I don't have the dates in my mind as to what the TSC Director is obligated to accomplish, but I know she is on track, and I will be happy to talk with her today and ask her to get back to you on the specifics of her responsibility.

Mr. ANDREWS. I appreciate that, and not just me, but the committee.

Admiral LOY. Sure.

Mr. ANDREWS. I know that Mr. Turner has worked on this issue, Mr. Cox has worked on this issue, a lot of people have, and I do not mean this as any way an attack on the administration. It is a question that I think needs to be answered. And if I have missed some technical explanation, please tell me, but I think everybody at the Department is responsible for this.

I think you very succinctly said that the goal of the Department is to deter and then prevent, if possible, attacks on the homeland. That is the best I have heard it said. But you can't deter and prevent if you don't know who it is you are trying to guard against. And if we have viable operational intelligence about who it is we are going to guard against and it is not shared among all the agencies that have that function responsibility, then we have a huge problem.

Final thing I want to say this: Interoperability, there is not a person who follows this issue that doesn't understand that this tower babble problem is a big deal. The amount of money the administration put in the budget for interoperability this year is zero—zero. Now, I am not in favor of spending a whole lot of money until we figure out how to fix the problem, but part of figuring out how to fix the problem must include calling together the experts in this field to design a system that works. Why did you propose nothing in the fiscal year budget for interoperability if it is a problem?

Admiral LOY. Well, there is an awful lot of money in the budget in a variety of different programs that we feel do need to be brought together to provide this interoperability solution that we are all looking for, whether it is an interim or temporary patch process of which there are very, very good products out there to help us do that or whether it is the design of an entirely new system that over time we need to go to.

In many of those places where there is a system that is serving the police officers and a separate one serving the firemen and a separate one serving EMTs or whatever, the dollars associated with those programs are what we find a means by which we can integrate the wherewithal from the combined budgets of those separate systems as disparate systems. That is what I think functional integration is all about.

Mr. ANDREWS. Well, and I see my time is up. I would say with all due respect that paying for solving interoperability problems by depleting other resources is not the way to do this.

Admiral LOY. Well, I was not suggesting we would deplete sources, sir. I would suggest we would use those resources in a smarter way than they have been used disparately to this point.

Mr. ANDREWS. It isn't very smart if the money comes from training or biochem suits for first responders, and I don't know what else is in the budget that it would come from. So thank you very much, Admiral, I appreciate it.

Chairman COX. The Chair would note with to the gentleman's questions about the Terrorist Screening Center that the committee just had a hearing on this subject a few weeks ago. The committee is very, very concerned with this. I would also note that the question whether the Terrorist Screening Center should come under the responsibility of the Department of Homeland Security is a very good one. It is one that the committee is interested in, but the gentleman is well aware that it is not the responsibility presently of the Department of Homeland Security, it is the responsibility of the Department of Justice and the FBI. I hope we will continue to do this question.

Mr. ANDREWS. Will the chairman yield just for a moment? I do note, and I did say, that I think the committee has been very diligent in pursuing this issue. I hope that diligence continues, because we should not let some jurisdictional barrier get in the way of getting an answer to this question.

Chairman COX. The gentleman's point is well taken. The gentleman from Texas, Mr. Sessions, is recognized for 8 minutes.

Mr. SESSIONS. I thank the chairman. Admiral Loy, welcome—.

Admiral LOY. Morning, sir.

Mr. SESSIONS. —to this subcommittee. We, as you have heard, place great value upon your competency and your capacity to serve this great Nation in homeland security.

I would first like to start by saying that I had an opportunity several weeks ago to be with your Air and Marine Interdiction and Operations Unit in San Angelo, Texas and Corpus Christi under the direction of Colonel Charles Stallworth who is doing a fabulous job. The men and women who I came into contact with are very proud not only of the Department and the achievements that have been made but also of their job and the ability that they have to perform that duty. And I think that speaks well of many other things which the Department is doing well and hopefully will continue to do.

I also, sir, have had an opportunity over the last couple weeks to talk to Judge Bonner and Mike Garcia who worked for one of our former colleagues, Asa Hutchinson, who I think is doing a fabulous job also. The nature of the questions that I would like to have you address are specifically two.

One about the aerostats, which are these balloons, tethered balloons, which are along our Southwest border. They were transferred to the Department of Defense. The Department of Defense over the last few years has had a change of focus for them, taking from necessarily those functions that they were doing to war, and I believe that there has not been a proper focus put on the proper manning, funding and utilization of those aerostats.

Secondly, the question I have deals with essentially legal immigration into this country with a visa. And it is my hope that there

would be some discussion, and I am interested in hearing from you today, about those avenues which where people come in. There are about 130,000 of them that stay. I have had direct conversations, as I alluded to, With Judge Bonner and Mike Garcia about a willingness of this Nation to understand about everybody that comes here, everybody that does not leave, a process.

Once again, we are dealing with legal people, but they have come to this country and said that they would come here under the provisions that we said and they should leave under the provisions that we have laid out. And I believe that it is in the best interest for us to have a legal framework that it is very difficult for us if we do not follow our laws and to insist that our laws be well understood.

And so I am interested in a discussion about aerostats, and if you tell me you don't know a lot about it, I can understand that. I would like to ask that you follow up. And, secondly, about the discussions that are taking place over the some 130,000 people that violate our laws and the things that I believe need to be done, could realistically be done in that endeavor. And I appreciate the gentleman's response.

Admiral LOY. Yes, sir. Thank you. With respect to aerostats, I go back a long way with aerostats in the counterdrug efforts of my time in the Coast Guard and working diligently with the Border Patrol, with the then legacy Customs Service and INS as well as DEA and all the other players that were involved in that process and recognize the value of what the aerostat offers in terms of border value, sensor value, eyes in the sky, if you will, at the other end of the day.

I think there probably was waning of interest in terms of what was actually associated with the aerostats along the Southwest border of the United States, which I assume, sir, that is the ones you are talking about, because we have got them elsewhere as well. And their contribution, which was largely hinged in the tail end of 10 years ago to the drug trade and what we were trying to do on the counternarcotics effort, that probably did wane in terms of focus and interest. Certainly, in terms of the DOD's responsibilities that are so widespread at this point would continue, I would think, to have them less focused on the maintenance and the manning and the staffing and the support to them at this particular point in time.

But what I can tell you is since September 11 there has been a dramatic resurgence of interest in border control writ large, whether it is up to 1,000 Border Patrol agents on the Canadian border where we used to have fewer than 400, whether it is the R&D, to go back to Ms. Dunn's question about focusing on UAVs as a different way of dealing with sensors over our borders, maritime or land borders with Mexico or Canada.

So the notion of whether or not aerostats play dramatically into our concern level about border issues is, I would think, on the rise and rising. And so we would be remiss, I would think, to set aside the use of the aerostats for the moment until there is a better mousetrap in place, so to speak, to take the place of what they are providing us in the way of censoring capability.

So I am an old fan of them and a current fan of them until we get something better in place that would serve the purpose that they serve for us as a piece of the bigger picture of border control.

Mr. SESSIONS. It would be my hope with respect to this, if I could, Admiral, to pass along that I will in a letter to you about perhaps the information which I had received about those activities related to the utilization of that. And I will be pleased to do that and would appreciate a response back. And you can give it to me. It does not have to be to the committee.

Admiral LOY. Honored to do so, sir.

Mr. SESSIONS. So that I can deal with it on an issue basis where I receive factual information and perhaps just not heresy.

Admiral LOY. Sure. You bring up the issue with respect to migrants, and I would say there are three things that are very important for us to hold on to, because that is a very complex question. First of all, visa policy for the United States of America. We inherited the responsibility for visa policy from other executive branch agencies as it came in our direction. The Secretary has asked Undersecretary Hutchinson to take on the challenge in very quick fashion of examining the visa policy of the United States of America, together with the State Department and all the other players, and get back to him in very short order—I believe there is a scheduled briefing for the Secretary next week—as to the overview, if you will, of visa policy in our country.

Second point is about portal control, if you will, and we as a Department are now responsible for that. I can suggest, as many of you know, that legacy INS was unable over the course of the last 20 years to develop an adequate entry-exit system for the United States of America. In the course of 7 months we stood up US-VISIT where millions of people have now come and gone through that particular system and effected, if you will, a control of the borders at the portals of entry to our country.

We have now in 114 airports, 15 different seaports, we will have US-VISIT at the 50 busiest land border crossings of our country by the end of this year and at all of them by the end of next year. All of that is associated with the ongoing work with our international colleagues in terms of standard setting about passports and all the affiliated things that are connected to that.

So border and portal control, a function now the responsibility of our Department, we have made, we believe, dramatic steps forward in establishing the end game with respect to that.

And then, lastly, with respect to the naturalization process itself, many of those folks you are describing may very well be coming to our country with every intention of becoming honorable Americans at the other end of the day. Today, a system we inherited, by the way, is a broken system with 8-or 9-year waits for that process to run its course. The President has very clearly said, “Make that no longer than 18 months,” and we are in the business of establishing clear pilot programs that will prove to us the means by which we will get that backlog reduced to where it should be in a reasonable system, as the President has directed us to do.

So it is a complex question, sir, that you ask. I believe we have—our intentions are honorable and in the right direction with respect

to those three aspects of it, and I hope in there somewhere was the answer to what you are concerned about.

Mr. SESSIONS. I thank the gentleman. In fact, I believe that there should be some very specific things that this administration would come into contact with that, and my point would be is that we live in a legal framework of this country, and if we do not enforce the laws of this country, we allow other people to come and take advantage of that, and they become criminals. It would be my hope that there would be an immediate response that we would know who was nearing the end of their term, that they would be expected to leave and that we would not allow anything other than that and would take them on an expedited basis, perhaps for legal.

I will follow up with a letter to you and would expect a response accordingly. And I thank the gentleman and thank the chairman.

Chairman COX. The gentleman's time has expired. The gentleman from California, a member on the Subcommittee on Cybersecurity, Science and Research and Development, Ms. Lofgren is recognized for 8 minutes.

Ms. LOFGREN. Thank you, Mr. Chairman, and thank you, Admiral Loy. There are many things I would like to ask you about, and I am not sure there will be time to ask them all, but I do want to focus in on the Cybersecurity Subcommittee.

Over the past year and a half, members of this subcommittee have spent a lot of time looking at what I think are sometimes very complex issues involved in securing the Nation's critical cyberinfrastructure. And as we have done that, we have looked at the Department's commitment to pursuing a sound strategy on cybersecurity, and I think members of the subcommittee have serious concerns about our accomplishments in that area.

We are concerned that we are not doing an adequate job, in all honesty, and recently—well, the concerns really lie with whether we are sufficiently implementing the national strategy to secure cyberspace, whether staffing is adequate—I think that was mentioned earlier—not only in terms of the actual number of staff but the number of temporary employees, the turnover and also the placement of the division sort of buried down in the bowels of the bureaucracy and whether it is getting the attention that we need, and, furthermore, concerns about channels of communication between that division and the top levels of the Department.

And in fact last week Chairman Cox, Ranking Member Turner, Chairman Thornberry and myself sent a letter to Secretary Ridge regarding the cybersecurity mission at the Department. Have you seen this letter? Are you aware of the letter?

Admiral LOY. Yes, ma'am. We have gotten your letter.

Ms. LOFGREN. And we have asked, the four of us, for a response by Monday, May 10. Do you think the Department will be able to meet this deadline that we have asked them to meet?

Admiral LOY. I certainly—it is now very much clear in my mind that that was the deadline that you are asking for, Ms. Lofgren. We will try very hard to do that, and I will take that back as I go back today.

Ms. LOFGREN. Okay. Thank you very much, and I would just—I hate to be a nag but I also wanted to raise an issue because it has happened repeatedly that we have asked Mr. Liscouski and

others to follow up with questions that we have not had answers to at the Department, and we just don't get answers. It is like the questions go in, it is a black hole, months go by, we never get answers. And I am wondering in your management capacity if you could check and see what is the problem there on getting answers back to the committee.

And also, again, we take our oversight commitment very seriously, and I am proud to say that the Cybersecurity and Science Subcommittee has operated in a very bipartisan manner. We not only have Chairman Thornberry work as a team but our staffs have worked as a team. We see this as not a party mission but an American mission.

We never get testimony in a timely manner from people within the division. The rules are that it be 48 hours in advance. Sometimes we get it an hour before the hearings begin. That is really not—it is happening over and over again, even after we complain. And it does not give the committee time to fulfill its obligations of oversight. So I would like you also, if you would, please, to find out what is the problem there so that we can get that corrected.

I would also like to talk just a little bit, it is not in the Cybersecurity Subcommittee, but about the Immigration Service, former Immigration Service, and that function. I also serve on the Immigration Subcommittee in the Judiciary Committee, and that whole function has been troubled for many years, as you have acknowledged, but I am fearful that we are not making the progress that we should make, in all honesty.

The President has indicated he wants the backlog to be decreased. In fact, the backlog is growing. It is not shrinking, it is growing, and the time for processing is growing. And that, actually, although sometimes it may seem that it is not a security issue, I mean these are petitions of American citizens for their husbands or wives or adoptions, it is a whole mish-mash, but the fact that it is not—that our processes are not computerized sufficiently does I think pose a threat to the United States.

In September of 2003, the GAO did a report and pointed out that in order to get information about financial information, that the INS would have to go and do hand counts to get—that is on page 4 of the GAO report—hand counts to answer the questions. Well, what that tells us is that it is on paper. I mean they can't actually get a computerized report. In January of that same year, the GAO again pointed out that the application workload has to be corrected, that the visa operations needed attention and that its weakness in technology management that is very much a problem.

Now, you mentioned US-VISIT, and I think that is a very good start, but I want to bring some concerns to your attention, because I think we are sewing some problems for down the road. Two years ago I asked NIST what it would cost for them to set a biometric standard that could be utilized, and they said it wasn't a funded activity but that for about \$2 million, they had the lab capacity, they could provide the biometric standard. Well, that never happened. They were never funded. DHS had funds but they never actually provided the funds to NIST. And as of this moment, those biometric standards have not actually been developed nor adopted.

Consequently, we are now engaging in an effort that is going to lead to a multiplicity of biometric standards that may or may not be suitable for a common database. For example, US-VISIT is using two index figures. However, the international biometrics that are pursuing with machine-readable passports is going to be facial recognition. The two are not going to provide a common database. Furthermore, it is not necessarily going to be compatible with the watch list.

And what we need, and I think the sooner we do this the better, is that we need to have some common standard or a multiplicity of standards. There is no reason why we can't have more than one biometric, but we need to have some standardization or else we will end up in 2 or 3 years with a system-wide problem that is similar to what we had with the INS.

I would also urge, and I may actually even offer as amendments to our authorization, that we insist that the INS do something—I keep calling them the INS out of habit—

Admiral LOY. No problem.

Ms. LOFGREN. —that they computerize—I mean we can track our Fed Ex package online, but you cannot find out where your application is for your spouse if you are an American citizen with repeated askings over 2 or 3 years. They are filing by name and a number still, but they ought to be filing matters by biometrics, because you can have duplication of names but you cannot have duplication of biometrics. And it ought to be the same biometrics that is being utilized by our national security agencies, by the FBI, by the State Department. All of these things are highly doable. It is just a matter of management and making them happen.

And so I don't know you, but you have a reputation as a manager. I am asking you, really pleading with you, to exert some management control in this area and to make it happen, because I think until we—and we can integrate these legacy systems. I mean we can get off the shelf actually to integrate these legacy systems, which is why I say this is a management issue, it is not a technology issue, and I hope that you will, next time I see you, be able to tell me that we have solved these problems, and I look forward to the answers to our question on Monday.

Admiral LOY. Thank you.

Ms. LOFGREN. Thank you very much.

Admiral LOY. May I just for a moment, sir? Thanks, Ms. Lofgren. Very, very excellent questions and issues across the board, as you described. Just a moment on several of them. First, with respect to cyber, both the Secretary and I have recognized that we have perhaps not found organizationally the right focus that cyber deserves, if you will, and I think of SCADAs and so many other systems that are so dependent there that it is one of those things that as I think about consequences it sort of jumps off the chart as does nuclear, like does bio and other such things. So we are thinking very, very along the same lines, if you will.

I had a meeting 2 weeks ago where I called together folks from industry, folks from—observers that could help us help the chairman, if you will, of our NCSD, our National Cybersecurity Division inside IAIP. There is a great book called, "Black Ice," that if you haven't read it is what prompted me to have this meeting because

it sort of was a confirming scare tactic almost. We are taking cyber very, very seriously, and over the course of the next weeks we will be going in the directions that are you describing as needed.

I apologize, ma'am, for the responsiveness commentary that you are describing, and I promise you that I will go back, find this letter, see if it is possible to answer on Monday and if not, call you and let you know that's to be the case.

On CIS issues, again, this is something the Department inherited. As you keep using the phrase INS, I keep saying they are not there anymore. We have really broken INS into three pieces, and the ICE piece is working very well. The pieces that found their way into CBP are working very well. The piece that continues to offer services to the immigrant population is where the managerial concentration needs to be to press on. So that is where I am going.

Ms. LOFGREN. If I may, I know my time is expired. The three divisions cannot work well unless they all work well. For example, the terrorists that came in through—and that helped destroy the towers—should never have been admitted, because they had applied for a change in status to a student visa off their visitors visa. Had that been computerized instead of on a piece of microfiche sitting in a box, the officer at entry would have denied them entry.

Admiral LOY. You are right.

Ms. LOFGREN. And I don't fault the officer. He didn't have the data. And so you can't do the job unless it is all working together.

Admiral LOY. All those challenges are very real. The IT end of CIS is something we are working on hard. We have just hired a new CIO to help them in that process of sorting out what they need to do, and integrating that, as both the chairman and Mr. Turner have indicated, into the bigger picture of IT integration Department-wide is part of our challenge.

Chairman COX. The gentlelady's time has expired. The gentleman from Arizona, the chairman of the Subcommittee on Emergency Preparedness and Response, Mr. Shadegg, is recognized for 5 minutes.

Mr. SHADEGG. Thank you, Mr. Chairman. First, let me thank my colleague, Mr. Shays, for deferring to me. I need to be elsewhere, and so he agreed to let me go first and I appreciate that.

Admiral I want to thank you for being here, I want to thank you for your testimony. I frequently say both here and at home that you and the Secretary have I think the second and third toughest jobs in Washington, D.C. I give the President the toughest job. But I, quite frankly, think standing up a new department is phenomenally difficult, trying to bring together the agencies you have to bring together. Get them working together in a concerted fashion is very difficult. I appreciate your bringing to that task the expertise and the knowledge and the dedication that you have. I appreciate your work in the war on drugs in the past where I think our paths first crossed.

I also want thank you for the Arizona Border Control Initiative. It has made a huge difference—

Admiral LOY. Sure has.

Mr. SHADEGG. —it has been a tremendous success, and I appreciate it very much.

I really wanted to discuss two specific kind of discreet issues. The first is the whole issue of the EP&R Division. I have a concern that the EP&R Division, Emergency Preparedness and Response Division, brought to the task the mentality of FEMA, which is a reactive mentality to an emergency or a disaster which cannot be prevented and therefore must be simply reacted to. And I have had conversations on the topic of this with people at the directorate who kind of look at it and say, "Well, all emergencies are the same. If it is a forest fire or a flood or a hurricane, we have to go in and do our cleanup job."

And I see Department of Homeland Security as different than that. Indeed, I think the chairman and I have a very strong belief that this Department is about preventing attacks, not necessarily getting good at scooping up victims of an attack. I noticed that the emergency management grants, the fire grants and the homeland security grants are now being administered by the Office of State and Local Grant Coordination.

I guess my question of you—my first question of you before I switch to a different topic is do you still believe the Emergency Preparedness and Response Division should be focused on all hazards, and if so, is it appropriately within the Department of Homeland Security or should it be somewhere else? And should the function of preparedness for a terrorist attack, which I think is a different mindset because you can stop a terrorist attack, should that be what remains within DHS?

Admiral LOY. Sir, as you well know, the President has just signed HSPD-8, which is about preparedness in general. Interestingly, the word, "preparedness," was a large part of that off-site conversation I mentioned with the leadership cadre of the Department.

I think at the moment the so-called FEMA mindset you described is something that we certainly have to work on so as to make sure that the response and recovery functionalities of the Department are reflective and appreciative of the awareness, prevention and protection, sort of the pre-event, if you will, functionalities of the Department.

So we are working very hard to make sure they are aware of that. And, of course, through IAIP, concentrating on prevention and protection and the awareness piece that I believe is absolutely an imperative to come in front of all of it. In other words, if we truly understand what is going on in the domain we are responsible for, we can build better prevention and protection and even response and recovery protocols. But the front end has got to be focused on information, intelligence, the sharing thereof, the analysis thereof and the understanding thereof.

I don't have an immediate problem with the FEMA mentality in EP&R as the response and recovery agents, so to speak, of the Department, but I do want them to appreciate that the Department's responsibility is across the board.

Mr. SHADEGG. Appreciate that, and it is an ongoing concern on my part.

Let me flip to a different topic. I recently met with Marsha Florian, who is the TSA Federal Security Director at Sky Harbor Airport in Arizona. It is one of the largest airports in the Nation.

We are the fifth largest metropolitan area in the Nation. We have 100,000 passengers each and every day, 1,500 flights every day. It is the world's busiest three-runway airport and it faces a lot of challenges.

As you know, there is this artificial cap that has been placed on TSA employees by Congress, and I understand that in Phoenix, Arizona, as a result of that cap, we are literally forcing those people to work much longer hours than they are used to. We are trying to get the job done I think with too few employees to meet an artificial cap that I am not certain serves the public.

I do know that there can be dire economic consequences if we drive people away from air travel because they can't get through security lines in a reasonable amount of time, and of course everyone appreciates the fact that if in fact by trying to do the job with too few people we let something slip through, that is a catastrophe in itself.

And I am interested in finding out whether or not the Department has looked at this issue, whether or not the congressional demand that you come down to, 45,000 employees, is an unreasonable demand for you to be able to do the job, and if it is, whether you are willing to come forward to the Congress and make that point? And if not, if you think you can do it with 45,000, how do you deal with an airport like Sky Harbor where, quite frankly, the caps on the use of personnel, at least I think, are currently causing delays and may be causing the possibility of a breakdown in potential security?

Admiral LOY. Quickly, sir, this is obviously a topic that could take an awful long time to answer, but let me give you my quick answer. My experience at TSA is this, sir: We at TSA very likely overhired initially when we were pushing 55,000; 56,000; 57,000 screeners. I think the focus that was offered by the cap became a constructive influence to make sure we were being efficient and effective along the way.

I further believe that two other things play here. One is the full-time/part-time challenge; in other words, the activity profile of an airport, even one as busy as Sky Harbor, has peaks and valleys to it associated with the day and with the week. So we are working very hard to try to live within the cap as it relates to full-time and part-time mix, varying at every given airport, in the hands of the Federal Security Director like Marcia is at Phoenix, to get the right package there for that particular airport.

But I also believe that now we are literally back to pre-September 11 throughput, and in a place like Sky Harbor well beyond, there needs to be a mechanical device of some kind in the appropriations process that says when the throughput is wherever it is and it is growing and there has not been that technological breakthrough that we think will eventually be the answer, we need to be attendant to that as it relates to adequacy of TSA screeners at those airports.

We have to challenge TSA to devise that. I didn't get it done while I was there, so I have challenged them to devise that mechanical means to help us understand the predictive nature of if the throughput is going up, what is the attendant increase in screeners that would be appropriate?

Mr. SHADEGG. My time has expired, but let me on that point make two points. One—

Chairman COX. The gentleman's time has expired. Please be brief, because we have only got 10 minutes left in the hearing.

Mr. SHADEGG. I will be very brief. My understanding is that some airports that were very efficient at the outset are now being punished by the fact that they were being efficient and if they are being pressed down after having been efficient in the beginning, they are hurting. Second, I believe the American people and I know that I would support an increase in the cap if you cannot get the job done with that arbitrary cap. It was created when the bill was passed without knowledge really of the task we were undertaking. Thank you, Mr. Chairman.

Chairman COX. The gentleman's time has expired. The gentleman from New Jersey, Mr. Pascrell, is recognized for 8 minutes.

Mr. PASCRELL. Thank you, Mr. Chairman. Thank you, Admiral, for your service. I just want to make rapid questions here, and if you would make your answers brief, I would appreciate it.

Admiral LOY. Sure.

Mr. PASCRELL. We do not have a universal watch list, true or false?

Admiral LOY. True.

Mr. PASCRELL. We do not have a risk assessment which would highlight our most vulnerable assets, true or false?

Admiral LOY. False. We have a pretty decent process by which we are prioritizing the critical infrastructure of our Nation.

Mr. PASCRELL. Do we have a risk assessment then for the Nation which we have been asking for, a national risk assessment? Yes or no?

Admiral LOY. I do not have a piece of paper to give to you, sir, but the effort of the aftermath of HSPD-7 will yield that for us. Our goal is to build precisely that.

Mr. PASCRELL. My next question, Admiral, is you know we have discussed interoperability. This panel is very clear about it, the first responders are very clear about it. It is a disaster out there ready to happen again. Are you telling me that there is enough money in the budget that we do not have to have any money in the line item of interoperability, that is communication for our first responders, that we will have enough money in the rest of the budget left over from whatever program?

Admiral LOY. I am going to actually ask if I can get back to you, Mr. Pascrell, on that, because I have put into motion a challenge that is not only about communications interoperability but includes equipment and training and the rest of that notion that is, I believe, an imperative for our Department. I have not got the budget feel that I would need for that quite yet, sir, so I will be glad to get back to you when I do.

Mr. PASCRELL. My next question is what relationship do you have with the FCC in trying to get them to provide the adequate enough number of bands for our first responders which is a current problem and is a critical situation? And, secondly, is the FCC cooperating with you?

Admiral LOY. So far they are, sir.

Mr. PASCRELL. What are they doing to cooperate? Tell me.

Admiral LOY. Well, they are attending the meetings that we are holding to develop whatever the plan is for the distribution of the bandwidth necessary to satisfy first responders' needs as a critical imperative for our country.

Mr. PASCRELL. So they are going to meetings.

Admiral LOY. They are helping us develop the plan, sir.

Mr. PASCRELL. Would you provide to the committee what plans we are talking about?

Admiral LOY. Yes, sir.

Mr. PASCRELL. So that we can communicate that to first responders all over the United States.

You know, Admiral, you talk about the melding, the consolidation of grants. There is a very serious problem here as far as we are concerned and that is you have melded the fire grants, which have been very successful by everyone's estimation, you have melded them with everything else. Fire grants go directly to communities. They do not go through the State so that no State—no State—can skim off any money that is going directly—it has been highly successful. Do you intend to change that process?

Admiral LOY. No.

Mr. PASCRELL. No. So we are going to continue. We are going to meld the money, but we are going to maintain that category—.

Admiral LOY. We are not even going to meld the money. Those are specified—.

Mr. PASCRELL. Well, how do you meld the programs without melding the money?

Admiral LOY. Well, all we are trying to do is offer for their benefit, because they asked for it, the State and locals an opportunity to have a one-stop shop for the administrative processes associated with grant administration.

Mr. PASCRELL. Do you realize the danger, Admiral, in doing that is that you will meld the basic needs that existed before September 11, which prompted and precipitated the Fire Act of 1999, you are melding those basic needs with the terror needs of our police and our fire all over this country?

Admiral LOY. I guarantee you, sir, that won't happen.

Mr. PASCRELL. Well, then why do we have less money for fire grants for 2005 than in 2004? In fact, \$250 million less and \$655 million less for the COPS Program. If we are trying to defend America, how can we justify that?

Admiral LOY. Well, I can justify it, sir. If you look at the total number of dollars, in the window between 1999 and 2001, we distributed from the Federal government, from the Congress of the United States about \$1.3 billion. From 2002 to 2004, we distributed over \$13 billion which was over a 900 percent increase.

Mr. PASCRELL. Admiral, Admiral, you are doing exactly what we predicted was going to happen 5 months ago, and that is—.

Admiral LOY. I am just giving you an aggregate number, sir.

Mr. PASCRELL. Excuse me, sir. Excuse me, sir. What you are doing is consolidating very basic needs with needs dealing with prevention in response to terror. It is an absolute sham as far as I am concerned, and it does not do justice.

I want to get quickly to the two questions that you and I have talked about, and that is the employees. Have any of our employees

within the Department, within DHS, lost their collective bargaining rights as of today?

Admiral LOY. I think only in the effort with putting together legacy Customs agents and legacy INS agents into the new CBP officer role. The promotion process that offered all of them constancy and consistency in their respective duties and responsibilities took them to a level where they were no longer appropriately represented in the bargaining process. They were—

Mr. PASCRELL. Excuse me, what does that mean. You took them to a level that they are no longer appropriately—

Admiral LOY. They are now 13s as opposed to 12s, and it took them out of the window of the bargaining package that was there before.

Mr. PASCRELL. Could you translate that for me what you just said, I am sorry.

Admiral LOY. Yes, sir. I didn't say that well—

Mr. PASCRELL. I am trying to follow you.

Admiral LOY. —and I apologize.

Mr. PASCRELL. No, you said it well, but I didn't understand you.

Admiral LOY. In the recent efforts to recognize the differences in pay associated with INS players who went into the portal effort and became CBP officers and from a different source legacy Customs officers came, there were differences in the pay scales associated with what they had used to do with their legacy agencies. Their new responsibilities in One Face at the Border offered the requirement that we would merge all of that into a single package and we made absolutely certain that no one lost any pay by promoting, if you will, advancing in the pay scale the folks that came from INS, and the equivalency there offered them a point on the scale where they dropped away from being represented collectively.

Mr. PASCRELL. Thank you for clarifying your answer. I would like to yield so that Mr. Etheridge will have some time.

Mr. ETHERIDGE. I thank the gentleman, and I know time is running short.

Chairman COX. Mr. Etheridge, just to advise you, I will not count this time that I am speaking against you, but literally the time has gone out just now.

Mr. ETHERIDGE. Okay.

Chairman COX. So I would yield to the gentleman to put a question but hopefully we will come back with more time.

Mr. ETHERIDGE. I will wait for my turn.

Chairman COX. If that is correct, then the gentleman's time is expired. The gentleman from Connecticut, Mr. Shays, is recognized for 5 minutes.

Mr. SHAYS. thank you, and I may not even need to use my 5 minutes. Welcome, Admiral.

Chairman COX. If the gentleman would suspend. Admiral Loy, we understand by prearrangement that you are here until 12:30. What is your schedule at this moment? Might you stay for an additional 10 minutes?

Admiral LOY. I can, sir.

Chairman COX. That being the case, the gentleman is recognized for 5 minutes and we will—

Mr. SHAYS. Thank you very much. Admiral, I think you have a mammoth task to bring together the people all over the country and have those synergies work well. Ultimately, though, if you do succeed, it will be a tremendous contribution to our country.

I would like to focus in on how you deal with the following while you are trying to reorganize. And the following is I happen to believe there will be a terrorist attack or more during the course of this year. We have to deal with the World War II Memorial, we have to deal with the G8 Summit, we have two conventions, we have the presidential election and then the inaugural. And I would like to know how you get involved in these issues as the Deputy and how you task your folks to deal with these issues?

Admiral LOY. Sir, I think you are right on to reflect on the schedule of events in front of us. It begins with the World War II Memorial and includes the conventions, it includes the Olympics, it includes the G8 Summit, it includes a number of high-profile events coming at us.

We began, at the Secretary's direction, at the President's direction, I might add, 3 weeks ago an interagency security planning effort that, if you will, takes a HSPD7 and puts it on steroids—accelerates it, focuses it in such a fashion that we are enormously attentive between now and over the course of the next six to 8 months to the intelligence stream going by and the attendant requirement to upgrade our security paradigms wherever we would think that to be the most appropriate.

We would happily come perhaps in closed session, sir, and help you understand precisely what we are doing in that regard, but you have very correctly recognized an upcoming window that in wake especially of the Madrid bombings and what appears to at least have been a political consequence reached on the basis of terrorist behavior, that we will watch carefully, for example, the Italian elections and the Polish elections and the Philippine elections that will also happen before our own.

What we have done, sir, is establish five working groups inside the Department with the attendant reach requirement to go all places necessary to pull together a game plan that we will present back to Secretary Ridge by the end of this month and hold into place in a sustained manner across that window of time you just described.

Mr. SHAYS. Let me just make a comment, and I don't need an answer, but I hope and pray that when the Department issues warnings and if we go to an elevated level, that we don't have the department say, "Just do what you normally do." If, for instance, we believe that you are at greater risk by going to an event, let people like adults decide whether they want to go. They may, for instance, decide to go to the Olympics but not take their 4-year-old children or 10-year-old child or whatever. They may decide to go to the convention but maybe they will change their behavior a little bit. And I know you don't want to discourage from going but allow them the adult decision.

I can tell you this: I will ask for any briefings during that time, and if I believe that there is something that that public needs to know about, while I won't disclose it, I will certainly voice my concern and say what I would be doing as a Member of Congress

based on what I have seen. I hope that you will treat the American people like adults and do that.

Admiral LOY. Yes, sir. I am with you on the general notion that, first of all, I think it is our obligation to share information that we have that would put anyone in danger as to what the information is and allow those judgments to be taken by our citizens.

Chairman COX. Gentleman's time has expired. Mr. Etheridge is recognized for his full five minutes.

Mr. ETHERIDGE. Thank you, Mr. Chairman, and I trust I won't take it all. I am going to return, Admiral Loy, back to a point that was made earlier as it relates to CIS. I realize that is one area of a broad area of responsibility, as others have said, but in our office and I know in a lot of other offices, this is an area that we get over-worked in tremendously. It would be a lot easier if we got a lot more prompt response.

Last year, the independent auditor's report indicated that the Bureau of Citizen and Immigration Service process for tracking and reporting the status of applicants and related information was inconsistent and inefficient. Now, I would contend, and our response in our office, that hasn't changed a lot. And every person that is come before this committee, I am going to say to you, I have raised this same question, when are we going to be computerized—you have heard this already.

Admiral LOY. Sure.

Mr. ETHERIDGE. They will say, "Well, we have got a timeline." Last time I asked, I said, "Please give me a data." Well, I get a date and the date slips. And others have talked about it here. But I am going to give you just one example, there are a lot of other examples, but when you have to keep going back and you keep going back, it takes up time, a tremendous amount of personnel time for our folks, for the people at INS and the service areas.

It is just bogging down, and part of the reason, and it was talked about a few minutes ago, so I am going to repeat it again, because I think it has got to be on the record, we have got to get it done, these things are not computerized; they are in boxes. They are still in paper boxes. And when it takes up for just a I-130 visa application for people who are citizens of this country now, when they are just trying to reach out to their spouse, over 2 years to get something moving, that is unacceptable.

Admiral LOY. It is unacceptable, I agree, sir.

Mr. ETHERIDGE. And what I want to know is what specific steps is DHS management tracking this system that you are going to address the inefficiencies and get a handle on this backlog, because as was said a few minutes ago, it is not getting less, it is growing, and I fear if it continues to grow, we aren't going to be able to deal with the issues, and the violations are going to get even greater.

Admiral LOY. Yes, sir. I think this issue is an absolutely right square one for us to take and address with the leadership and management necessary to make it right. It is a system that has plagued our country, frankly, for tens of years, and when this brand new department inherited the responsibility for it, that was recognized by this President who indicated, "Let's get that backlog management from whatever those horrible numbers are down to

something that is reasonable.” That is precisely where we are going.

We have established five major pilot programs to reengineer the processes inside each one of the systems you were describing, whether it is the I-130 or the many other systems that they are responsible for, and get out of there things that don’t need to be done and make more efficient things that do need to be done.

What I can tell you, sir, is that the IT piece is well recognized, but there is—I don’t have a date on the horizon that I would even pretend to share with you at this time.

Mr. ETHERIDGE. Admiral, I know we are struggling because we don’t have an answer for it right now. Can you get back with a timeline?

Admiral LOY. I will be delighted to get back for you, sir, a game plan to fix that.

Mr. ETHERIDGE. So we can have a timeline of—please.

Admiral LOY. You bet.

Mr. ETHERIDGE. So we will have it in writing. If you will do that, I appreciate it. And, finally, let me move to one other issue and a lot of the stuff I have here has already been covered.

In looking over the report, the Inspector General’s report, the Division Chief Information Officer and others had a turnover of about 45 percent, which is substantial since the Department opened its doors. And we have heard that a number of the directorates, such as IAIP, are having problems getting people to take positions they need to move them into and fill some of the gaps. And they are now being filled with contractors.

My question is can you help us understand why the turnover is as high as it is and how we are planning at DHS to address the turnover and the directorate staffing needs? And if it is being staffed by contractors, how long will this last and how long before we will staff it with full people, and is there a cost savings?

Admiral LOY. Yes, sir. Let’s take the IAIP piece first. One of the things that I asked the committee’s support of as we engage with the Armed Services Committees and others is to get this Nebraska Avenue complex thing behind us. Let’s get that established as the headquarters for the foreseeable future with the attendant office spaces there that are appropriate to allow us to hire up IAIP to its allotted FCE.

General LaBute has committed to not only me but to the Congress in the form of the Appropriations Committee a hiring plan that at 50 per month over the course of the next several months he will find himself hired up to complement.

In the meantime, the combination of contractors and detailees, if you will, from attendant agencies inside the Department, has enabled him to get on with some of the work that he is responsible for, certainly the most important work.

I am one who will challenge him as to whether or not the budgeted input you were just describing, the good steward input associated with whether or not he can get done, what is the mix that is best appropriate for him to deal that with? President’s management agenda includes an outsourcing notion that offers us an opportunity in this cabinet agency to establish a manpower paradigm that may very well be different than what has been used in the ex-

ecutive branch in the past. And if contractors and outsourced functionality is the best way for us to get done what we need to get done, that is the way we plan to go.

Mr. ETHERIDGE. Thank you. And only one thing I would say on the contracting and I will yield back my time. I want us to be careful because contractors have already gotten us in trouble in some others areas of the world—

Admiral LOY. Indeed.

Mr. ETHERIDGE. And we don't want that to happen again. And I hope we will have more to say about that later, and I yield back, Mr. Chairman.

Chairman COX. Gentleman from Washington is recognized.

Mr. DICKS. Thank you, and I will be very brief because I know we have got to go to a vote.

Admiral Loy, it is good to see you again. I consider you one of our best public officials, and I am glad to see you in this job. And our colleagues have outlined a number of challenges for you, the information we have on the implementation of the utilization of information technology being one of them, and I am very glad to hear this mentioned time and time again.

All of the reports done by all the outside agencies keep pointing to this one area, and the database on counterterrorism is the kind of the thing that has to get done. And if you can get anything else done, I would try to work on that watch list database so we have one area where we can check all the names. To let this go on and on without bringing it to culmination is simply unacceptable.

Admiral LOY. We will be a demanding customer.

Mr. DICKS. All right. Number two, on the TSA limit, I didn't realize and staff informed me today, this was something that was done in the Appropriations Committee. I would love it if you guys could come up with some language that would help us. I am prepared to talk to the chairman who is a member of this committee about that as well.

We have the same problems in Seattle. You and I talked about that at some length earlier. You have got to have enough people—you have got to give them the ability to manage. Set a limit on dollars or whatever, but you have got to give them the ability to manage the situation, so if you need more people at a particular time, you can do it. I think an arbitrary limit, especially now that traffic has recovered, doesn't make any sense.

And the other thing I would just mention since you are a top official in the Department: we had a hearing yesterday on the whole question of port security, and I don't think the position of the administration is tenable—that port security is just going to be handled by the local port authority. We are not getting anywhere near the money that the Coast Guard says we need to do port security adequately. And Congress has had to add the money for port security. This is the first year that Congress even had an appropriation request for money for port security from the administration. But we have got to figure out a better solution than this, and to let this thing go on and not protect our ports.

Just remember what happened when we had the lockout on the west coast just for a few days. All of a sudden it was affecting the economy of the entire country. And if we don't make sure we have

got good security at these ports, we are leaving ourselves open to a major vulnerability. And the Coast Guard has, I think, laid out what is necessary—\$1.5 billion the first year and \$7.5 billion over 10 years, and we are not anywhere near that. I hope you will take a look at that because of your background, your expertise and experience as the commandant of the Coast Guard.

Admiral LOY. I will, sir.

Mr. DICKS. Thank you. Thank you, Mr. Chairman.

Chairman COX. The gentleman's time has expired. Thank you very much, Admiral Loy, for being with us all morning and part of the afternoon. The record will remain open for members to submit written questions for a period of Ten? And we would appreciate the Department responding to those formally as well.

Admiral LOY. Will do, sir.

Chairman COX. The hearing is adjourned.

[Whereupon, at 12:42 p.m., the committee was adjourned.]



# APPENDIX

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## QUESTIONS AND RESPONSES FOR THE RECORD

### THE HONORABLE JAMES M. LOY RESPONSES

#### QUESTIONS FOR THE RECORD FROM THE HONORABLE JOHN E. SWEENEY

**1. Admiral Loy, a recent GAO study (June 30, 2003) analyzed federal government efforts to coordinate geographic information system (GIS) activities. The study concluded, "to date, the potential of GIS has not been fully realized. While steps have been taken to improve the coordination of government GIS efforts, much more work still needs to be done to round out a comprehensive set of standards and to ensure that they are broadly applied." I am concerned that this is particularly true within the Department of Homeland Security. Are you supportive of efforts to consolidate GIS activities under the Chief Information Officer at DHS? Are steps being taken to achieve this goal?**

**Answer:**

The DHS Geospatial Management Office (GMO) has been established within the DHS Office of The Chief Information Officer (CIO) and is currently operational within the Department. The GMO is responsible within the Department to coordinate geospatial information needs, requirements and other related spatial data activities that support the Enterprise Geospatial Information System (E-GIS) capability. The GMO will provide clear and concise policy direction across the Department as needed for an E-GIS geospatial information capability. The GMO will guide the development and execution of the implementation plan for the geospatial enablement of DHS mission systems. The plan will provide a common set of geospatial data management and processing capabilities that will be incorporated into the emerging Homeland Security (HLS) Enterprise Architecture. This will allow the Department to further enable awareness, prevention, protection, response, recovery of the homeland security mission.

The GMO has already produced a significant body of work, including a strategic plan, and a forward-looking Enterprise Architecture for Geospatial activity in the HLS mission space. While standards are an essential piece they can not alone resolve the challenges in achieving effective geospatial management. We believe the key to interoperability is the overall strategy, of which standards are a critical component. Through the GMO, we are developing a full strategic solution for the HLS mission and for the Department. Although DHS does have significant challenges of coordinating the activities of the 22 incoming agencies from which it was formed, the opportunity is in front of us to affect an enterprise solution set which will make a significant contribution to the interoperable solutions which the National Spatial Data Infrastructure (NSDI) has been fostering over the last 10 years.

Additionally, the Department is a partner agency of the President's Geospatial One-Stop initiative. The purpose of this government-wide effort is to provide Federal, state, local, and tribal agencies with single-point of access to map-related data enabling consolidation of redundant data. Its goal is to improve the ability of the public and government to use geospatial information to support the business of government and improve decision-making. Through this initiative and the work under the Federal Geographic Data Committee, the Department is an active participant toward achieving the shared goals of improved geospatial management and coordination.

**The President's budget included \$5 million for the coordination of geospatial management activities within the CIO's office. I am concerned that this falls far short of what is needed to move forward in this area. The GAO study suggested, "Priority should be given to ensuring that the federal government promotes common GIS standards wherever practicable,**

**facilitates participation by all stakeholders, and as a result reduces redundant systems and data collection efforts. What steps is the Department taking with these limited resources to meet these objectives?**

**Answer:**

The Department maintains its goals of coordinating geospatial activities across the DHS enterprise, continuing to develop and implement the Geospatial View of the DHS Enterprise Architecture, consolidation of capital asset planning, and promoting a well defined and documented strategic approach to interoperability of information systems utilizing the power of location and time in a Geospatial reference frame. The DHS Operational Elements? Geospatial efforts contribute greatly to the overall DHS Geospatial activities. Based on the current funding levels, the Department will be able to accomplish the initiation of the identified need in fiscal year 2005.

Across the Federal government, work on common standards continues under the Geospatial One-Stop initiative. Through partnership with state and local organizations, Geospatial One-Stop developed thirteen standards to improve sharing and use of geospatial data. The Federal Geographic Data Committee is now building from these initial standards to identify other opportunities for standards development.

**Some of my colleagues have introduced bills to consolidate GIS activities within the CIO's office at DHS. Could you provide the committee with your views on these proposals?**

**Answer:**

The Department has analyzed each of the bills to which you are referring. While they each share a common goal of legislating the introduction of a program management office for geospatial activities, under the DHS Office of the Chief Information Officer (OCIO), they diverge in details beyond that. Each has a varying level of detail defining business approaches, policies, and descriptions of the "geospatial landscape", and in varying ways, appear to define the solutions to some of the well known issues. Senators Akaka, Collins, and Lieberman have proposed the amendment, "A bill to provide for additional responsibilities for the Chief Information Officer of the Department of Homeland Security relating to geographic information.", to S.1230 that DHS supports. This amendment provides the DHS OCIO the authority and responsibilities necessary to meet the geospatial goals and objectives required of the Department.

**2. I expressed my concern two months ago to Secretary Ridge that S&T is not moving quickly on SAFETY Act applications for procurements of anti-terrorism technologies. In fact, I have heard complaints the directorate is reviewing the applications for qualification almost like an FDA drug approval process.**

The SAFETY Act was meant to replace Public Law 85-804 as mechanism for addressing insurable liability exposure for high-risk homeland security procurements. The process that DHS/S&T has in place currently is not expedited the deployment of the technologies needed for these procurements and they are being held up. The information requested is extremely excessive, the process is too bureaucratic, and there is not a lot of confidence S&T will qualify anything any time soon.

U/S McQueary went on the record stating no company spent more than 120 hours completing a SAFETY Act application. I know for certain that one company spent 700 hours on the SAFETY Act application and an additional 300 hours—for a total of over 1,000 hours—on just one application for one anti-terrorism technology.

I am especially concerned that New York will remain vulnerable to future acts of terrorism if we don't see a more aggressive approach in getting these solutions deployed immediately (before the RNC), especially technologies that have already been used by the government/military, and are now being modified for homeland security purposes.

**Specifically, when will the bulk of current applications be approved? How many projects—Federal, state, and local—do you expect to approve for SAFETY Act coverage this year based on the number of applications submitted thus far?**

**Answer:**

Your question, and other similar questions from other members of Congress, expresses concern that the process established by the Department to implement the SAFETY Act is overly complicated, burdensome, operates to deter applications, and, perhaps most importantly, is more comprehensive than intended by Congress. I understand your concerns and your desire for a more streamlined process. However,

I believe the process the Department has implemented is consistent with the minimum requirements of the Act.

The statute is quite specific in the elements the Secretary is required to consider when evaluating an application for either tier of SAFETY Act protection. **Destination**, the lower tier, which provides the seller with a limitation on liability, requires consideration of at least the following seven criteria:

1. Prior United States Government use or demonstrated substantial utility and effectiveness.
2. Availability of the technology for immediate deployment in public and private settings.
3. Existence of extraordinarily large or extraordinarily unquantifiable potential third party liability risk exposure to the seller or other provider of such anti-terrorism technology.
4. Substantial likelihood that such anti-terrorism technology will not be deployed unless protections under the SAFETY Act are extended.
5. Magnitude of risk exposure to the public if such anti-terrorism technology is not deployed.
6. Evaluation of all scientific studies that can be feasibly conducted in order to assess the capability of the technology to substantially reduce risks of harm.
7. Anti-terrorism technology that would be effective in facilitating the defense against acts of terrorism, including technologies that prevent, defeat or respond to such acts.

**Certification**, which affords the higher level of protection of the *presumed government contractor defense*, requires the Secretary to (1) conduct a “comprehensive review of the design of such technology and determine whether it will perform as intended,” (2) determine if the technology “conforms to the [s]eller’s specifications,” and (3) determine that the technology is “safe for use as intended.” In addition, the statute requires each applicant for *certification* to conduct a *safety and hazard analysis* on the technology and to provide the results as part of the application.

If the Department was to limit its role in evaluating applications for *designation* to conducting a basic analysis of the technology to confirm that it actually works and would not pose an inherent risk of injury to others, the Secretary would only be considering criterion 7 and part of criterion 6 rather than all seven criteria as required by the Act. While the Department does not interpret these requirements to require the actual testing of each technology by DHS, it does believe compliance with the statutory requirement to review “all scientific studies that can feasibly be conducted” for every application for *designation* and the requirement to conduct a “comprehensive review” for applications for *certification* necessitates at least the level of review established by our existing procedures.

You also expressed concern with the number of hours some companies have invested in completing The SAFETY Act application. To obtain specific data on this issue, the Acting Director, Office of SAFETY Act Implementation, personally spoke with each company that submitted a full application to obtain feedback regarding the time and effort each company invested in completing the application. The responses indicate that the amount of time was proportional to the size of the company, with small to medium sized organizations spending considerably less time completing the application than did large corporations. Overall, most organizations spent approximately 150 hours to complete a full application. The least amount of time reported to complete an application was 25 hours and the most was 1000 hours.

Discussions by the Acting Director, Office of SAFETY Act Implementation, with the single applicant that spent the 1000 hours indicate that the extensive amount of time required for this applicant to complete the application was primarily a result of its internal decisions on how to address the application and its existing internal policies and procedures, not from the complexity of the application itself. Confirmation of this assessment came from discussions with two applicants of similar size; one reported its application took no more than 100 hours across the entire company and the other reported 200 hours. Based on this information, the Department is confident that it is the business practices of the particular applicant resulted in the extraordinary investment of time in the application and not the application or the Department’s implementation of the Statute. Nevertheless, the Office of SAFETY Act Implementation has substantially completed a major revision of the application kit, including the application forms, their instructions, and general information on the SAFETY Act and the Office of SAFETY Act Implementation. These changes were based on comments solicited from applicants, industry associations, and congressional staffers. The Department believes the revised application kit addresses the issues raised in your question and will be well received by industry once issued. The revision is currently being finalized at the Department level.

I do share your desire that our process not cause applications to be unduly delayed and I am confident this is not the case. As of May 21, 2004, the Department has received 84 pre-applications and 18 full applications. In addition, there are an additional 50 pre-applications and 22 full applications in various stages of completion on the SAFETY Act web site. With the exception of one pre-application still under review, all of the pre-applications have been reviewed and comments provided to the applicants. Of the full applications received, 11 were deemed incomplete, eight have been evaluated by the Office of SAFETY Act Implementation and are now awaiting final action by Under Secretary McQueary, and three are in various stages of the evaluation process. Let me assure you that the Department is sensitive to the issue of timeliness, and we are proud that the evaluation of each complete application for *designation* or *certification* under the SAFETY Act has been accomplished in less than the 90 days allocated in the interim regulations. Final action on the eight applications by the Under Secretary for Science and Technology is imminent and will be within the 30 days allocated in the interim regulations for each of the pending applications. In summary, each and every application for *designation* or *certification* under the provisions of The SAFETY Act has been processed within the time frames set forth in the interim regulations.

Finally, you ask for a prediction on the number of applications the Department anticipates receiving for the balance of this year. This is the first year of a new program and we have no basis to provide a numerical estimate. The Department does believe the imminent announcement of the first group of *designations* and *certifications*, coupled with our various outreach programs, will generate a significant increase in the rate of applications for the balance of the year. The Department would be pleased to provide periodic status reports regarding the number of applications received to your office and Congress if desired.

**3. In TSA's procurement of homeland security related technologies, is TSA requiring as part of its solicitations that companies bidding on such solicitations apply for coverage under the SAFETY Act? If not, why not?**

**Answer:**

TSA does not include in its solicitations for transportation security related technologies the requirement that companies bidding on such solicitations apply for coverage under the SAFETY Act. Neither the SAFETY Act itself nor any other provision of law requires that companies apply for such coverage. Applying for coverage under the SAFETY Act is a discretionary act; contractors may choose to apply for such coverage, but whether one does so or not is a business decision on the part of the company.

QUESTIONS FOR THE RECORD FROM RANKING MEMBER JIM TURNER

**Enhancing the Strategic Focus**

**4. In addition to dealing with day-to-day challenges, one of the responsibilities of senior management is to think strategically—over the long term—about the priorities of the Department, and ensure that its workforce, its programs, and its processes are all working together to achieve desired results. I think this is especially important for the Department of Homeland Security. While you have a lot on your plate to deal with every day, it's vital for you and your colleagues to make sure that you think strategically about how best to protect our country, using all sources of information that now reside in the new Department to help you chart your future course. Related to this point, I think it's important to have concrete performance standards and metrics in place that can be used to determine whether the Department is truly achieving its objective of making us safer from the multitude of threats we face. Along these lines:**

**Would the Department benefit from a dedicated strategy office that could, in part, look at the long-term threat posed by terrorism to the United States, analyze and evaluate ways in which terrorists could attack us over the long-term, and make recommendations on the long-term strategy and investment priorities of the Department?**

**If not, what office in the Department is currently engaged in such strategic work? Do they have ready access to you and Secretary Ridge? It does not exist, should it be created?**

**ANSWER:**

The Department agrees that strategic thinking and planning is vital to ensuring homeland security. It is also important that we establish concrete performance milestones and metrics to determine how well we are achieving our strategic goals and objectives. The Department already has put in place the structure to support these

issues. The Department established the Program Assessment and Evaluation Office (PAE), under the office of the Under Secretary for Management. PAE handles development and coordination of the strategic plan, tracking of strategic issues and coordination of performance based Planning, Programming, Budgeting and Execution (PPBE). PAE coordinates with all of the organizations within DHS to ensure that all planning and programming is cohesive and tracks performance through quarterly accountability reports.

The Department's first high-level Strategic Plan was released in February. This Strategic Plan set forth the vision and mission statements, core values, guiding principles and strategic goals and objectives that provide the framework to guide the actions that make up the daily operations of the Department. The full breadth of our activities is guided by the high-level goals of: Awareness, Prevention, Protection, Response, Recovery, Service, and Organizational Excellence. The Department's Strategic Plan and additional planning guidance provides focused guidance for departmental objectives and provide the standards for accurate and concise measurement of agency performance.

To help match the Department's resources with operational strategy, the Department has instituted a long-term comprehensive planning, programming and budgeting system to support development of the Future Years Homeland Security Program (FYHSP). This is a step-by-step strategic decision-making process and links the threat assessments, resource constraints, and the policy intentions of our political leadership to the thousands of detailed readiness actions needed to meet the missions of the Department of Homeland Security. The system aligns resources to programs that support the Department's objectives, demonstrate accountability, are performance driven, have identified long term benefits, and meet the Department's priorities.

Direct input into the Department's strategic planning and programming process comes from the Information Analysis and Infrastructure Protection (IAIP) Directorate. IAIP is a full partner and consumer of all intelligence-generating agencies, such as the National Security Agency, the CIA and the FBI. IAIP coordinates and develops the long-range strategic assessments concerning the nature of the terrorist threat facing the country. Based on the threat assessment, IAIP and other components of the Department such as the Border and Transportation Security Administration, Coast Guard, Science and Technology Directorate, Emergency Preparedness and Response Directorate develop short-term and long-term strategies to counter the projected threat. In addition, the Department has established an Operations Integration staff to coordinate interagency strategy and operational planning. The heads of these organizations have direct access to both the Secretary and Deputy Secretary.

*Status of Implementing GAO Recommendations*

**5. The Congress looks to GAO to recommend improvements in government operations. Along that line, I asked GAO to provide the status report on the Department's activities to implement previous recommendations GAO has made, including to its legacy agencies. GAO informs me that of the several hundred recommendations it made to DHS, appropriately 110 are what GAO considers "key" recommendations.**

Indeed, many of these recommendations are targeted to specific program areas within the various Department directorates. However, others are intended to improve operations and management department-wide. As an example, last August GAO recommended that, in developing its enterprise architecture for computer systems, the Department should coordinate with various federal law enforcement agencies, state and local authorities, and the private sector to foster information-sharing initiatives and to eliminate possible confusion and duplication of effort.

**What is the status of your fully implementing GAO's recommendations? What are the factors that may limit your ability to implement more?**

**Answer:**

Per the chart below, as of May 2004 GAO reports an estimated 354 recommendations for DHS and 112 of these are high priority; and 103 of the total recommendations are considered closed. Of the high priority recommendations, over half are pending review for completion at GAO. It also should be noted that the preponderance of the open recommendations are associated with legacy agencies prior to the establishment of DHS and some date back as far as 1997. As a result, it is extremely difficult or impossible for current DHS personnel to assure implementation for recommendations associated with legacy departments. We have assessed these recommendations and are in on-going negotiations with GAO to close those identified with the legacy organizations.

## Status and Priority of GAO Recommendations to DHS

Priority Code	Open	Under Review *	In Progress	Closed ~	Total
High	30	4	44	34	112
Moderate	55	5	19	17	96
Low	77	10	7	52	146
Total	162	19	70	103	354

## Notes:

\* Under review means that DHS has taken action and provided some documentation in response to the recommendation that they believe should be sufficient to close the recommendation. That action and documentation are 'under review' by the GAO team that initiated the recommendation.

# In progress means that DHS is taking action in response to the recommendation but has not fully implemented it.

~ All 'closed' recommendations have been closed by the GAO initiating team.

*Suspected \$1.2 Billion Budget Shortfall*

**6. In March of this year, DHS announced a hiring freeze at two of its frontline units, CBP and ICE because accounting staff were uncertain if a suspected \$1.2 billion budget shortfall was real or an accounting irregularity. DHS reportedly has three different pay systems that do not use the same budgeting principles and budget codes. What is the department doing to better integrate its financial systems to ensure that such an incident is not repeated?**

**Answer:**

Staff from the Department's Office of the Chief Financial Officer (CFO), Border and Transportation Security (BTS) Directorate, and the U.S. Citizenship and Immigration Services (USCIS) have briefed your staff on the circumstances and facts surrounding the alleged \$1.2 billion shortfall as reported by *The Wall Street Journal*. The Department also established a review team composed of staff from the CFO's Office, BTS, USCIS, and the U.S. Coast Guard to assess the situation. The review team engaged in a detailed budget reconciliation effort between the three bureaus. The team examined the allocation of resources and services throughout the three bureaus, and this effort resulted in an immediate internal realignment of \$212 million. A subsequent internal realignment of approximately \$270 million is possible, pending additional discussions and coordination on the final documentation and billing. There is no \$1.2 billion shortfall as reported by *The Wall Street Journal*.

The Congress has recognized that funds may need to be realigned between ICE, CBP, and USCIS. In the Joint Explanatory Statement (H. Rpt. 108-280) accompanying the Department of Homeland Security Appropriations Act, 2004 (Pub. L. 108-90), the Congress recognized that the budgetary resources may need to be realigned. Specifically, the Congress noted: *"The conferees are aware that the Department is conducting a comprehensive review of administrative and other mission responsibilities, particularly as they affect ICE and other agencies that have inherited multiple legacy missions. While funding provided by this conference agreement is based on the best possible information available, the conferees understand there may be a need to adjust funding to conform to the decisions resulting from the review."* A similar statement was included under the heading discussing CBP.

While unrelated to the budget review discussed above, when DHS was established one and one half years ago, it blended 22 distinct agencies and bureaus inheriting a myriad of redundant management functions, processes, and systems: for example, 40 general ledgers, 30 different procurement processes, and 20 different approaches to managing travel costs. In fiscal year 2005 DHS will implement the new finance/accounting/budget resource management system, eMerge<sup>2</sup> (Electronically Managing Enterprise Resources for Government Efficiency and Effectiveness), that will transform disparate business and financial management systems into one, uniform, electronic solution for the Department. It will support a "one environment" model with common core processes that is critical to the success of DHS. eMerge<sup>2</sup> will provide decision-makers with critical business, budget, accounting, procurement, grants, assets, and travel information in near "real time;" and eliminate stovepipes between components.

The Department is committed to the security of the nation and we will continue to work towards successful operation of the three bureaus—CBP, USCIS, and ICE. To that end, we will continue to work with the Congress, to ensure that funds are aligned to mission objectives and are consistent with congressional intent.

QUESTIONS FOR THE RECORD FROM REP. LOUISE M. SLAUGHTER

The proposed regulations eliminate the Merit System Protection Board of its current authority to modify agency-imposed penalties in DHS cases involving removal and adverse actions of employees.

**7. Please explain (a) why has the standard of evidence for MSPB cases been drastically decreased when it is the committee's understanding that agencies currently win over 80 percent of their cases brought before the MSPB? (b) how does this comply with the Congressional intent of the Homeland Security Act that employees are entitled to fair treatment in any appeals that they bring and are entitled to due process?**

**Answer:**

We note the concern you and other members of Congress have expressed on this issue and are examining this issue very closely as we draft the interim final regulations for the Department of Homeland Security.

**8. The Homeland Security Act requires that the new system ensure that employees may organize and bargaining collectively. Yet, the proposed regulations practically wipe out full collective bargaining rights by allowing DHS to set working conditions through non-negotiable department regulations.**

**How does this comply with the Congressional intent of the DHS Act that employees have meaningful collective bargaining rights?**

**Answer:**

The proposed regulations still require bargaining over procedures and appropriate arrangements over lay-offs, retention, discipline, leave, and promotions. In addition, bargaining over procedures and appropriate arrangements for other core management rights is not prohibited and may occur at the discretion of management. If no bargaining occurs, management through a consultative process is required to consider union views and recommendations.

**9. The proposed regulations also severely curtail if not eliminate collective bargaining rights over most core day-to-day operational decisions, such as the assignment of work, the deployment of personnel, and the use of new technology by DHS personnel. Other issues would have to have a "significantly effect a substantial portion of the bargaining unit" before even being subject to post impact and implementation bargaining.**

**Could you please define for the committee, the Department's definition of "significant impact" and "substantial portion" of a bargaining unit?**

**Answer:**

The intent of this change is to focus bargaining on matters that are of significant concern and relieve the parties of potentially lengthy negotiations over matters that are limited in scope and effect. The proposed Homeland Security Labor Relations Board will have jurisdiction over negotiability and duty to bargain disputes and will through case law or advisory opinions further define these terms.

**10. The proposed regulations reassign many of the functions of the independent Federal Relations Labor Authority (FLRA) to a new "in-house" DHS Labor Relations Board, composed exclusively of members appointed by the Secretary.**

**Why do the proposed regulations gut the ability of the FLRA, an independent arbiter with decades of experience, to make these decisions? At a minimum, why can't employee representatives' have a role in appointing members of this "in-house" DHS Board?**

**Answer:**

DHS believes that an independent Homeland Security Labor Relations Board dedicated to adjudicating DHS cases will provide a needed mission focus and homeland security expertise to dispute resolution. In addition, having a single Board oversee a unified dispute resolution process will promote more efficient and effective decision making. It should be noted that the regulations do propose that the FLRA continue to oversee representation elections and retain its jurisdiction over the handling of unfair labor practice charges concerning the rights and obligations of individual employees.

While the proposed regulations require that the Secretary appoint the Board members, the regulations are silent on how candidates and potential candidates might receive consideration. We plan to consider different ways to accomplish this while at the same time recognizing that Board independence is critical.

**11. The proposed regulations create the establishment of two new entities, the DHS Labor Relations Board and an internal DHS panel to consider appeals involving mandatory removal offenses. Yet, in the proposed regulations, it is clear that the department is uncertain as to what type of judicial review will be available from decisions of these new groups.**

**Can you please describe to the committee what type of judicial review the department envisions?**

**Answer:**

The Department supports providing its employees with an opportunity for judicial review of certain agency actions. As the proposed regulations state however, OPM and DHS lack the statutory authority to confer jurisdiction to hear appeals in the U.S. courts of appeals or the U.S. Court of Appeals for the Federal Circuit. The proposed regulations specifically sought public comment on this issue and we hope to be able to identify a strategy for ensuring judicial review similar to what employees currently have.

**12. The new personnel regulations create a new pay for performance system and pay banding for all DHS employees.**

**Has there ever been a study, report or private sector analysis on how a pay for performance pay system would work in a law enforcement setting where teamwork is essential?**

**Answer:**

Performance management systems used to reward employees are not inherently structured to focus on individual performance. Many such systems require that employees exhibit such behaviors or skills as ability to work within a team, efforts to foster team building and interaction, etc. Such systems can provide rewards based on the accomplishments of an organizational unit or a team. The design efforts currently under way at the DHS are mindful of the critical need for employees to work together in teams particularly in the law enforcement arena. Thus, the performance management system that will be developed and the pay for performance system associated with it will include the kinds of elements that will foster this close working relationship, while emphasizing individual achievement where this is appropriate, e.g., in administrative support occupations, or scientific research.

**13. In addition how will a supervisor be able to accurately assess the performance of an employee who they might see only a few times a year?**

**Answer:**

The envisioned performance management system will allow managers and employees to collaboratively plan performance objectives that are linked to the Department of Homeland Security Strategic Plan. Several things can be done to help a supervisor to accurately assess the performance of an employee that the supervisor might see only a few times each year, including visits to the remote worksite where the employee is located. Supervisors will be required, based on the language in the proposed regulations, to provide periodic feedback to an employee on his or her actual performance as compared to the supervisor's performance expectations, including one or more formal interim performance reviews during each appraisal period (5 CFR 9701.407(b)); review of work products that an employee produces, including activity reports, investigative case reports, and the like; and, discussion of employee work with peers and customers. In addition, an employee, under procedures being developed, will be asked to provide input to the performance appraisal in order for the supervisor to have as complete a picture of the employee's accomplishments as possible.

QUESTIONS FOR THE RECORD FROM THE HONORABLE SHEILA JACKSON-LEE

***Transformation of DHS***

**14. What are the most pressing management challenges facing the department, and what is currently being done to address them? What are the key barriers you face in meeting these challenges?**

**Answer:**

To develop our organization's capacity for change and to speed our integration, there are several management challenges that are currently being addressed through the office of the Under Secretary for Management (OUSM). DHS has now reached the next level of sophistication in its evolution as a Department. Achieving

management efficiencies and improvements, as envisioned by the Homeland Security Act, are a key linchpin in the overall strategic effort to create one DHS and should be coordinated by a cohesive organization to ensure maximum return on investment.

We are blending 22 distinct agencies and bureaus, each with its employees, mission, and culture, into a single, unified Department whose mission is to secure the homeland. Simultaneous with that harmonization and integration effort, we are devising new processes and infrastructure to integrate the Departmental offices. Primary focus in OUSM is Business Transformation. We need to transform multiple legacy business practices, and their legacy infrastructure, into harmonized or single business practices across the enterprise. We have the opportunity to build the 21st century department and that will be accomplished by business transformations. Examples of enterprise-wide transformations include eMerge<sup>2</sup> (Electronically Managing enterprise resources for government effectiveness and efficiency); MAX<sup>HR</sup> (the unitary human capital management system) and, the Homeland Secure Data Network (HSDN) (secure communications backbone for not only the DHS enterprise but also secure communications with all federal, state, local and tribal Homeland Security stakeholders. Integrating our actions and making DHS a cohesive, capable and service-oriented organization whose cross-cutting functions are optimized to protect our nation against threats and effectively respond to disasters is one of our Guiding Principles in the DHS Strategic Plan.

These programs are currently being executed with varying degrees of management integration and consistency across lines of business, including formal risk assessment, integrated timelines and cohesive measurement activities. We continue to aggressively solve immediate and real business gaps while at the same time, defining and implementing new business operations and building Department wide infrastructures and processes. As a result, we require a formalized and systematic approach for defining, chartering, supporting, synchronizing, and measuring change programs for the foreseeable future.

**15. Does DHS have an overall plan or strategy to integrate the department, with implementation goals and a timeline, and has it dedicated a senior leadership team to lead and manage the integration and transformation process?**

**Answer:**

The Department of Homeland Security (DHS) was established to bring together various federal organizations with homeland security functions and to ensure the integration of their operations to achieve the Department's common mission of leading the unified effort to protect America. Since its inception in March 2003, DHS has continued to work towards the comprehensive integration of the original 22 agencies that were combined to create the Department. The creation of functional directorates and the restructuring of legacy organizations is the foundation for this integration. The Department's Strategic Plan and the seven key priorities identified for the second year serve as the unifying core of our continuing commitment to coordinate and integrate the missions of our five directorates and three distinct reporting agencies. The Secretary's key priorities includes specific actions that the Department is committed to achieve by March 1, 2005, and lay the foundation for longer-term federal, state, and local integrated initiatives that significantly enhance homeland security capabilities throughout the nation.

In December of 2003, the Secretary created an integration staff that would help the Department achieve seamless mission and operational planning across the five directorates and three distinct reporting agencies. The Headquarters Operational Integration Staff (I-STAFF) was formed to assist the Department's Leadership Team in coordinating and integrating department programs and missions at the headquarters level, as well as vertically at the regional level. The I-STAFF is also charged with the planning and implementation of a unified DHS regional structure.

**16. How is DHS balancing its efforts to integrate the department with ensuring the continued delivery of services of its legacy agencies? How is DHS ensuring the balance between its homeland and non-homeland security missions?**

**Answer:**

The continued integration of Department programs enhances the delivery of services to external stakeholders by building a cohesive and coordinated Department-wide operational mission that supports our goal of leading the unified effort to protect America. The five programmatic directorates and three distinct reporting agencies are charged with coordinating a broad spectrum of homeland security missions which include securing borders and transportation systems, maritime security, re-

sponding to and recovering from all-hazards incidents, critical infrastructure protection, information analysis, and scientific research and development. The I-STAFF ensures that these homeland security missions are coordinated and integrated horizontally across all DHS headquarters directorates and distinct reporting agencies, and that integrated departmental efforts are conducted at the field and regional level. In addition, the I-STAFF is helping to build Department-wide capabilities by ensuring the seamless integration of threat monitoring and operational response activities; formalizing the processes and protocols to enable executive decision-making during periods of heightened alert; establishing a process for headquarters and regional participation in the National Homeland Security Training and Exercise Program; and developing a comprehensive regional implementation plan that facilitates the Department's transformation toward a fully-functioning DHS regional structure.

While homeland security missions are the critical priority for the Department, non-homeland security missions are an integral part of the Department's efforts to support the National Strategy for Homeland Security.

**17. GAO has noted that one option could be adopting the Chief Operating Officer concept to elevate and integrate key management and transformation efforts, and to institutionalize accountability for achieving these changes. Has DHS considered implementing such a position?**

**Answer:**

The Director of the I-STAFF is charged with leading the effort to integrate cross-directorate strategic, operational and contingency planning; providing synchronized support for operational response and crisis decision making; managing national homeland security education, training and exercise programs and leading the development, implementation and oversight of the DHS regional structure. Through the implementation of I-STAFF programs and initiatives, the I-STAFF Director establishes the mechanisms and protocols that ensure that programs and operations are integrated into a cohesive Department-wide operational vision that supports the unified DHS mission. The I-STAFF Director reports directly to the Secretary of DHS.

**18. Have DHS's employees and other interested parties been involved and engaged in developing the department's integration and transformation strategy? How has this strategy been communicated to DHS's employees and to other interested parties?**

**Answer:**

DHS employees from every directorate and distinct agency have played an integral role in realizing the Department's promise to achieve seamless mission planning and execution in helping to achieve the ultimate goals of preventing and deterring terrorist attacks and protecting and responding to threats and hazards to the nation. The I-STAFF alone is composed of approximately 50 DHS staff detailed from every directorate, agency and office within the Department. As representatives of their respective directorates, agencies and offices, these individuals form the nucleus of an integrating and coordinating staff that promotes interdepartmental and interagency initiatives that enhance homeland security missions throughout the nation. In addition, DHS employees within the field and regional offices have formed local coordination networks that integrate varying operational missions within specific cities and regions to ensure the effective and efficient delivery of homeland security services to our external stakeholders.

DHS employees are kept informed of transformation and integration initiatives through a number of communications methods including memoranda from the Secretary, directives and guidance from Under Secretaries and agency heads, weekly newsletters, informational e-mails and the DHS web site.

**19. DHS recently released a strategic plan that sets forth goals and broad objectives for the Department. How is this plan being integrated into the Department's planning processes and operations to make achievement of these goals a reality?**

**Answer:**

The Department has prepared a Future Years Homeland Security Program (FYHSP)—a five-year resource plan that reflects the vision of how we intend to preserve our freedoms, protect America, and secure our homeland. The Department's strategic plan is the basis for the FYHSP. This FYHSP will ensure the Department takes a strategic approach to budgeting and a long-term view in developing the Department of Homeland Security program priorities and operational strategies. As a planning document, the FYHSP is the culmination of efforts to examine departmental priorities and the five-year ramifications of program and budget decisions. Our strategic plan is the roadmap for the Department and provides the cornerstone

of the FYHSP. This year's FYHSP reports how our five-year budget links directly to our strategic goals. The Department will review priorities and plans yearly with a long-term view of where we want to go and the best way to get there and adjust subsequent FYHSPs accordingly.

Great strides have been made in instituting a comprehensive and cyclic planning, programming, and budgeting system to align the Department' five-year resource requirements with strategic goals in light of competing programmatic priorities and limited resources. However, the Department is continuing to further assess and refine programs and activities and their potential impact on upcoming budget requests.

To support development of the FYHSP, the Department implemented a comprehensive Planning, Programming, and Budgeting System (PPBS). The PPBS is a strategic decision-making process. It links strategic direction in light of threat assessments and resource constraints to the thousands of detailed readiness actions needed to meet the missions of the Department of Homeland Security.

In addition, the Performance Budget Overview (PBO), the annual performance plan sent to Congress with the President' Budget, is organized by strategic plan goals. The fiscal year 2004 PBO shows how each program supports DHS goals, as well as program performance goals and measures. Throughout the year, progress is monitored by a Quarterly Performance Report, again organized by strategic goals and objectives. Each program reports on its key performance measures, with a consolidated report provided to senior leadership for review and assessment of progress in meeting our FYHSP and strategic plans.

**20. The department has experience significant turnover among the senior executive ranks in key positions. Since DHS opened its doors, divisional CIOs have turned over at a rate of 45 percent. How is DHS ensuring that continuity of leadership remains intact during this critical period of transformation?**

**Answer:**

Our current executive recruiting strategy continue to attract highly qualified and diverse applicants. Leadership positions are filled quickly. DHS has also established a workforce planning process that helps us identify potential occupational gaps in our key leadership positions. We have created a One DHS leadership model to ensure that our leadership pipeline is prepared when future leadership positions become available. We are also at the beginning stages of designing and developing a One DHS Leadership curriculum and a One DHS Senior Executive Service Candidate Development Program. Assisting with retaining key leaders is our new pay and performance system for Senior Executive Services members. Pay will be based on individual performance and/or contribution to the agency's performance. The Department will be able to ensure that those senior executives demonstrating the highest levels of individual performance will be rewarded appropriately. Once the Department receives certification from OPM, the pay cap will also be raised to the Executive II level which will be an incentive for the senior leadership.

#### ***Financial Systems***

**22. In March of this year, DHS announced a hiring freeze at two of its frontline units, CBP and ICE because accounting staff were uncertain if a potential \$1.2 billion budget shortfall was real or an accounting glitch. DHS reportedly has three different pay systems that do not use the same budgeting principles and budget codes. What is the department doing to better integrate its financial systems to ensure that such an incident is not repeated?**

**Answer:**

Staff from the Department's Office of the Chief Financial Officer (CFO), Border and Transportation Security (BTS) Directorate, and the U.S. Citizenship and Immigration Services (USCIS) have briefed your staff on the circumstances and facts surrounding the alleged \$1.2 billion shortfall as reported by *The Wall Street Journal*. The Department also established a review team composed of staff from the CFO's Office, BTS, USCIS, and the U.S. Coast Guard to assess the situation. The review team engaged in a detailed budget reconciliation effort between the three bureaus. The team examined the allocation of resources and services throughout the three bureaus, and this effort resulted in an immediate internal realignment of \$212 million. A subsequent internal realignment of approximately \$270 million is possible, pending additional discussions and coordination on the final documentation and billing. There is no \$1.2 billion shortfall as reported by *The Wall Street Journal*.

The Congress has recognized that funds may need to be realigned between ICE, CBP, and USCIS. In the Joint Explanatory Statement (H. Rpt. 108-280) accom-

panying the Department of Homeland Security Appropriations Act 2004 (Pub. L. 108-90), the Congress recognized that the budgetary resources may need to be realigned. Specifically, the Congress noted: *“The conferees are aware that the Department is conducting a comprehensive review of administrative and other mission responsibilities, particularly as they affect ICE and other agencies that have inherited multiple legacy missions. While funding provided by this conference agreement is based on the best possible information available, the conferees understand there may be a need to adjust funding to conform to the decisions resulting from the review.”* A similar statement was included under the heading discussing CBP.

While unrelated to the budget review discussed above, when DHS was established just over one year ago, it blended 22 distinct agencies and bureaus inheriting a myriad of redundant management functions, processes, and systems: for example, 40 general ledgers, 30 different procurement processes, and 20 different approaches to managing travel costs. In fiscal year 2005 DHS will implement the new finance/accounting/budget resource management system, eMerge<sup>2</sup> (Electronically Managing Enterprise Resources for Government Efficiency and Effectiveness), that will transform disparate business and financial management systems into one, uniform, electronic solution for the Department. It will support a “one environment” model with common core processes that is critical to the success of DHS. eMerge<sup>2</sup> will provide decision-makers with critical business, budget, accounting, procurement, grants, assets, and travel information in near “real time;” and eliminate stovepipes between components.

The Department is committed to the security of the nation and we will continue to work towards successful operation of the three bureaus—CBP, USCIS, and ICE. To that end, we will continue to work with the Congress, to ensure that funds are aligned to mission objectives and are consistent with congressional intent.

**23. What is the implementation milestone for the “eMerge” system and are there factors impeding its development and implementation? Specifically, how will DHS use the \$56 million requested for fiscal year 2005?**

**Answer:**

eMerge<sup>2</sup> has a planned implementation strategy involving three phases. The phases were designed around the unique needs of each of the organizational entities making up DHS. The three phases are as follows:

- o Phase I—Most in Need . . . . Building the Foundation; targeted for implementation beginning Fall 2004
- o Phase II—Improving Functional Integration . . . . Migrating to Standards; targeted for implementation beginning Spring 2005
- o Phase III—Providing for Uniqueness . . . . Unifying Operations; targeted for implementation beginning Fall 2005

The solicitation will require a proposal for the solution and specific implementation plans and timetables.

At this point, there are no significant impediments to development and implementation, however the eMerge<sup>2</sup> program does employ a risk management effort and has identified several significant risks to which the program is sensitive. A few of the more critical risks are:

- o Budget—Obviously, any reduction in the current budget would seriously impact the program.
- o Infrastructure Readiness—eMerge<sup>2</sup> is dependant upon the readiness of the IT infrastructure to support implementation. Any risks associated with IT infrastructure rollout ultimately affect eMerge<sup>2</sup> rollout.
- o Stakeholder Resistance—Any large implementation project always runs the risk of stakeholder resistance. eMerge<sup>2</sup> therefore, is employing a comprehensive change management plan, addressing issues through careful analysis, outreach, training and interaction.

The eMerge<sup>2</sup> budget for fiscal year 2005 will be applied to the following areas: We will continue to refine the business requirements, acquire and implement a solution, perform a gap analysis at each implementation site, make preparation for data migration, and employ portfolio analysis, communication and change management and program administration.

**24. The DHS/IG reports that in its first audit of the department’s financial statement, KPMG rendered a qualified opinion and cited several internal control weaknesses for the financial systems. How is DHS working to correct these problems?**

**Answer:**

The Department’s fiscal year 2003 Performance and Accountability Report includes the auditor’s report on internal control. The fiscal year 2003 report presented

a total of 14 weaknesses in internal control, seven of which are considered material to the consolidated financial statements. In response, the Department CFO has required each affected organization to develop detailed, measurable clean action plans (CAP) to resolve and correct these weaknesses, including weaknesses in information controls in its financial systems. Commencing April, the CFO initiated monthly CAP meetings with each DHS organization CFO to discuss the status of action and underlying milestones to resolve these weaknesses. All CAP actions must be sufficient to enable the auditors to complete their testing to the extent necessary to render an independent report containing an opinion on the consolidated financial statements, among other things, and a report on internal controls by the accelerated due date of November 15, 2004. To date, Department organizations are making measurable progress in addressing weaknesses specific to their organization. The Department's CFO implemented an automated tracking system for use in monitoring individual weaknesses in internal control at the organization level. The CFO anticipates rolling this system out to the organizations in the near future for their use in tracking organization weaknesses in internal control that may not warrant tracking at the Department level.

**25. DHS is the largest federal agency that is currently not under the Chief Financial Officer Act of 1990. In light of this, what steps is the agency taking to ensure its compliance to appropriate laws and guidelines governing federal financial management?**

**Answer:**

The Department's CFO chairs the Department's CFO Council. The CFO Council has a mission and agenda similar in scope with councils chaired by CFOs at CFO Act agencies. The CFO Council is comprised of senior management officials from each of the Department's directorates, bureaus and offices. The council's primary purpose is to advocate financial management across the Department, including compliance with applicable laws and regulations. Within the CFO's organization, the Director, Office of Financial Management, chairs the Department's Financial Management Working Group. This group, which also serves as the Department's Accounting and Auditing Committee, comprised of Department managers responsible for federal financial management in the Department, develops and promulgates Department-wide financial policy and accounting standards in such areas as the Debt Collection Improvement Act, the Federal Managers' Financial Improvement Act, Improper Payments Information Act, among many others. The working group also conducts special studies into all exposures drafts issued by central agencies that impact the Department's financial management operations. The working group supports the basic premise that financial management is a responsibility shared by all offices.

***Proposed Human Capital System***

DHS is currently developing final regulations for a pay and performance management system for employees. The President's fiscal year 2005 budget requests \$102.5 million for this effort. Under the system, the GS grade and step configuration would be replaced with pay bands, with performance-based pay increases, that will be applied to newly-formed occupational "clusters". The proposed regulations would also impose new requirements on collective bargaining and the Department's handling of employees' adverse actions.

**26. What is the status of issuing final regulations for the new system and what key barriers confront the department as it moves toward their adoption?**

**Answer:**

The final regulations for the new DHS human resources system were posted at the Federal Register on January 26, 2005.

While a number of challenges will confront DHS once the final regulations are issued and the Department begins system development and implementation, the main challenge is to complete training and development of our managers and supervisors, who will be required to make the critical day-to-day decisions.

**27. How is the department ensuring that the rights of employees are preserved under the new system and how are the views of the groups representing DHS employees and the federal workforce being considered in the process?**

**Answer:**

The Homeland Security Act of 2002 requires DHS to adhere to merit system principles and to avoid prohibited personnel practices.

Employee involvement has been a critical component to date and will continue to be so. DHS has honored its commitment to a collaborative process through commu-

nications to all stakeholders regarding the design, development, and implementation of the new human resources system. A formal meet and confer process with employee representatives, as required by the Homeland Security Act, began in June and concluded in August. It has been followed by continuing conversations with employee representatives. The Department is providing weekly newsletters, and announcements on the DHS internet website. An email address was created to solicit input from employees, and there have been hundreds of questions and comments submitted.

***Contract Management***

The DHS/OIG has reported that a major challenge for the department is the management and identification of procurements, with DHS struggling to compile and maintain a detailed and accurate listing of its contracts. The DHS/OIG has also reported that during its first year of operation, the Transportation Security Agency (TSA) relied extensively on contractors to accomplish its mission, but some contracts were written without clearly defined deliverables, and TSA lacked staff to provide adequate oversight.

**28. What is the department doing to improve its procurement operations, including merging in contracts from legacy agencies, to ensure that it has appropriate control over this function?**

**Answer:**

Many significant actions have been accomplished to date to improve the overall operation of the Department's procurement function. These include:

1. Issued the Homeland Security Acquisition Regulation (HSAR). The HSAR supplements federal regulations and promulgates specific DHS policies, procedures and delegations. This represents another major step in combining cultures of disparate agencies and ensuring consistent operation under a single, DHS-wide procurement regulation.

2. Established department-wide program for strategic sourcing and supply chain management. Specifically, 16 cross-functional commodity councils have been tasked to create sourcing strategies for goods and services acquired throughout the Department. Councils govern a wide range of requirements, from simple items such as office supplies, to more sophisticated requirements, such as boats and their maintenance or complex IT infrastructure needs.

3. Established a comprehensive Investment Review Process (IRP). The IRP integrates planning, controls, budgeting, acquisition, and the management of investments to ensure public resources are wisely invested. The IRP is predicated on the principle that cross functional teams are necessary for the proper program management throughout the entire acquisition life-cycle. The Investment Review Board (IRB) that manages this process is chaired by the Deputy Secretary.

4. Created a robust and innovative Small and Small Disadvantaged Business outreach program. The program includes dependable guidance on marketing to DHS while providing abundant opportunities for small businesses to engage both federal government representatives and large business concerns interested in their supplies or services.

5. Developed a strategic acquisition workforce career development plan that addresses education, training and experience requirements for the entire acquisition workforce as well as recruitment, retention, intern and certification programs.

6. Finally, the Chief Procurement Officer is in the process of developing a comprehensive oversight and compliance program to be used in the assessment of all DHS acquisition functions. The program will be multi-faceted and will include the use of the Government Accountability Office framework, on-site reviews of our operational procurement offices, and performance measure and metrics.

**29. The Chief Procurement Officer (CPO) does not have direct line authority over procurement operations for legacy agency components inherited by DHS, and the office is experiencing staffing shortages. How does the department plan to further empower the CPO and address its resource problems for the procurement function?**

**Answer:**

The CPO commissioned a study to determine the number of operational contracting positions that are required to support the functions that transferred into the Department without this support. We are currently discussing this study with the affected organizations and working quickly to finalize the numbers and begin immediate recruitment of the necessary contracting professionals. These individuals will be placed in the Office of Procurement Operations in DHS headquarters. This office reports directly to the Chief Procurement Officer.

The remaining seven operational activities do not report directly to the CPO; however, all contracting authority is granted through the CPO and the CPO retains oversight responsibility for these organizations. That said however, we are currently analyzing options to determine the feasibility of creating a direct reporting relationship to the CPO.

***Information Technology***

**30. Do you worry that the Enterprise Architecture (EA) is a sufficiently robust tool to drive needed IT integration within DHS in light of the fact that, according to GAO, less than 10% of all federal agencies with EAs have ever moved past writing EAs to actually implementing plans with tangible products and projects?**

**Answer:**

DHS is developing a business driven, "actionable EA" which integrates traditional EA tools with portfolio/performance management techniques to drive mission transformation projects. Mission transformation guides where IT integration must occur to meet mission requirements. These portfolios of projects will then be continuously assessed for their likelihood of enabling the department to achieve its strategic goals and objectives. Our EA work to date points to several potential transformation programs. One example is an Enterprise Services portfolio, which will be driven by the CIO to create "One IT Infrastructure" for the department to integrate networks, email, data centers, and operations centers. Another example is a Traveler portfolio, which will be driven by the Under Secretary for Border and Transportation Security to facilitate the lawful movement of people across our borders and via our transportation systems and will focus on screening and credentialing technology integration. Using EA in this fashion has resulted in tangible products and projects for the department.

**31. Does the DHS Chief Information Officer have sufficient power to drive IT integration within DHS they do not even have direct line authority over divisional Chief Information Officers and all of the systems and projects that they manage?**

**Answer:**

The DHS CIO plays a key role in all levels of the department's investment review process. The CIO serves as a member of the department's Investment Review Board and, is the Chair of the Enterprise Architecture Board. In these capacities, the CIO provides input into and influence upon Department-wide IT Investment decisions. The CIO has recently established the Infrastructure Transformation Office, the goal of which is to transform the multiple IT infrastructures within DHS and as required, to direct and manage the change for all infrastructure assets and investments including people, processes, and technologies. The CIO is initiating a process, similar to that currently in process in the Infrastructure Transformation Office, where projects are managed centrally, including the management of IT assets, people, processes, practices, funding, and operations, however those assets remain in their organization. For example, the ITO is authorized to establish the necessary projects and organizational elements required to create the One Network, One Infrastructure. This includes driving and managing the change for all infrastructure assets and investments; including people, processes, and technologies. The CIO will leverage the use of Organizational Element staffs in additional areas, such as enterprise architecture and network management, to ensure accomplishment of department-wide IT goals and objectives.

In addition, the Department has issued a Management Directive that deals with the functional integration of the IT functions within DHS. This Management Directive (MD) establishes the Department of Homeland Security' (DHS) vision and direction on the authorities and responsibilities of the leadership of the Department' Chief Information 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 IT function throughout DHS.

The DHS Chief Information Officer (CIO), through the functional integration concept, will be held accountable for designing the system to optimize the IT 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. Organizational Element heads will likewise be accountable to support these progressive business functions as a key part of their commitment to mission accomplishment.

**32. According to the DHS Inspector General's office, turnover among divisional Chief Information officers has been 45 percent since DHS opened.**

**Can you help us understand why turnover has been so high, and how DHS can make important progress on integrating IT systems when it can not retain its top IT executives?**

**Answer:**

DHS is facing, as are many other federal agencies, a “graying” of the workforce. Many of the senior executives in the IT community are either eligible to retire, or are within several years of being eligible. These retirements will have a severe impact on the IT senior leadership; this event highlights the importance of having succession and career planning strategies to develop and retain the more junior members of the workforce; it is that junior workforce who must be equipped with the knowledge and skills to move into senior management positions. To this end, the DHS CIO Council has identified as one of its top priorities IT Human Capital. This initiative is focused on identifying the current skills available within the DHS IT workforce, and providing the training and development needed for IT employees to move into senior leadership positions.

**33. It is our understanding that DHS is falling short on a number of basic technology projects that would improve DHS daily operations. DHS has still not rationalized such basic systems for its own employees in important administrative areas like accounting, acquisition, procurement, grant management, asset management, and budgeting and cost-accounting. What role did poor systems integration play in the recent discovery of a \$1.2 billion budget shortfall in DHS’ Immigration and Customs Enforcement (ICE) and Customs and Immigrations Services (CIS)?**

**Answer:**

DHS recognizes the value and importance of integrated systems of accounting, acquisition, procurement, grant management, asset management, budgeting, and cost-accounting. When DHS was established in March 2003, it blended 22 distinct agencies and bureaus inheriting a myriad of redundant management functions, processes, and systems: for example, 40 general ledgers, 30 different procurement processes, and 20 different approaches to managing travel costs. In FY–2005 DHS plans to implement the new finance/accounting/budget resource management system, eMerge<sup>2</sup> (electronically Managing enterprise resources for government efficiency and effectiveness.) This system will transform disparate business and financial management systems into one, uniform, electronic solution for the Department. It will support a “one environment” model with common core processes that is critical to the success of DHS. eMerge<sup>2</sup> will provide decision-makers with critical business, budget, accounting, procurement, grants, assets, and travel information in near “real time;” and eliminate stovepipes between components.

There never was a \$1.2 billion shortfall in ICE. However, to examine the budget situation, the Department of Homeland Security established a review team composed of staff from the CFO’s Office, BTS, CBP, ICE, CIS, and the Coast Guard to assess this situation. The review team engaged in a detailed budget reconciliation effort and examined the allocation of resources and services throughout the bureaus. The Congress has recognized that funds may need to be realigned between ICE, CBP, and CIS. In the Joint Explanatory Statement (H. Rpt. 108–280) accompanying the Department of Homeland Security Appropriations Act, 2004 (P.L. 108–90), the Congress recognized that the budgetary resources may need to be realigned. Specifically, the Congress noted: “The conferees are aware that the Department is conducting a comprehensive review of administrative and other mission responsibilities, particularly as they affect ICE and other agencies that have inherited multiple legacy missions. While funding provided by this conference agreement is based on the best possible information available, the conferees understand there may be a need to adjust funding to conform to the decisions resulting from the review.” A similar statement was included under the heading discussing CBP.

The Department is committed to the security of the nation and we will continue to work towards successful operation of CBP, ICE and CIS. To that end, we will continue to work with the Congress, to ensure that funds are aligned to mission objectives and are consistent with congressional intent.

**34. Help us understand what you have done and are doing to rectify the following problems. It seems hard to believe, but DHS may not even know how many employees it has at any given time. In September, 2003, DHS CIO Cooper was quoted as saying that, “The Department keeps a running hand-tallied list of its staff, with the total varying from 190,000 to 225,000 depending on which of the 22 component agencies 24 human resources systems are consulted.” Furthermore, pay and personnel systems still need to be integrated despite DHS promises to “[merge] the personnel and pay sys-**

tems of all DHS component agencies into a single system,” and that, “the new system was targeted for completion by the end of the [2003].” \$102.5 million is requested for DHS Departmental Operations to support the creation of new human-resources systems. Nonetheless, DHS predicts that a central administrative system “may be years away,” and acknowledges that DHS officials are just beginning to “set the initial requirements for the merger project.”

**Answer:**

We are able to report the number of employees who work for DHS at any given time; however at present this reporting requires assembling information from 3 different payroll providers. At the time of its standup, DHS components received payroll services from 8 different payroll providers. Significant efforts during this past year have resulted in the consolidation from 8 to 3 payroll providers—the National Finance Center (NFC), the Department of Transportation (DOT), and the General Services Administration (GSA). DHS intends to move to one payroll provider, and the NFC has been identified as the target end-state provider.

DHS employees serviced by GSA have been converted to NFC in August 2004, leaving only DOT payroll accounts to be migrated. Conversion of DOT payroll services this fiscal year is not possible due to various technical and schedule-related risks, but is planned for August 2005. DOT provides service to TSA and Coast Guard. Until such time as a consolidated database exists for reporting purposes, interim procedures have been established to receive bi-weekly data feeds from DOT, providing us with consolidated workforce information.

With respect to broader HR enterprise technology solutions, DHS plans to partner with the OPM/OMB “HR Line of Business” initiative to identify and deploy an integrated human resources system. The current schedule for deployment includes a prototype in early fiscal year 2005, with a rapid implementation during 2005–2006.

**35. The President’s budget request for fiscal year 2005 includes \$4.4 billion for information technology spending at the Department of Homeland Security. Of that, \$226 million is requested for “Department-wide Technology Investments” for “cross-cutting initiatives that help the 22 pre-DHS components merge into one.” Please provide detail on the major components of that \$226 million, and whether the CIO has direct and authoritative control over those dollars.**

**Answer:**

The CIO, through allocations to him, has direct control and is responsible for executing the Department-wide IT Investment fund. In fiscal year 2005, approximately \$226 million was requested for the Department-wide Information Technology Investments account, including \$100 million for Wireless activities, \$31million for Security Activities, and \$95 million for Information Technology services. The wireless funding is being used to replace legacy border components, specifically to upgrade and/or replace older infrastructure components and for the enablement of enhanced capability and broader coverage. The wireless activities include funding for new investments in radio infrastructure along the nation’s borders; which continues an effort to coordinate wireless initiatives and infrastructure across federal, state, local, and tribal government.

A total of \$31 million is being used for Security Activities, which includes:

\$10 million to support the Federal Watch List and Integration program. fiscal year 05 activities include:

- establishing operational system interfaces for DHS organizations that receive data from the Terrorist Screening Center for use in watch list operations;
- completing the development of the To-Be model for enhancing DHS processes that employ data from the terrorist screening DB;
- developing the plan to move to that To-Be environment; and construction of plans for the use of biometrics in terrorist screening

\$21M to support the Homeland Security Information Technology and Evaluation Program. fiscal year 05 activities include:

- the Office of the Chief Information Officer (OCIO) partnering with the Office for Domestic Preparedness (ODP) in managing the Homeland Security Information Technology Evaluation Program (ITEP).
- State Administrative Agencies (SAAs) will be encouraged to submit candidate information technology demonstration projects. The fiscal year 2005 ITEP projects will build on those of fiscal year 2004 to further demonstrate novel uses of existing, “state-of-the-market” information technology to remove one or more significant barriers in homeland security mission critical areas.

\$95 million is being used for general information technology investments.

\$ 9 million is being used for Enterprise Architecture (EA) efforts in order to:

- develop, implement, and maintain a comprehensive and integrated EA;
- establish processes for maintaining and maturing the EA;
- develop a decision support methodology to select, control, and evaluate DHS Information Technology (IT) investments;
- develop a detailed master plan for the alignment of IT investments with the EA business and data model.

\$4 million is being for our Enterprise Service Delivery Environment (Portal Technologies) to:

- support information sharing by integrating current internal and external websites to be more customers focused;
- enhance the core enterprise service delivery environment.

\$5M is being used to support the Department' Geospatial Activities, which include:

- collaborating with the Wireless Program Office on a joint IT initiative. The GeoWireless Program initiative is centered around three pilot projects designed to effect an operational decision support capability utilizing interoperable wireless and geospatial technologies. These projects include:
  - o Miami Situational Awareness—Combination of geospatial and wireless technologies providing situational awareness, strategic and tactical decision support capabilities for the combined Miami Air and Sea Port facilities. Enable delivery of and remote update of decision support capability, and enable real time situational awareness.
  - o ENFORCE Case Management System—Spatially enabling the ENFORCE system, and leveraging wireless and geospatial technologies to enable remote update and access. Enable interoperable interaction with critical decision support systems with a spatial and temporal context.
  - o Geospatial Service Center—Create internet enabled geospatial mapping and information services which deliver critical information to remote service points, and further extend services through wireless technologies, to the field. Enable delivery of and remote update of decision support services, and enable real time situational awareness.

\$56 million is being used to develop and integrate the Department' financial management system (eMerge<sup>2</sup>)

\$21 million is being used to support the Department' Human Resources IT Systems, which includes:

- awarding a contract to support design, development, and implementation of new HRIT system;
- developing governance models, configuration management processes and other program management processes

**36. How is DHS addressing the following urgent IT—related problems highlighted by the IG and in the press:**

**According to the Inspector General's office, "the lack of an agreed upon IT infrastructure" prevents the Office of Information Analysis's Risk Assessment Division from communicating "with [state, local, and private sector] partners inhibits the exchange of information;"**

**According to the Inspector General's office, IAIP officials have "expressed concerns that IAIP lacked connectivity to access sensitive databases maintained at other federal agencies, thus hampering their efforts to conduct business on a daily basis;" and**

**According to Information Week, the office of the CIO has had problems sending or receiving secure email.**

**Answer:**

The CIO has recognized that in order to address the challenges noted above, there was a need to create an organization which would have full authority to transform the multiple IT infrastructures within DHS and as required, directing and managing the change for all infrastructure assets and investments including people, processes, and technologies. The CIO established the Infrastructure Transformation Office (ITO) with full time representation from the major organizational elements with the responsibility to establish the department' single IT infrastructure. The ITO Program, under the direction of the CIO and with the advice of the DHS CIO Council is responsible for program management and implementation of the DHS wide "One Network, One Infrastructure."

The objective of the Infrastructure Transformation Program is to centralize management of IT assets, people, processes, practices, funding, and operations in order to achieve improved IT Infrastructure interoperability. The ITO is authorized to establish the necessary projects and organizational elements required to create the One Network, One Infrastructure. This includes driving and managing the change

for all infrastructure assets and investments; including people, processes, and technologies.

