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MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF HOMELAND SECURITY

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BEFORE THE

SUBCOMMITTEE ON MANAGEMENT, INTEGRATION, AND OVERSIGHT

OF THE

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MANAGEMENT CHALLENGES FACING THE DEPARTMENT OF HOMELAND SECURITY

Wednesday, April 20, 2005

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON MANAGEMENT,
INTEGRATION, AND OVERSIGHT,
COMMITTEE ON HOMELAND SECURITY,
Washington, DC.

The subcommittee met, pursuant to call, at 10:03 a.m., in Room 2261, Rayburn House Office Building, Hon. Mike Rogers [chairman of the subcommittee] presiding.

Present: Representatives Rogers, Reichert, McCaul, Dent, Cox, Meek, Jacksn-Lee, Pascrell, and Thompson.

Mr. ROGERS. [Presiding.] The hearing will come to order.

I would like to first thank all of our witnesses for taking the time out of their full schedules to be with us today. I am looking forward to the testimony and your answers to various questions.

We are holding this hearing to review the major management challenges facing the Department of Homeland Security. We also will consider what steps need to be taken to improve the overall management of the Department and its programs.

The Department is just over 2 years old, and it is the third largest department in the Federal government.

When it was stood up in March 2003, the Department inherited 180,000 employees and 22 separate agencies. Many of these agencies had their own separate systems for personnel, procurement, budgeting and communications.

Today, we will hear from the Department's Office of Inspector General and the Government Accountability Office on audits and reviews they recently conducted of the Department's major management challenges.

We will also hear from the Department's former Undersecretary for Border and Transportation Security and the former Inspector General, as well as the Chairman of the Gilmore Commission regarding their views and recommendations on the Department's management functions.

One issue of special interest is how we ensure that the Department is fully coordinating its training efforts to support our first responders and firefighters. In my hometown of Anniston, Alabama, we have the Center for Domestic Preparedness, which is supported by the Department's Office of Domestic Preparedness. Just a stone's throw away, we have the Noble Training Center operated by the Department's Federal Emergency Management Agency. Those facilities provide invaluable training to first responders.

We need to ensure that Federal officials in Washington are talking to each other so that these and other centers get the support they need to provide adequate constituent services.

I look forward to hearing from our witnesses, what they think about the current organization of our training within the Department of Homeland Security and what more the Department can do to improve the coordination and delivery of training programs.

And, once again, I want to thank the witnesses for joining us, and the Chair now recognizes the Ranking Member, my colleague from Florida, Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman, and I am excited, just as you are, about this morning's hearing.

At this moment in time, the Department of Homeland Security stands at important crossroads. Since the Department was established over 2 years ago, DHS is doing a better job of keeping our country secure. But when it comes down to homeland security, better is just simply not enough.

This hearing serves as a great opportunity to discuss the management challenges at the Department. The experiences of the witnesses are fresh, and we are looking forward to their testimony.

Mr. Ervin was engaged in auditing the Department just a few months ago, which produced the first airport screener report in 2003.

Secretary Hutchinson was still the head of the Border and Transportation Security doctrine in February.

And both Mr. Skinner and Mr. Rabkin are actively engaged in auditing DHS right now.

I continue to stress the importance of your testimony today. However, I cannot continue to stress the importance of your testimony today for the committee to execute its oversight responsibilities. We need people like you to come before this committee and to be not only truthful but very blunt, if I can add that.

We need to hear from you, Mr. Ervin, on how the Department responded when the report was produced, that there were problems in airport screening performance.

We need to hear, Mr. Hutchinson, what steps that TSA took to address those issues that were identified in that September 2003 report.

We need to understand from you, Mr. Skinner, why, despite the actions TSA may have taken to address the September 2003 report, screening performance still remains poor. Assuring that the skies are secure is a vital national security issue and deserves the kind of attention that we are giving it this morning.

Secretary Chertoff testified before this committee about his plans to move into a second stage of evaluation of DHS. If DHS, the Department of Homeland Security, is ever to be able to become the department that the Congress wanted it to be and the American people deserve, we would have to take a constant focus of oversight.

So I look forward to hearing the witnesses, and I want to thank you and commend you for coming before us this morning. Thank you so very much.

Mr. ROGERS. The gentleman yields back.

The Chair now recognizes the chairman of the full committee, Mr. Cox, from California.

Mr. COX. Thank you very much, Mr. Chairman. I want to thank both you and the Ranking Member for convening this extraordinarily expert panel of witnesses to help us today address the fundamental question of the management challenges facing the Department of Homeland Security.

I would also like to welcome our witnesses. Thank you for the time, energy and preparation that you have devoted to not only today's hearing but these questions themselves over a long period of time.

It has been roughly 2 years since the Department of Homeland Security was asked to accomplish the largest reorganization of the Federal government in more than half a century. It is either the third or the second largest cabinet department, depending on how you do the accounting; 180,000 employees, $40 billion budget and critically, for purposes of today's hearing, 22 legacy components but each had different daily missions prior to the creation of DHS.

Together, they are now possessed of a mission no less than protecting our nation against another terrorist attack. These are big challenges but DHS has made significant strides in its department-wide integration effort.

For example, the Department has reduced 22 different Human Resource servicing centers to 7. We have gone from 8 payroll systems to 2. Where once there were 19 financial management service providers, now there are 8. And personal property management systems have been cut from 22 to 3.

But integrating the legacy components into a single, efficient and cost-effective department remains a formidable challenge, and what is at stake is more than improved back-office functions. This kind of integration is essential to supporting the new counterterrorism mission of this Department. The management challenges have been highlighted in a number of recent reports that our witnesses will address today.

The specifics of these reports vary, but they all consistently point to the need for the Department to establish a comprehensive integration strategy tied to clear and measurable benchmarks to progress and centered upon the key homeland security missions of the Department.

With these challenges in mind, the new Secretary of the Department of Homeland Security, Mike Chertoff, has initiated, as we all know, a 90-day review of the Department's policies, programs and operations. They are examining exactly the sort of issues that our witnesses will highlight today. We look forward to working with Secretary Chertoff as part of our DHS authorization process to ensure that the Department overcomes the obstacles that remain in achieving an overarching, comprehensive management integration strategy for the Department.

Again, thank you, Mr. Chairman, and thanks to our witnesses. I look forward to learning a great deal this morning.

Mr. ROGERS. The gentleman yields back.

The Chair now recognizes the Ranking Member of the full committee, the gentleman from Mississippi, Mr. Thompson, for any statement he may have.

Mr. THOMPSON. Thank you very much, Mr. Chairman.

And I welcome our witnesses to the hearing this morning.

The one thing that I am excited about is, as most of you know, we now have oversight responsibility. So unlike being a select, we now have at least the authority to look and try to point us in the right direction, pat us on the back when we are doing good and do some other things when you are not doing so good. So we are happy to have you.

Mr. Ervin, I am glad to see you again. Unfortunately, sometimes when we do our job well, we lose it. But, nonetheless, I am convinced that this country will be better because you did the honorable thing in what you were charged with.

As we know, the Department of Homeland Security was created to be the focal point in the fight against terrorism. When the Department was first established it was understood that a government reorganization of this magnitude would require overcoming significant challenges and difficult obstacles.

Americans have a very personal stake in seeing the Department be successful in fulfilling its mission. Our nation's security depends on it.

The witnesses we have before us today are among the most knowledgeable of the state of the Department. While the Department has made substantial strides to enhance our nation's security, it has many outstanding challenges that still have not been addressed.

Repeatedly, Mr. Ervin, Mr. Skinner, GAO and this very committee have identified structural problems within the Department and gaps in our security apparatus. GAO alone has issued more than 100 reports that have identified problems in immigration enforcement, border protection and lax cargo security as DHS enters its third year of existence and Secretary Chertoff undertakes this top-down review.

This committee has a vital role to play in ensuring accountability from the highest levels of Department. Identifying and systematically addressing organizational and management changes must be top priority for the President on down.

If this is one message that has to be taken away from this hearing, it is the Department is not getting the job done of protecting America's security. We have to do it right.

I have a stack of GAO and other reports to my left here that if we will just take them for what they are worth and implement them, the Department would be much better off and this country would be far safer.

In addition, there are over 125 congressionally mandated deadlines that have not been fulfilled, I am concerned about it. The Secretary has been made aware of this last week. There is a letter that is some 5 weeks overdue raising the issue of overdue reports to Congress. And from a management and oversight responsibility, we cannot really do our job unless the Department fulfills its responsibilities.

So I am happy to have the people who know before us today. I look forward to their testimony, Mr. Chairman, and I look forward to helping keep America safe. Thank you.

Mr. ROGERS. I thank the gentleman.

The other members are reminded that their statements may be submitted for the record later in the day.

We are pleased to have this distinguished panel with us today, and first the Chair would like to recognize Mr. Richard Skinner, Acting Inspector General, Department of Homeland Security, for your testimony.

Mr. Skinner?

STATEMENT OF RICHARD SKINNER, ACTING INSPECTOR GENERAL, OFFICE OF INSPECTOR GENERAL, DEPARTMENT OF HOMELAND

Mr. SKINNER. Good morning. Thank you for the opportunity to be here, especially with such a distinguished panel. I have provided the committee with a written statement for the record. I will try to summarize it here very briefly.

In December 2004, our office issued its annual report on the major management challenges facing the Department. The report covers a broad range of issues. First, I would like to talk about the issue of integration.

We have reported that structural and resource problems continue to inhibit progress in certain support functions. Most of the critical support personnel are distributed throughout the components and are not directly accountable to the functional line of business chiefs, such as the Chief Financial Officer or the Chief Information Officer. We are concerned that these officers may not have sufficient resources or authority to ensure that Departmentwide goals and their respective functions are addressed appropriately or that available resources can be marshaled to address emerging problems.

The Secretary as you say, is examining selected operations in what he refers to as a second-stage review. The review will cover where the Department has been, where it is headed and what changes, if any, need to be made.

Second, I would like touch upon some program challenges with regards to border security. We reported that the Department must address security concerns identified in the Visa Waiver Program. The program enables citizens of 27 countries to travel to the U.S. for tourism or business for 90 days or less without obtaining a visa. These travelers are inspected at a U.S. port of entry, but they have not undergone the more rigorous background investigations associated with visa applications.

We also reported weaknesses that allowed ABC to twice smuggle depleted uranium into the country in seagoing cargo containers. The Department has since enhanced its ability to screen the targeted containers for radioactive emissions by deploying more sensitive technology at seaports, revising protocols and procedures and improving training of personnel. We are following up as we speak on those actions.

The Coast Guard also faces significant problems in improving and sustaining its readiness mission. It suffers from declining experience levels among its personnel and reported that sustaining its mission is at risk due to cutters and aircraft that are aging or are obsolete, resulting in operating restrictions.

With regards to transportation security, as you know, our undercover test of screener performance in late 2003 revealed that improvements are needed in the screening process to ensure that dangerous, prohibited items are not carried into the sterile areas of heavily used airports. We attributed the test failures to four areas that needed improvement: training, equipment and technology, policy and procedures, and management and supervision.

We recently completed a follow-up review of screener performance at the same airports. We just issued our report this week. We began our review at the end of November of 2004 and completed our field work in early February 2005. Our test showed no overall improvement, leading us to believe that significant improvements in performance may not be possible without greater use of technology.

Finally, I would like to highlight the Department's administrative challenges. With regard to financial management, the Department does not have a consolidated financial management system. This, coupled with staffing constraints and accounting deficiencies that it inherited from its legacy agencies, contributes to the Department's inability to produce accurate, timely, and meaningful financial statements. It may take years for the Department to develop a consolidated system free of material weaknesses, which will produce financial data that managers can rely on to guide their decisions.

With regards to contract management, there are seven procurement shops outside the direct control of the Chief Procurement Officer. These seven procurement shops negotiate their own contracts, which represent about 80 percent of the Department's $11 billion in planned obligations for this year, 2005. Until the procurement functions are consolidated or brought under the control of the Chief Procurement Officer, accountability will continue to be murky, and opportunities for efficiencies will continue to be lost.

With regards to grant management, although the Department has made progress in improving the delivery and oversight of grant funds, questions linger whether grants are risk based, whether grant funds are being spent wisely, and whether the billions being awarded or invested are having a measurable impact on our ability to protect against and respond to another terrorist attack.

With regard to Human Resource management, the Department faces the formidable challenge of designing and implementing a new pay for performance personnel system. This system will have a significant and profound effect on the Department's culture and personnel. The design phase of this system is essentially complete. Implementation, which will take at least 4 years, begins in January 2006. Getting employees to accept changes in a way in which they are evaluated, paid, and classified is not going to be an easy task.

With regards to information security, the Department's organizational components have not yet fully aligned their respective security programs with departmental policies and procedures. The Department must inventory and accredit its systems, formalize the reporting structure between the CIO and the organizational components, and develop a verification process to ensure that all information security weaknesses have been identified.

In conclusion, I would like to point out that the Department recognizes these challenges and has been responsive to and implemented a number of our recommendations. The Department anticipates that the results of its ongoing initiatives should enable it to report significant progress next year.

Mr. Chairman, this concludes my remarks. I will be happy to answer any questions you or the committee may have.

[The statement of Mr. Skinner follows:]

PREPARED STATEMENT OF RICHARD L. SKINNER

Good morning Mr. Chairman and Members of the Committee:

I am Richard L. Skinner, Acting Inspector General for the Department of Homeland Security (DHS). Thank you for the opportunity to be here today to discuss the work of the Office of Inspector General (OIG) regarding major management challenges facing DHS.

During its first two years of existence, DHS worked to accomplish the largest reorganization of the federal government in more than half a century. Creating the third largest Cabinet agency with the critical, core mission of protecting the country against another terrorist attack, presented an inordinate number of challenges to the department's managers and employees. The Government Accountability Office (GAO) noted that successful transformations of large organizations, under even less complicated situations, could take from five to seven years. While DHS has made great strides toward improving homeland security, it still has much to do to establish a cohesive, efficient, and effective organization.

Based on our work, as well as assessments by Congress, GAO, and DHS itself, the OIG identified "major management challenges" facing the department. These challenges, included in the department's Performance and Accountability Report issued on November 15, 2004, are a major factor in setting our priorities for audits and inspections of DHS programs and operations. As required by the *Reports Consolidation Act of 2000,* we update our assessment of management challenges annually.

Our latest major management challenges report covers a broad range of issues, including both program and administrative challenges. A copy of that report is provided for the record. In its response to the report, the department recognized the challenges and the potential impact the challenges could have on the effectiveness and efficiency of its programs and operations if not properly addressed. The department anticipates that the results of initiatives to address the challenges during FY 2005 should enable it to report significant progress next year.

Before I discuss the challenges and the details of our work, I believe it is important that we give credit to the thousands of dedicated, hard working DHS employees who are genuinely committed to securing our homeland and making the department a model for the entire federal government. No one here can deny that our nation is more secure today than it was prior to September 11, 2001.

I also wish to point out that the department has been responsive to and implemented a number of the recommendations made by our office. We look forward to establishing a positive working relationship with the new Secretary, and continuing the momentum toward building an effective, efficient, and economical homeland security operation—one that is free of fraud, waste, and abuse.

BORDER SECURITY

A primary mission of DHS is to reduce America's vulnerability to terrorism by protecting the borders of the U.S. and safeguarding its transportation infrastructure. Within DHS, these responsibilities fall to the Border and Transportation Security (BTS) Directorate.

Two organizations within BTS are responsible for enforcing the nation's immigration and customs laws. Customs and Border Protection (CBP) inspects visitors and cargoes at the designated U.S. ports of entry (POE), and secures the borders between the POE. CBP's primary mission is to prevent terrorists and terrorist weapons from entering the U.S., while also facilitating the flow of legitimate trade and travel. Immigration and Customs Enforcement (ICE) is the investigative arm of BTS that enforces immigration and customs laws within the U.S. While CBP's responsibilities focus on activities at POEs and along the borders, ICE's responsibilities center on enforcement activities related to criminal and administrative violations of the immigration and customs laws of the U.S., regardless of where the violation occurs. Additionally, CBP and ICE have employees assigned outside the U.S. to enhance the security of our borders.

In December 2004, the Heritage Foundation recommended merging CBP and ICE and eliminating the Border and Transportation Security directorate. According to the Foundation, the merger would bring together all of the tools of effective border and immigration enforcement—inspectors, border patrol agents, special agents, detection and removal officers, and intelligence analysts—and realize the objective of creating a single border and immigration enforcement agency. Eliminating BTS would remove a middle management layer allowing the combined CBP–ICE to report directly to the Secretary via the Deputy Secretary. On January 26, 2005, Chairman Collins asked our office to study this proposal and to report our conclusions and recommendations in 180 days. We are in the midst of our field work now and expect to meet this deadline.

The third organization within BTS which plays a major role in protecting the borders of the U.S. and safeguarding its transportation infrastructure is the Transportation Security Administration (TSA). TSA's primary security improvements have focused on aviation, with the hiring of over 60,000 passenger and baggage screeners, installation of electronic passenger and baggage screening technology at the nation's airports, and expansion of the Federal Air Marshals program, which is located now in ICE.

Other organizations within BTS have border security related responsibilities as well, such as the US–VISIT Program Office and the Federal Law Enforcement Training Center (FLETC). The US–VISIT Program Office is responsible for the development and fielding of the U.S. Visitor and Immigrant Status Indicator Technology (US–VISIT) program, DHS' entry-exit system. It coordinates the integration of two fingerprint systems: DHS' Automated Biometric Identification System (IDENT) and the Federal Bureau of Investigation's (FBI) Integrated Automated Fingerprint Identification System (IAFIS). FLETC, another BTS component, provides career-long law enforcement training to 81 federal partner organizations and numerous state, local, and international law enforcement agencies.

And, the U.S. Citizenship and Immigration Services (USCIS), although not organizationally housed within BTS, plays an important part in DHS border security. USCIS is responsible for reviewing and approving applications for immigration benefits. While not a law enforcement agency, USCIS ensures that only eligible aliens receive immigration benefits and identifies cases of immigration benefit fraud and other immigration violations that warrant investigation.

As expected, DHS faces several formidable challenges in securing the nation's borders. Our audit and inspection program has attempted to address some of the challenges, including: developing effective visa issuance programs; tracking the entry and exit of foreign visitors; and, preventing terrorist weapons from entering the United States.

Visa Issuance Programs

As the Heritage Foundation's report aptly pointed out, our nation's homeland security does not stop at America's geographic borders. DHS faces international challenges in protecting our borders, too. Provisions in the visa issuance process and other programs to promote international travel create potential security vulnerabilities, which may allow terrorists, criminals, and other undesirables to enter the U.S. undetected.

For example, DHS must address security concerns identified in the Visa Waiver Program (VWP). The VWP enables citizens of 27 countries to travel to the U.S. for tourism or business for 90 days or less without obtaining a visa. These travelers are inspected at a U.S. POE, but they have not undergone the more rigorous background investigations associated with visa applications. In an April 2004 inspection, we reported our concerns regarding the exclusion from the US-VISIT program of travelers under the VWP. In September 2004, BTS began requiring that travelers from VWP countries enroll in the US-VISIT program, and renewed its efforts to conduct required country reviews.

However, DHS continues to experience problems in identifying and detecting aliens who present lost or stolen passports from VWP countries at ports of entry. Shortcomings in procedural and supervisory oversight permitted some aliens presenting stolen Visa Waiver Program passports to enter the United States even after their stolen passports were reported, watch-listed, and detected. New information on lost and stolen passports provided by Visa Waiver Program governments was not routinely checked against U.S. entry and exit information to determine whether the stolen passports have been used to enter the U.S. In addition, there was no formal protocol for providing information concerning the use of stolen passports to ICE for investigation and apprehension of the bearer.

Problems with lost and stolen passport are complicated by the lack of international standardization in passport numbering systems that can result in a failure

to identify *mala fide* travelers using stolen Visa Waiver Program passports - even when the theft has been reported and the information is available in DHS lookout systems. This occurs because stolen passports are reported using the passports' inventory control numbers (ICNs), which are entered into the lookout systems. However, when inspectors routinely enter just the passports' issuance numbers into the lookout systems and do not match the reported stolen ICNs, the result is undetected stolen passports. While we applaud BTS' efforts to promote a change in the International Commercial Aviation Organization standard to a one-number passport system, it will take years once the new standard is adopted for the two-number passports to be removed from service. Interim measures are needed to reduce this vulnerability. In response to these concerns, BTS is conducting systematic reviews of admission records to check for previous uses of newly-stolen passports.

Further, DHS must address issues identified with its visa security program, under which DHS stations officers at U.S. embassies and consular offices overseas to review visa applications and perform other law enforcement functions. Because of limited resources, BTS used temporary duty officers in its pilot effort who often did not have the required background or training, including language skills, to perform effectively as visa security officers. For example, nine of the ten temporary duty officers who served or are serving in Saudi Arabia did not read or speak Arabic. This limits their effectiveness and reduces their contribution to the security of the visa process. In response to our report, BTS advised that it would stop using temporary duty officers and begin using permanently assigned officers at its visa security offices; develop a staffing model to ensure only qualified officers serve in these positions; and, develop a training program for visa security officers. While BTS agreed with us in principle regarding the need for language training, BTS officials said that because of funding concerns, it could provide language training only "as necessary and to the extent possible."

As a result, the full intelligence and law enforcement value that visa security officers could add to the existing inter-agency country teams has not been achieved. In response to our report, DHS advised that it has developed a near-term plan for deploying visa security officers for FY 2005 and was planning for additional deployments.

With respect to international travelers, two major border security challenges confront the department: the divergence in the biometric systems used to identify travelers; and, the substantial differences in the levels of scrutiny given to different classes of travelers.

Biometric Systems

We have all seen the glaring deficiencies of name-based lookout lists. For every known terrorist there are many innocent people with the same name. And for every name, there are variants and misspellings. Biometric identifiers are the only reliable and practical way to tell people apart.

The FBI uses ten rolled fingerprints in the IAFIS to document criminal activities. The former INS, now within DHS, used only two index finger prints to create retrievable records for travelers in its Automated Biometric Identification System (IDENT). As reported, the two systems have not yet been integrated, so some travelers are run through one system—and then sometimes the other—at ports of entry. The CBP agents are required to check both systems when illegal aliens are apprehended.

The international standards for passports are developed through ICAO. The United States is one of several countries whose citizens are not fingerprinted routinely for licenses or identification cards. In the past, the U.S. has lobbied ICAO to use facial recognition rather than fingerprints as the required primary biometric identifier in passports. Public accounts suggest that the experiments to date using facial recognition (at Logan Airport, among others) yielded meager results. At our borders, meanwhile, we increasingly rely upon fingerprint scans to tell people apart. The difficulties in achieving international consensus on this subject are daunting. Far more obvious, however, is the fact that the United States cannot afford to implement both biometric capabilities at each port of entry, it must settle on one. We—the United States Government—need to decide soon which biometric is the most reliable. Then we need to apply that standard to our own identity and travel documents, as well as for foreign travelers. We cannot do this in a vacuum, however. We need international cooperation to establish a global standard.

Levels of Scrutiny

The second challenge relates to the inconsistent levels of scrutiny to which travelers are subjected. Everyone knows that some non-immigrants need visas, but others do not. Less well known is that some do not even require passports. Immigrants, some of whom spend little time in the U.S., receive medical examinations and back-

ground checks, but non-immigrants, some of whom remain here legally for many years, do not.

Usually, travelers from visa waiver countries do not require visas but, depending on the claimed purpose of their trip, they sometimes do. Most citizens of Canada and Mexico do not need visas or passports to enter the United States. We do not always record their names, or check them against our databases, though we do check their automobile license plates at land POEs. During FY 2002, 104 million visa-exempt Mexicans constituted 24 percent, and 52 million visa-exempt Canadians constituted 12 percent, of all admissions.

U.S. citizens reenter the country with the least scrutiny of all, and frequently require no passport. Foreign travelers who can successfully pretend to be Americans get the same special treatment, as documented by the GAO in its May 2003 report, "Counterfeit Documents Used to Enter The United States From Certain Western Hemisphere Countries Not Detected" (03–713T).

The US–VISIT system screens only non-immigrants with visas, or visitors using the provisions of the Visa Waiver Program. According to fiscal year 2002 statistics, the approximately 15 million VWP visitors accounted for three percent of U.S. admissions, while 19 million travelers with nonimmigrant visas accounted for five percent. In essence, US-VISIT screens fewer than nine percent of the people entering the United States. In our review of the implementation of US-VISIT at land POEs, issued in February 2005, we noted that at land borders, where travelers with visas or using the VWP are a rarity, the percentage of crossers screened by US-VISIT is very small: less than three percent.

No one designing a border security system from the ground up would create such a hodge-podge of processes with so many potential security gaps. If we are to be serious about border security, we will need to rationalize our border crossing processes. People are not always who they claim to be, and terrorists and criminals will try to assume whichever false identity will get them the least scrutiny as they enter and depart our country.

Tracking the Entry and Exit of Foreign Visitors

Keeping track of people entering and leaving the U.S. is necessary to prevent terrorism, narcotics smuggling, and illegal alien smuggling, as well as to enforce trade laws and collect revenue, all while facilitating international travel. Over the next five years, DHS will invest billions of dollars to modernize the passenger processes and systems inherited from the legacy agencies, including the US-VISIT system. Concerted efforts are now being made to realign certain operations and systems within the newly created DHS.

However, DHS did not analyze or re-examine its strategy, processes, technology, and organization for the overall federal passenger processing requirements before proceeding with US–VISIT. Further, DHS did not have an overall modernization acquisition strategy for the legacy Customs, INS, TSA, or the Animal and Plant Health Inspection Service (APHIS) systems related to passenger processing. An acquisition strategy based on a re-engineered vision of how DHS will process international travelers, in alignment with the department's enterprise architecture, should result in better and more definitive contract requirements.

We recommended that BTS initiate a business process reengineering effort to establish a clear vision of the overall federal operations that will be used to clear people entering and leaving the U.S. Based on those results, BTS should work with the Chief Acquisition Officer (CAO) and Chief Information Officer (CIO) to develop an overall departmental acquisition strategy for passenger information technology systems. BTS advised that it plans to initiate a business process reengineering effort, and develop an overall department acquisition strategy in coordination with the CAO and CIO.

Finally, in a report issued in June 2004, we raised concerns about the Secure Electronic Network for Travelers Rapid Inspection (SENTRI) program. This program permits pre-screened and enrolled low risk travelers to enter the U.S. from Mexico in designated lanes with minimal inspection by CBP officers, thereby avoiding the lengthy waiting times in the regular inspection lanes. The SENTRI program is open to both U.S. citizens and certain non-citizens. We determined that the program is generally achieving the two basic objectives for which it was established: accelerating the passage of participating travelers through land ports of entry; and, maintaining border integrity, security, and law enforcement responsibilities.

However, we noted inconsistencies in the way land ports of entry applied eligibility criteria for criminal offenses, financial solvency, and residency, and approved or denied applications. In addition, we noted weaknesses in the procedures by which SENTRI system records are kept current, and how alerts are disseminated to CBP officers. Taken as a whole, our findings indicate weak program management that

could jeopardize the program's integrity and border security. In response to these concerns, CBP has moved to merge all of its trusted travelers programs and centralize the enrollment process to standardize enrollment procedures and criteria.

Preventing Terrorist Weapons from Entering the U.S.

Since September 11, 2001, CBP's priority mission is detecting and preventing terrorists and terrorist weapons from entering the U.S. A major component of its priority mission is to ensure that oceangoing cargo containers arriving at seaports of entry are not used to smuggle illegal or dangerous contraband. To test controls over importing weapons of mass destruction, ABC News was successful twice at smuggling depleted uranium into the country. On September 11, 2002, ABC News reported that a steel pipe containing a 15-pound cylinder of depleted uranium was shipped from Europe to the U.S. undetected by CBP. On September 11, 2003, ABC News reported that the same cylinder was smuggled—again undetected—to the U.S. from Jakarta, Indonesia.

In the first smuggling event, ABC News reported that a steel pipe containing a 15-pound cylinder of depleted uranium, which was shielded with lead, was placed in a suitcase and accompanied by reporters by rail from Austria to Turkey. In Istanbul, Turkey, the suitcase was placed inside an ornamental chest, which was crated and nailed shut. The crate containing the suitcase was placed alongside crates of huge vases and Turkish horse carts in a large metal shipping container, and then loaded onto a ship, which left Istanbul. Based on data contained in the Automated Targeting System, the crate was targeted as high-risk for screening by the U.S. Customs Service. ABC News broadcast on September 11, 2002, that Customs failed to detect the depleted uranium carried from Europe to the United States.

During the second smuggling event, ABC News placed the same cylinder of depleted uranium into a suitcase, and then placed the suitcase into a teak trunk. The trunk, along with other furniture, was loaded into a container in Jakarta, Indonesia, and then transshipped to the U.S. from Tanjung Pelepas, Malaysia. This shipment, which was targeted as high-risk for screening and subsequently inspected by CBP personnel, was then allowed to proceed from the port by truck.

In a classified September 2004 report, we cited several weaknesses that occurred at the time of the two incidents, which made the container inspection process ineffective. The protocols and procedures that CBP personnel followed at the time of the two smuggling incidents were not adequate to detect the depleted uranium. CBP has since enhanced its ability to screen targeted containers for radioactive emissions by deploying more sensitive technology at its seaports, revising protocols and procedures, and improving training of CBP personnel.

We are currently conducting a follow-up audit on the issue of radiation detection. The audit will determine to what extent CBP has a complete and workable plan for deploying and effectively operating radiation portal monitors at major U.S. seaports, and how the new technologies that CBP is deploying will impact operations at the ports.

TRANSPORTATION SECURITY

DHS faces significant challenges in ensuring the security of the nation's transportation systems. TSA and the Coast Guard spearhead the department's transportation security efforts. While TSA has made progress in implementing the Aviation and Transportation Security Act (ATSA) and securing the nation's airways, improvements are still needed in aviation, rail, and transit security. Similarly, the Coast Guard has made progress in securing the nation's maritime transportation system but the deteriorating condition of its aircraft and cutter fleets places its current and future mission performance at risk.

Aviation Security

The success of TSA in fulfilling its aviation security mission depends heavily on the quality of its staff and the capability and reliability of the equipment to screen passengers and cargo to identify terrorists and terrorists' weapons, while minimizing disruption to public mobility and commerce.

Providing qualified and trained personnel has been a substantial challenge for TSA. ATSA mandated that the TSA hire and train thousands of screeners for the nation's 429 commercial airports by November 19, 2002. As a result, TSA hired over 60,000 screeners. Our undercover tests of screener performance, about which we first reported in 2004, revealed that improvements are needed in the screening process to ensure that dangerous prohibited items are not carried into the sterile areas of heavily used airports, or do not enter the checked baggage system. We attributed the test failures to four areas that needed improvement: training; equipment and technology; policy and procedures; and, management and supervision. TSA agreed

with our recommendations and took action to implement them, particularly in the areas of training, policies and procedures, and management practices. We recently completed a follow-up review of screener performance at the same airports. We began our review at the end of November 2004 and completed our fieldwork in early February 2005. Despite the fact that the majority of screeners with whom our testers came in contact were diligent in the performance of their duties and conscious of the responsibility those duties carry, the lack of improvement since our last audit indicates that significant improvement in performance may not be possible without greater use of new technology.

We recommended in our previous report that the TSA administrator aggressively pursue the development and deployment of innovations and improvements to aviation security technologies, particularly for checkpoint screening. TSA is currently testing several such technologies, including backscatter x-ray, Explosive Trace Detection (ETD) portals, and document scanners. We encourage TSA to expedite its testing programs and give priority to technologies, such as backscatter x-ray, that will enable the screening workforce to better detect both weapons and explosives.

Furthermore, TSA has come under criticism for not moving quickly enough to address the vulnerability of the nation's air traffic to suicide bombers. The 9–11 Commission recommended that TSA and the Congress must give priority attention to improving the ability of screening checkpoints to detect explosives on passengers. As noted above, TSA is in the process of testing several of these technologies, including backscatter x-ray, vapor detection, and document scanner machines, to address concerns regarding detection of explosives on individuals. Pending the testing and deployment of these advanced technologies, TSA instituted a process of more extensive pat-down procedures to find explosives hidden on a traveler. Since travelers and interest groups protested the use of these more thorough examination procedures, they have already been refined by TSA. We are currently reviewing the implementation of these procedures to ensure they are strictly followed, as well as TSA's process for responding to passenger complaints.

Rail and Transit Security

While TSA continues to address critical aviation security needs, it is moving slowly to improve security across other modes of transportation. More than 6,000 agencies provide transit services through buses, subways, ferries, and light-rail to about 14 million Americans. Terrorist experiences in Madrid and Tokyo highlight potential vulnerabilities in transit systems. Recently, several congressional leaders expressed concern that the federal government has not responded strongly enough to the threat to public transit. Furthermore, the 9/11 Commission reported that over 90 percent of the nation's $5.3 billion annual investment in TSA goes to aviation, and that current efforts do not reflect a forward-looking strategic plan systematically analyzing assets, risks, costs, and benefits so that transportation security resources can be allocated where the risks are greatest in a cost effective way. TSA's FY 2005 budget still focuses its resources on aviation.

TSA has lead responsibility for coordinating the development of a transportation sector plan, which it plans to complete later this year. TSA, however, has not finalized the memoranda of understanding with various Department of Transportation agencies to determine how it will coordinate work in the future. We are evaluating TSA's actions to assess and address potential terrorist threats to the mass transit systems of U.S. metropolitan areas.

Maritime Security

The Coast Guard's willingness to work hard and long hours, use innovative tactics, and work through partnerships in close inter-agency cooperation has allowed it to achieve mission performance results. However, to improve and sustain its mission performance in the future, the Coast Guard faces a significant barrier in overcoming the deteriorating readiness of its fleet assets. The Coast Guard faces three major barriers to improving and sustaining its readiness to perform legacy missions:

1. The lack of a comprehensive and fully defined performance management system impedes the Coast Guard's ability to gauge its performance, allocate resources effectively, and target areas for improved performance.
2. The workload demands on the Coast Guard will continue to increase as it implements the *Maritime Transportation Security Act of 2002* (MTSA). This complex work requires experienced and trained personnel; however, the Coast Guard has suffered from declining experience levels among its personnel in recent years.
3. Sustaining a high operating tempo due to growing homeland security demands—such as added port, waterway, and coastal security patrols—will tax the Coast Guard's infrastructure, particularly its aging cutter and aircraft fleet.

The lack of a comprehensive and fully defined performance management system impeded the Coast Guard's ability to gauge its performance, allocate resources effectively, and target areas for improved performance. The Coast Guard has yet to define a performance management system that includes all the input, output, and outcomes needed to gauge results or target performance improvements, balance its missions, and ensure the capacity and readiness to respond to future crises or major terrorist attacks. For example, for search and rescue, the number of mariners in distress saved is a good indicator of outcome. However, resource hours under-represent the effort put into this mission by omitting the many hours of watch standing at stations. Without more complete information, the Coast Guard has limited ability to identify and target cost effective improvements to its mission performance.

The workload demands on the Coast Guard will continue to increase as it implements the MTSA. Under MTSA, the Coast Guard must conduct risk assessments of all vessels and facilities on or near the water; develop national and area maritime transportation security plans; and, approve port, facility, and vessel security plans. This complex work requires experienced and trained personnel, presenting a major challenge for the Coast Guard, which suffers from declining experience levels among its personnel. Since the Coast Guard largely relies on experienced senior personnel to coach and train junior personnel and new recruits on the job, mission performance is at risk.

In addition to implementing MTSA, growing homeland security demands the agency, such as added port, waterway, and coastal security patrols, result in a continued high operating tempo. Sustaining this high operating tempo will be a major challenge for Coast Guard personnel and will tax its infrastructure, especially its aged cutter and aircraft fleet. The Coast Guard reported that sustaining its mission is at risk due to cutters and aircraft which are aging, technologically obsolete, or those which require replacement and modernization. Currently, the Coast Guard is experiencing serious cracking in the hulls of the 110-foot cutters and engine power loss on the HH–65 Dolphin helicopters, resulting in operating restrictions. These problems adversely affect the Coast Guard's mission readiness and ultimately mission performance.

Maintaining and Replacing Deepwater Assets.

In June 2002, the Coast Guard awarded a $17 billion contract to Integrated Coast Guard Systems to maintain and replace its Deepwater assets. This contract called for replacing or modernizing, by 2022, all assets used in missions that occur more than 50 miles offshore, including approximately 90 cutters and 200 aircraft as well as assorted sensors and communications systems. According to the Coast Guard, the greatest threat to its missions continues to be the operational capability of its legacy aircraft, cutter, and small boat fleet. These assets are aging and are more expensive to maintain. In some instances, the Coast Guard is experiencing difficulty maintaining and upgrading existing critical deepwater legacy assets including the HH–65, HH–60, HC–130 aircraft, and its coastal patrol boat fleets.

As an example, the number of in-flight loss of power mishaps involving the HH–65 helicopter grew from about a dozen annual mishaps before September 11, 2001, to more than 150 in FY 2004, requiring the immediate re-engining of the entire HH–65 fleet. The Coast Guard recently accelerated its acquisition of the Multi-Mission Cutter Helicopter under development by the Integrated Deepwater System acquisition project, in addition to initiating engine replacement for its HH–65 helicopter fleet. Also, in 2003, the Coast Guard experienced 676 unscheduled maintenance days for its cutters—a 41 percent increase over 2002. This was the equivalent of losing the services of over three and a half cutters. These lost cutter days include the coastal patrol boats, which are suffering from accelerated hull corrosion and breached hull casualties.

INTEGRATING THE DEPARTMENT'S COMPONENTS

Integrating its many separate components into a single, effective, efficient, and economical department remains one of DHS' biggest challenges. To help meet this challenge, DHS established an Operational Integration Staff to assist departmental leadership with the integration of certain DHS missions, operational activities, and programs at the headquarters level and throughout the regional structure.

Much remains to be done in integrating DHS programs and functions. We have reported that structural and resource problems continue to inhibit progress in certain support functions. For example, while the department is trying to integrate and streamline support service functions, most of the critical support personnel are distributed throughout the components and are not directly accountable to the functional Line of Business (LOB) Chiefs such as the Chief Financial Officer, Chief Information Officer, Chief Human Capital Officer, Chief of Administrative Services, and Chief Procurement Officer.

In August 2004, the Secretary and Deputy Secretary directed the DHS LOB chiefs to design and implement systems to optimize functions across the entire department. The LOB chiefs were instructed to develop Management Directives to guide the department's management of those business functions, too. The Directives were to be built on a concept of "dual accountability," where both the operational leadership and the LOB chiefs are responsible for the successful preparation of the Directives and their implementation. This concept has been described as a "robust dotted line" relationship of agency or component functional heads to the LOB chiefs for both daily work and annual evaluation. In October 2004, the Secretary signed Final Management Directives to institutionalize the arrangements before FY 2005. In addition, the department's Management Council signed charters for each LOB, which establish a formal governance and advisory board structure to ensure that the objectives and intent of the Directives are executed.

While the concept underlying the Management Directives may work in some environments, we are concerned that the DHS LOB chiefs may not have sufficient resources or authority to ensure that department-wide goals and challenges in their respective functions are addressed effectively, efficiently, or economically—or that available resources can be marshaled to address emerging problems. These concerns were heightened by the department's experience this past fiscal year in reorganizing the former Immigration and Naturalization Service (INS) and the U.S. Customs Service into three new bureaus—Immigration and Customs Enforcement (ICE), Customs and Border Protection (CBP), and U.S. Citizenship and Immigration Services (USCIS)—referred to as the "tri-bureaus"—and the consolidation of accounting services for many small programs outside of DHS into ICE. Since the department and ICE did not prepare a thorough, well-designed plan to guide the transition of accounting responsibilities, ICE fell seriously behind in the performance of basic accounting functions, such as account reconciliations and analysis of abnormal balances. The pervasiveness of errors in ICE's accounts prevented completion of audit work at ICE for the FY 2004 DHS financial statement.

Additionally, the department faces a structural problem in its financial management organization. The bureaus control most of DHS' accounting resources, but the DHS Chief Financial Officer (CFO) has responsibility for DHS' consolidated financial reporting, which is dependent on those resources. Although coordination mechanisms are in place, the monitoring controls at the DHS CFO's level are insufficient to ensure the accuracy of consolidated financial information. The seriousness of these material weaknesses and reportable conditions at DHS demands strong oversight and controls.

Similarly, creating a single infrastructure for effective communications and information exchange remains a major management challenge for DHS. We reported in July 2004, that the DHS CIO is not well positioned to meet the department's IT objectives. The CIO is not a member of the senior management team with authority to strategically manage department-wide technology assets and programs. No formal reporting relationship is in place between the DHS CIO and the CIOs of major component organizations, which hinders department-wide support for central IT direction. Further, the CIO has limited staff resources to carry out the planning, policy formation, and other IT management activities needed to support departmental units. These deficiencies in the IT organizational structure are exemplified by the CIO's lack of oversight and control of all DHS' IT investment decision-making, and a reliance instead on cooperation and coordination within DHS' CIO Council to accomplish department-wide IT integration and consolidation objectives.[1] The department would benefit from following the successful examples of other federal agencies in positioning their CIOs with the authority and influence needed to guide executive decisions on department-wide IT investments and strategies.

In this regard, the Secretary is reexamining selected operations in what he refers to as a "second stage review." The review will cover where DHS has been, where it's headed, and what changes, if any, need to be made.

We will be monitoring and evaluating the progress made in each LOB area very closely, not only during FY 2005, but also for years to come.

INFORMATION SECURITY

The DHS Chief Information Officer (CIO) oversees the information security program. The CIO has developed an Information Security Program Strategic Plan to provide the foundation for an agency-wide, consolidated information security program. The DHS Chief Information Security Officer (CISO) developed the Information Security Program Management Plan, which is the blueprint for managing DHS' information security program. At the same time, the CISO developed an Information Security Risk Management Plan, which documents DHS' plan to develop, implement, and institutionalize a risk management process in support of its information

security program. Based on our review of these plans, DHS has an adequate structure, blueprint, and process to implement and manage its information security program.

Our office performs a yearly review of the DHS information security program as required by the *Federal Information Security Management Act of 2002* (FISMA). During our FY 2004 review, we noted that DHS made significant progress over the last two years to develop, manage, and implement its information security program. However, DHS' organizational components have not fully aligned their respective security programs with DHS' overall policies, procedures, or practices. Factors which have kept the department from having an effective information security program include: lack of a system inventory; lack of a formal reporting structure between the CIO and the organizational components; lack of a verification process to ensure that all information security weaknesses have been identified; and, all of the department's major information systems have not been certified and accredited.

Overall, DHS is on the right track to create and maintain an effective information security program. However, the department and its components still have much work to do to get to the point where DHS has a mature information security program.

INTELLIGENCE

Under the *Homeland Security Act of 2002,*[1] the department is responsible for receiving, integrating, and coordinating the sharing of federal information to help ensure border security and protect the U.S. from terrorist threats. Specifically, the *Homeland Security Act of 2002* gave DHS significant responsibility to coordinate the sharing of information to protect the U.S. from terrorist threats. The law requires that the DHS Under Secretary for Information Analysis and Infrastructure Protection (IAIP) consult with the Director of Central Intelligence and other appropriate intelligence and law enforcement elements of the federal government to establish collection priority and strategy for information relating to threats of terrorism against the U.S.[2] *Additionally*, the law directs the IAIP Under Secretary to review, analyze, and make recommendations to improve the policies and procedures governing the sharing of law enforcement, intelligence, intelligence-related, and other information relating to homeland security.[3].

However, the role and responsibilities of IAIP for intelligence collection, analysis, and dissemination has been abated with the creation of the Terrorist Threat Integration Center under the Director of Central Intelligence and the Terrorist Screening Center under the Director of the FBI. Creation of the new Director of National Intelligence position makes the DHS intelligence coordination role even more uncertain, calling for prompt clarification of federal lines of authority in this area.

PREPAREDNESS

To date, our office focused on examining the programs and mechanisms that enhance preparedness at the federal, state, and local levels of government, including the utility of IAIP data on port security grant award decisions. In its December 2004 report, the Heritage Foundation recommended consolidating DHS critical infrastructure protection and preparedness, as well as state, local, and private coordination efforts, under an Undersecretary for Protection and Preparedness. According to the Foundation, consolidating these disparate efforts would provide the DHS Secretary with a stronger platform from which to lead national efforts, determine priorities, identify critical vulnerabilities, work with state, local, and private sector entities on securing those vulnerabilities and preparing for attacks, and make grants to help get the job done and to induce cooperation. Again, on the surface, this proposal appears to have merit. However, since we have not studied the implications of this proposal, we are not in a position to address the pros and cons of such a consolidation. Nevertheless, we do have reservations about separating FEMA's preparedness functions from its response and recovery responsibilities. Disaster preparedness, response, and recovery are intricately related, each relying on the other for success. This proposal should be carefully studied before it is put into practice.

Also, the Department just completed TOPOFF3, said to be one of the largest incident response exercises in the world, involving three nations and over 10,000 participants. Our office monitored the exercise here and at two venues in New Jersey and Connecticut. The after-action reports are not final. It is important that we learn from these exercises and put the lessons to work in new preparedness strategies and exercises as quickly and aggressively as possible.

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[1] Public Law 107–296 (Nov. 25, 2002), codified at 6 USC 101 *et seq.*

[2] 6 USC 121 (d)(10).

[3] 6 USC 121 (d)(8).

Infrastructure Protection

One of the significant challenges facing the new DHS Secretary is the need to base the department's business decisions, such as its grant awards, on information relating to nationally critical infrastructure and key assets. We learned from two surveys completed in 2004 and a more recent review of DHS' Port Security Grant program issued in January 2005, that the department lags in integrating critical asset data and its "preparedness" initiatives into its business decisions. We concluded in 2004, too, that if IAIP did not produce a condensed list of most sensitive critical assets other elements within DHS would be at risk of failing to direct their grant resources toward national critical infrastructure protection and preparedness. This concern materialized in port security grant awards: administrators designed and operated the program as a sector-specific grant program and conducted at least three rounds of grants, totaling $560 million, without definitive national priorities for securing the seaport infrastructure of the nation. Poor integration of critical asset information meant that port security grant award decisions were made without sufficient information about our national priorities. DHS components need to strengthen their working relationships with IAIP, which has primary responsibility within DHS for critical asset identification, prioritization, and protection. The department's investments in new technologies, systems, and grant-making programs must reflect national priorities as determined by IAIP's risk management activities.

A lack of coordination between the Science and Technology Directorate (S&T) and other DHS components slowed S&T's long-term plan to invest in threat vulnerability and risk assessment tools, too. S&T is required to coordinate with other executive agencies, particularly those within DHS, to: (1) develop an integrated national policy and strategic plan for identifying and procuring new technologies; (2) reduce duplication and identify unmet needs; and, (3) support IAIP in assessing and testing homeland security vulnerabilities and possible threats. TSA, the Coast Guard, and IAIP have developed risk assessment tools and performed analyses of critical infrastructure. It is critical for the S&T to have a clear understanding of the terrorist threat picture facing the nation and the current technical capabilities and ongoing research and development initiatives of other DHS elements. To be effective, it must be able to prioritize its investment decisions, and avoid duplicating technology initiatives by other DHS components, especially in the area of risk assessment. To that end, the extent that the Secretary oversees these efforts and makes intra-agency coordination a reality, will determine his effectiveness in ensuring that DHS' investments are adequately matched to risk.

We are seeing signs that IAIP is becoming more involved in risk assessment activity and grant decision-making across the department as agencies are increasingly seeking assistance from IAIP. S&T has intensified efforts to obtain terrorist threat information from IAIP and incorporate it into S&T's selection of new technologies. The Coast Guard is working closer with IAIP on maritime risk assessments and programs. Grant officials signaled their intention to consult IAIP and make better use of critical infrastructure information in future rounds of port security grants.

The Secretary needs to ensure that this progress continues and becomes a regular part of DHS's business decision-making. DHS components must share information, assimilate data to better coordinate risk management activities, and subscribe to a single concept of national priorities and interests. These actions are the foundation of solid business judgments now and in the future. Without this leadership, DHS risks having multiple, confusing, and possibly conflicting sources of priority for its investments.

CONTRACT MANAGEMENT

DHS obligated about $13 billion to procure goods and services during FY 2003 and 2004. In addition to the challenge of integrating the procurement functions of its component organizations, DHS must provide contract management to the departmental components, which came into the agency without accompanying procurement staff. These components include the Science & Technology Directorate, the Information Analysis & Infrastructure Protection Directorate, the Office of State and Local Government Coordination and Preparedness, U.S. VISIT, and other offices.

DHS formed the Office of Procurement Operations (OPO) to provide procurement support for these components. But, the office has insufficient staff to manage over $2.5 billion in procurements. Therefore, DHS contracted with other federal agencies to provide the contract management support needed while it addresses the resource issues in OPO. However, providing consistent contract management throughout DHS remains a formidable challenge. The OPO developed and negotiated with its customer organizations a staffing plan that would bring OPO's staffing level to 127 by the end of FY 2005. The cost of these positions would be reimbursed by customer organizations through the Working Capital Fund.

DHS' efforts to provide a sufficiently detailed and accurate listing of its procurement information proved difficult. While DHS has migrated all of its procurements under the umbrella of one comprehensive reporting system, the department still lacks sufficiently detailed and validated data to manage the procurement universe and ensure accurate or consistent reporting.

While the DHS organizational components face continuing challenges in contract management, they have made some progress. For example, the Transportation Security Administration (TSA) relies extensively on contractors to accomplish its mission, although it provided little contract oversight during its first year of operation. As a result, the cost of some of those initial contracts ballooned. For example, TSA improperly administered one of these contracts as cost-plus-percent-of-cost and paid at least $49 million in excessive profit to the contractor. In 2004, however, TSA began implementing policies and procedures to provide adequate procurement planning, contract structure, and contract oversight.

Several other components of the department have large, complex, high-cost procurement programs under way that need to be closely managed, too. For example, CBP's Automated Commercial Environment project will cost $5 billion, and the Coast Guard's Deepwater Capability Replacement Project will cost $17 billion and take two-three decades to complete. Further, the department recently awarded a $10 billion contract for the development of a system to support the United States Visitor and Immigrant Status Indication Technology (US–VISIT) program to track and control the entry and exit of all aliens through U.S. air, land, and sea ports of entry. It is anticipated that this program will be implemented over the next ten years. Also, TSA's managed information technology services contract will cost over $1 billion.

We will continue to review these major procurements. Recently, Secretary Chertoff expressed concerns regarding the vulnerability of DHS procurements to fraud, waste, and abuse. At his request, the OIG and Office of the Chief Procurement Officer are working together to develop a report detailing procurement integrity vulnerabilities and recommendations for reducing those vulnerabilities. In addition to this endeavor and our efforts to review major procurements on an ongoing basis, we plan to systemically assess the effectiveness of internal controls and project management at each organizational component to assure that major acquisitions are well thought out and well managed.

FINANCIAL MANAGEMENT

DHS continues to face significant financial management challenges, with some of the most critical at ICE. DHS' Chief Financial Officer is well aware of these challenges and is working to address them, although he has had limited resources to deal with these issues. DHS also faces a major challenge in implementing the *Department of Homeland Security Financial Accountability Act,* which requires that an audit of internal controls over DHS' financial reporting be performed next year.

Summary of the FY 2004 Financial Statement Audit Report

FY 2004 was the first full year of operation for the Department. Because the financial statement auditor, KPMG LLP, was able to perform more audit procedures compared to FY 2003 additional material weaknesses surfaced. Unfortunately, KPMG was unable to provide an opinion on the Department's FY 2004 statements. This disclaimer of opinion was due to circumstances at ICE, the inability to complete audit procedures over certain costs and budgetary transactions at the Coast Guard, the lack of reconciliations for intra-governmental balances, and the accelerated reporting deadline of November 15th that prevented an extension of audit procedures.

ICE presented the Department with the most critical problems. ICE's financial reporting environment underwent significant change in FY 2004. Its legacy agency, the Immigration and Naturalization Service, and the former U.S. Customs Service, were reorganized into three bureaus: ICE, Customs and Border Protection (CBP), and Citizenship and Immigration Services (CIS). ICE experienced significant budget difficulties during the year due at least in part to the late preparation of agreements to reimburse it for costs incurred on others' behalf. In FY 2004 ICE became the accounting services provider for several other Department components, as well as supporting its own and CIS' accounting needs. ICE also experienced significant staff turnover. As a result, it fell seriously behind in basic accounting functions, such as account reconciliations, analysis of material abnormal balances, and proper budgetary accounting. The auditors observed a void in the financial management infrastructure at ICE that would likely continue to jeopardize the integrity of DHS' financial reporting until the fundamental issues of internal control, including proper staffing and oversight, were addressed. We are continuing to review the cir-

cumstances leading to these problems, and the effects they have had on ICE operations.

KPMG was unable to complete audit procedures over certain costs and budgetary transactions at the Coast Guard due to the accelerated deadlines. The Coast Guard factors significantly in many of the material weaknesses identified in the auditors' report. These material weaknesses made it much more difficult for both the Coast Guard and the auditors to complete the audit by the deadline.

The Department had significant out-of-balance conditions with other federal entities, which were not reconciled; therefore, it could not support certain balances on its own books. The most significant out-of-balance conditions existed at ICE. A lack of resources in the OCFO prevented the accountant responsible for intra-governmental reconciliations from researching and reconciling these differences in a timely manner during the year and at year-end.

The financial statement audit had to be completed three months earlier than the prior year due to the accelerated reporting deadline of November 15th. The Department had little time to focus on correcting deficiencies from KPMG's last report before it was subjected to another financial statement audit. To have a high likelihood of meeting an accelerated reporting deadline successfully, the Department's internal controls needed to be much better. The Department entered this audit with seven material weaknesses and seven other reportable conditions related to financial reporting.

Material Weaknesses and Other Reportable Conditions

KPMG identified 10 material weaknesses in internal control at DHS in FY 2004 related to:

- oversight;
- ICE;
- financial statement preparation;
- system security;
- fund balance with Treasury;
- property, plant and equipment;
- operating materials and supplies;
- accounts payable and disbursements;
- budgetary accounting; and
- intra-governmental; and,
- intra-departmental balances.

The auditors noted three additional reportable conditions related to deferred revenue, environmental liabilities, and custodial activity at CBP.

The most critical material weaknesses dealt with the need for additional technical resources to support the CFO in his financial reporting and oversight responsibilities, and the void in ICE's financial management infrastructure. The CFO has obtained additional resources for his office through hiring and a contractor. He has assured us that steps are underway to address the financial management issues at ICE. A new budget director at ICE was recently designated.

Additional Challenges in the Upcoming Year

The *Department of Homeland Security Financial Accountability* Act requires that an annual audit of the Department's internal control over financial reporting be performed beginning next year. Recently, OMB revised its Circular A–123, *Management's Responsibility for Internal Control,* which the Department is using to prepare for this audit. However, the success of this effort will require time given the Department's limited resources, its already significant number of material weaknesses, and the additional documentation and monitoring procedures that must be put in place.

Revenue Collection

Annually, CBP collects more that $22 billion in duties, excise taxes, fines, penalties and other revenue. CBP has had an active program to monitor trade compliance, but in the face of critical homeland security responsibilities, counter-terrorism activities have begun to claim a higher share of border resources. CBP faces a challenge in protecting trade revenue and enforcing trade laws at a time when the terrorist threat demands much more from CBP's border resources.

CBP is responsible for collecting user fees from air passengers arriving in the U.S. These fees are designed to pay for the costs of inspection services provided by CBP (which now includes the former INS and the Animal and Plant Health Inspection Service (APHIS) inspection processes). Between FYs 1998 and 2002, the former U. S. Customs Service collected $1.1 billion from the airlines. Now that CBP's inspection workforce has expanded to include the former INS and APHIS inspection services, it is important that CBP ensure that revenues collected are accounted for and are adequate to cover the costs of services provided.

CIS generates more than $2 billion in revenues through collection of application fees from non-citizens seeking entry into the U.S. In fulfilling its mission, CIS processes millions of actions and requests that are documented in paper files. The systems that track these applications are non-integrated, and many are ad hoc. Deferred revenue is a financial measure of pending applications and is material to DHS' financial statements. The challenge for CIS is to move from paper based and non-integrated processes to an integrated case management system.

GRANTS MANAGEMENT

DHS inherited a variety of grant programs, which provide money for disaster preparedness, prevention, response, and recovery. Significant shortcomings have been identified in many of these programs in the past. The potential for overlap and duplication has grown as the number of grant programs has grown. In an effort to achieve better coordination, the Office for Domestic Preparedness and Office of State and Local Coordination were consolidated into the Office of State and Local Government Coordination and Preparedness (SLGCP). That office now manages most of DHS' preparedness and first responder grant programs. The consolidation represents progress toward the one-stop shop that states and local jurisdictions have long sought.

In developing and implementing a national program to enhance the capacity of state and local agencies to respond to incidents of terrorism, DHS has integrated numerous distinct, yet related, preparedness grant initiatives and programs into a single program under the auspices of SLGCP. Under the $2.6 billion fiscal year 2005 Homeland Security Grant Program, SLGCP consolidated the application process and administration of six programs: State Homeland Security Program, Urban Areas Security Initiative, Law Enforcement Terrorism Prevention Program, Citizen Corps, Emergency Management Performance Grants, and Metropolitan Medical Response System Program Grants.

However, much work remains to be done. In March 2004, we issued *An Audit of Distributing and Spending "First Responder" Grant Funds, OIG–04–15.* The report identified problems at the state and local level that were causing grant fund distribution and spending to be slow. The problems included too many large grant programs that had to be processed in too short a time by inadequate state and local staffing, a lack of federal guidance on preparedness standards, complex and time-consuming state and local planning processes, and burdensome state and local procurement and grant approval processes. These problems were verified by work done by GAO and the Department's Homeland Security Advisory Counsel Task Force.

The Department has taken action to implement the recommendations in our March report and to respond to GAO and task force concerns. Efforts are under way to identify and disseminate best practices, including how states and localities manage legal and procurement issues that affect grant distribution. SLGCP has established a new Homeland Security Preparedness Technical Assistance Program service to enhance the grant management capabilities of state administrative agencies. Also, DHS established a password protected web site, Lessons Learned Information Sharing, which allows states, local governments, and first responder organizations to share best practices.

In addition, SLGCP has improved grantee reporting requirements. Beginning in fiscal year 2004 and continuing in fiscal year 2005, states are required to submit Initial Strategy Implementation Plans which show how planned grant expenditures are linked to larger projects, which in turn support specific goals and objectives in the state homeland security strategy. In addition to these plans, SLGCP requires states to submit biannual strategy implementation reports showing how the actual expenditure of grant funds is linked to strategy goals and objectives.

In response to our recommendation that the Department accelerate the development of federal guidelines for first responder capabilities, equipment, training, and exercises, SLGCP is developing a standardized Weapons of Mass Destruction awareness training program and national performance standards for assessing domestic preparedness capabilities and identifying gaps in those capabilities. Homeland Security Presidential Directive-8 called for a new national preparedness goal and performance measures, standards for preparedness assessments and strategies, and a system for assessing the nation's overall preparedness. DHS issued an Interim National Preparedness Goal on April 1, 2005. This goal is a product of a capabilities-based planning process that led to the identification of core capabilities that the nation and its states, communities, and citizens need to possess. By mid-April 2005, DHS plans to issue detailed instructions on how communities can use this goal to manage federal preparedness assistance.

For FY 2006, states and urban areas are to update their Homeland Security Preparedness strategies to reflect seven national priorities in order to receive continued

federal preparedness assistance. These priorities include: (1) implement the National Incident Management System and National Response Plan; (2) expand regional collaboration; (3) implement the Interim National Infrastructure Protection Plan; (4) strengthen information sharing and collaboration capabilities; (5) strengthen interoperable communications capabilities; (6) strengthen capabilities for detection, response, and decontamination of chemical, biological, radiological, nuclear, or explosive materials; and, (7) strengthen medical surge and mass prophylaxis capabilities. For FY 2007, states and urban areas will need to revise their Homeland Security Preparedness strategies to align with the Final National Preparedness Goal in order to receive further federal preparedness assistance. DHS plans to issue the Final National Preparedness Goal and a target capabilities list, updated to include the target levels of capabilities, on October 1, 2005.

Finally, in response to our reporting that a formal grant monitoring system was lacking, DHS updated its grant-monitoring guidance in fiscal year 2004 and established new monitoring goals. According to the guidance, at least one office file review and one on-site visit should be completed for each state each fiscal year. In addition, the requirements for Initial Strategy Implementation plans and biannual strategy implementation reports, discussed earlier, should improve monitoring. As of September 2004, SLGCP filled 138 staff positions, as compared with 63 filled positions at the end of fiscal year 2003. That should help alleviate the staffing shortages, which contributed to DHS's inability to conduct frequent grantee monitoring.

Although SLGCP has program management and monitoring responsibility for its grants, it relies on the Justice Department's Office of the Comptroller for grant fund distribution and assistance with financial management support. In the department's 2004 financial statement audit report, the independent auditors noted that SLGCP management was not actively involved in the financial reporting of its activities and had not obtained a thorough understanding of the control activities over its financial reporting process performed by the Justice Department. As a result, SLGCP lacks assurance that the processing of its financial activities coincides with its business operations, are reported accurately, and controlled properly.

We are currently conducting audits of individual states' management of first responder grants, state and local governments' first responder grant spending, and analyzing the effectiveness of DHS' system for collecting data on state and local governments' risk, vulnerability and needs assessments. We are also continuing our audits of FEMA's disaster relief programs as well as beginning an audit of the Urban Area Security Initiative grants.

Mr. Chairman, this concludes my prepared statement. I will be pleased to answer any questions you or the members may have.

Mr. ROGERS. Thank you, Mr. Skinner.

The Chair now recognizes Mr. Norman Rabkin, Managing Director of Homeland Security and Justice issues for the Government Accountability Office, for your statement.

Mr. Rabkin?

STATEMENT OF NORMAN RABKIN, MANAGING DIRECTOR, HOMELAND SECURITY AND JUSTICE, GOVERNMENT ACCOUNTABILITY OFFICE

Mr. RABKIN. Mr. Chairman, Mr. Meek, I appreciate the opportunity to be here this morning to talk about the management challenges. My statement, the full statement, and my summary are going to echo a lot of what you just heard. So I think the consistency of the message is a message in itself.

I would like to address two topics. First, why GAO has designated DHS' transformation as a high-risk area, and, secondly, the specific management challenges that the Department faces.

GAO designated DHS' transformation as high risk in January 2003, even before the Department opened its doors, for three reasons. First, DHS was going to combine 22 agencies with over 170,000 employees carrying out a wide variety of missions, ranging from law enforcement and border security to biological research, computer security, disaster mitigation, et cetera.

Secondly, DHS was going to inherit a broad array of operational and management challenges from those legacy agencies.

And, finally, DHS' national security mission was of such importance that the failure to effectively address its management challenges and program risks could have serious consequences.

Since our 2003 designation of DHS' transformation as high risk, DHS leadership has provided a foundation for maintaining critical operations while undergoing transformation. DHS has worked to protect the homeland and secure transportation and borders, it has funded emergency preparedness improvements and emerging technologies, it has assisted law enforcement activities against suspected terrorists, and it has issued its first strategic plan.

However, despite real and hard-earned progress, when we reconsidered our high-risk areas earlier this year, we concluded that DHS still had significant challenges to overcome in all of its management areas. Therefore, we continue to believe that implementation and transformation of DHS is still high risk.

Here is a summary of the specific management challenges that we think DHS has to overcome. First, it has to keep a department-wide focus on management issues. One way to do this is by having a chief management position that is elevated at a Deputy Secretary level.

DHS has to integrate the varied management processes, systems and people. Last week, we reported that while DHS has made some progress in these efforts, its transformation would be aided if it had overall goals and a timeline to guide it and if it gave its Business Transformation Office the responsibility and authority to implement the integration strategy.

In the area of strategic planning, we have just completed our evaluation of DHS' strategic planning process and its development of its first strategic plan, and we expect to issue that report in the next couple of weeks.

In the area of human capital management, DHS' system includes many proven principles and concepts, but DHS has considerable work ahead to define the details of that system, to begin to implement it and then to evaluate how well it is working.

Regarding financial management, DHS continues to work to acquire and deploy an integrated financial enterprise solution, a costly and time-consuming project that has proven quite challenging for many other agencies.

In the area of information technology, DHS has developed an enterprise architecture to guide its IT investments and a structure for managing those investments. However, it still needs to focus on ensuring that it manages specific major IT investments and acquisitions, like US–VISIT and ACE, according to these plans and procedures.

In terms of acquisition management, the Department faces the challenge of holding its various procurement organizations accountable for complying with procurement policies and regulations and ensuring that taxpayer dollars are well spent.

Finally, in the area of research and development, DHS has not yet completed a strategic plan to identify its goals and priorities and to propose timelines and expected funding levels to guide the implementation of that strategy.

Overcoming these challenges will be critical to better enable the Department to succeed in its efforts to lead the implementation of the President's homeland security strategy.

Mr. Chairman, this concludes my statement, and I will be glad to answer questions as well.

[The statement of Mr. Rabkin follows:]

UNITED STATES GOVERNMENT ACCOUNTABILITY OFFICE

HOMELAND SECURITY

OVERVIEW OF DEPARTMENT OF HOMELAND SECURITY MANAGEMENT CHALLENGES

STATEMENT OF NORMAN J. RABKIN

Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to appear before this subcommittee to address management challenges facing the Department of Homeland Security (DHS). The department plays a major role in the protection of the homeland against terrorist and other threats. In addition to managing its own affairs, the department also has a key role in implementing the National Strategy for Homeland Security and coordinating the larger homeland security efforts of the entire nation, to include other stakeholders in the federal, state, local, and private sectors. While GAO has conducted numerous reviews of specific DHS mission areas—including border and transportation security, information analysis and infrastructure protection, emergency preparedness and response, and defending against catastrophic threats—my statement is limited to overall management issues. These generally cut across many if not all of the DHS agencies and mission areas. In my testimony today, I will address two topics:

- Why has GAO designated DHS's transformation as a high-risk area?
- What specific management challenges does the department face?

This testimony continues GAO's long-standing efforts to provide Congress with information on homeland security strategies and programs. In February of last year, we testified on the desired characteristics of national strategies, and whether various strategies—including the National Strategy for Homeland Security—contained those desired characteristics.[1] In March of last year, we summarized strategic homeland security recommendations by GAO and selected congressionally chartered commissions.[2] In July of last year, we reported on GAO recommendations to DHS and the department's progress in implementing such recommendations.[3] In January of this year, we provided a comprehensive report on DHS and other federal agency efforts and challenges related to implementing the National Strategy for Homeland Security.[4] And just last month in March, we reported on DHS progress in management integration.[5] Together, these baseline efforts are intended to aid congressional oversight in assessing the effectiveness of federal homeland security activities.

My comments are based on our wide-ranging, completed, and ongoing work, and our institutional knowledge of homeland security and various government organizational and management issues. We conducted our work in accordance with generally accepted government auditing standards.

SUMMARY

GAO designated DHS's transformation as high-risk in January 2003, based on three factors. First, DHS faced enormous challenges in implementing an effective transformation process, developing partnerships, and building management capacity because it had to transform 22 agencies into one department. Second, DHS faced a broad array of operational and management challenges that it inherited from its component legacy agencies. Finally, DHS's failure to effectively address its management challenges and program risks could have serious consequences for our national

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[1] GAO, *Combating Terrorism: Evaluation of Selected Characteristics in National Strategies Related to Terrorism,* GAO–04–408T (Washington, D.C.: Feb. 3, 2004).

[2] GAO, *Homeland Security: Selected Recommendations from Congressionally Chartered Commissions and GAO,* GAO–04–591 (Washington, D.C.: Mar. 31, 2004).

[3] GAO, *Status of Key Recommendations GAO Has Made to DHS and Its Legacy Agencies,* GAO–04–865R (Washington, D.C.: July 2, 2004).

[4] GAO, Homeland Security: Agency Plans, Implementation, and Challenges Regarding the National Strategy for Homeland Security, GAO–05–33 (Washington, D.C.: Jan. 14, 2005).

[5] GAO, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration,* GAO–05–139 (Washington, D.C.: Mar. 16, 2005).

security. As we reported earlier this year, the implementation and transformation of DHS remains high-risk.[6] Overall, DHS has made some progress, but significant challenges remain to transform DHS into a more effective organization with robust planning, management, and operations while maintaining and improving readiness for its highly critical mission to secure the homeland. Failure to effectively carry out its mission continues to expose the nation to potentially serious consequences.

DHS faces a number of specific management challenges to improving its ability to carry out its homeland security missions. Among these challenges are ensuring departmentwide focus on management issues through the establishment of a Chief Operating Officer or Chief Management Officer position; coordinating its varied management processes, systems, and people through the development of an overarching management integration; improving strategic planning; effectively managing strategic human capital; strengthening its financial management infrastructure; developing a comprehensive strategic management framework that addresses key information technology disciplines; properly managing acquisitions; and coordinating research and development among its components and with other entities.

BACKGROUND

In an effort to increase homeland security following the September 11, 2001, terrorist attacks on the United States, President Bush issued the *National Strategy for Homeland Security* in July 2002 and signed legislation creating DHS in November 2002.[7] The strategy set forth the overall objectives, mission areas, and initiatives to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and assist in the recovery from attacks that may occur. The strategy also called for the creation of DHS. The department, which began operations in March 2003, represented a fusion of 22 federal agencies to coordinate and centralize the leadership of many homeland security activities under a single department.

Although the *National Strategy for Homeland Security* indicated that many federal departments (and other nonfederal stakeholders) will be involved in homeland security activities, DHS has the dominant role in implementing the strategy. The strategy identified six mission areas and 43 initiatives.[8] DHS was designated the lead federal agency for 37 of the 43 initiatives.[9] In addition, DHS had activities underway in 40 of the 43 initiatives.[10] In addition, DHS has the dominant share of homeland security funding. Figure 1 shows the proposed fiscal year 2006 homeland security funding for federal departments and agencies, with DHS constituting about 55 percent of the total.

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[6] GAO, *High-Risk Series: An Update,* GAO–05–207 (Washington, D.C.: Jan. 2005).

[7] Homeland Security Act of 2002, Pub. L. No. 107–296 (Nov. 25, 2002).

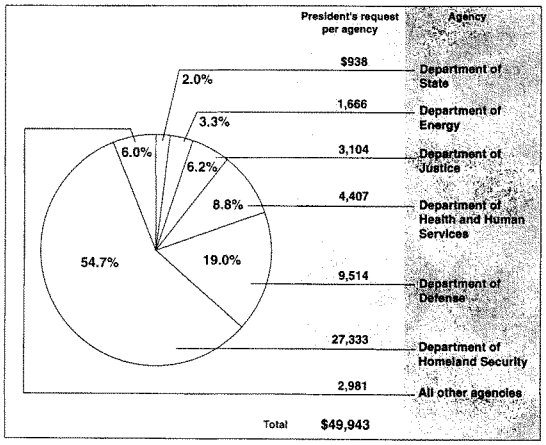
[8] The six mission areas are Intelligence and Warning, Border and Transportation Security, Domestic Counterterrorism, Protecting Critical Infrastructures and Key Assets, Defending Against Catastrophic Threats, and Emergency Preparedness and Response. Each of these has several initiatives. For example, under the Border and Transportation Security mission area, the initiatives include ensuring accountability in border and transportation security, creating smart borders, and reforming immigration services.

[9] The strategy itself, or subsequent Homeland Security Presidential Directives, designated lead agencies for most of the initiatives. In some cases, agencies shared leadership.

[10] For a more complete analysis of the strategy's mission areas, initiatives, lead agencies, and implementation, see GAO–05–33.

funding for federal departments and agencies, with DHS constituting about 55 percent of the total.

Figure 1: Proposed Fiscal Year 2006 Homeland Security Funding by Department



Source: GAO, based on OMB, *Analytical Perspectives, Budget of the United States Government, Fiscal Year 2006.*

Notes: Budget authority in millions of dollars.

"All other agencies" includes the Departments of Agriculture ($704 million), Veterans Affairs ($299 million), Transportation ($192 million), Commerce ($183 million), and Treasury ($111 million), as well as the National Science Foundation ($344 million), National Aeronautics and Space Administration ($205 million), Environmental Protection Agency ($184 million), Social Security Administration ($178 million), General Services Administration ($80 million), U.S. Army Corps of Engineers ($72 million), and several smaller agencies. Numbers may not total to 100 because of rounding.

GAO Designated DHS's Transformation As High-Risk

The November 2002 enactment of legislation creating DHS represented a historic moment of almost unprecedented action by the federal government to fundamentally transform how the nation protects itself from terrorism.[11] Rarely in the country's past had such a large and complex reorganization of government occurred or been developed with such a singular and urgent purpose. This represented a unique opportunity to transform a disparate group of agencies with multiple missions, values, and cultures into a strong and effective cabinet department whose goals are to, among other things, protect U.S. borders, improve intelligence and information sharing, and prevent and respond to potential terrorist attacks. Together with this unique opportunity, however, came a significant risk to the nation that could occur if the department's implementation and transformation was not successful.

GAO designated DHS's transformation as high-risk in January 2003based on three factors.[12] First, DHS faced enormous challenges in implementing an effective transformation process, developing partnerships, and building management capacity because it had to effectively combine 22 agencies with an estimated 170,000 employees specializing in various disciplines—including law enforcement, border security, biological research, computer security, and disaster mitigation—into one department. Second, DHS faced a broad array of operational and management challenges that it inherited from its component legacy agencies. In fact, many of the major components that were merged into the new department, including the Immigration and Naturalization Service, the Transportation Security Administration, Customs Service, Federal Emergency Management Agency, and the Coast Guard, brought with them at least one major problem such as strategic human capital risks, information technology management challenges, or financial management vulnerabilities, as well as an array of program operations challenges and risks. Finally, DHS's national security mission was of such importance that the failure to effectively address its management challenges and program risks could have serious consequences on our intergovernmental system, our citizen's health and safety, and our economy. Overall, our designation of DHS's transformation as a high-risk area and its inclusion on the 2003 High-Risk List was due to the failure to transform the diverse units into a single, efficient, and effective organization would have dire consequences for our nation.

Since our 2003 designation of DHS's transformation as high-risk, DHS leadership has provided a foundation for maintaining critical operations while undergoing transformation. DHS has worked to protect the homeland and secure transportation and borders, funded emergency preparedness improvements and emerging technologies, assisted law enforcement activities against suspected terrorists, and issued its first strategic plan. According to DHS's performance and accountability report for fiscal year 2004 and updated information provided by DHS officials, the department has accomplished the following activities as part of its integration efforts:

- reduced the number of financial management service centers from 19 to 8,
- consolidated acquisition support for 22 legacy agencies within 8 major procurement programs,
- consolidated 22 different human resources offices to 7, and
- consolidated bank card programs from 27 to 3.

As described in the next section, despite real and hard-earned progress, DHS still has significant challenges to overcome in all of its management areas. It is because of these continuing challenges that we continue to designate the implementation and transformation of DHS as high-risk.[13]

DHS Management Challenges

DHS faces a number of management challenges to improving its ability to carry out its homeland security missions. Among these challenges, which are discussed in more detail in the following sections, are

- providing focus for management efforts,
- monitoring transformation and integration,
- improving strategic planning,
- managing human capital,
- strengthening financial management infrastructure,
- establishing an information technology management framework,
- managing acquisitions, and
- coordinating research and development.

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[11] Pub. L. No. 107–296 (Nov. 25, 2002).

[12] GAO, *High-Risk Series: An Update,* GAO–03–119 (Washington, D.C.: Jan. 2003); and *Major Management Challenges and Programs Risks: Department of Homeland Security,* GAO–03–102 (Washington, D.C.: Jan. 2003).

[13] GAO, *High Risk Series: An Update,* GAO–05–207 (Washington, D.C.: Jan 2005).

PROVIDING FOCUS FOR MANAGEMENT EFFORTS

One challenge that DHS faces is to provide focus on management efforts. The experience of successful transformations and change management initiatives in large public and private organizations suggests that it can take 5 to 7 years until such initiatives are fully implemented and cultures are transformed in a substantial manner. Because this timeframe can easily outlast the tenures of managers, high-performing organizations recognize that they need to have mechanisms to reinforce accountability for organization goals during times of leadership transition.

Focus on management efforts needs to be provided at two levels of leadership. The first level is that of the political appointees in top leadership positions. These leaders are responsible for both mission and management support functions. Although DHS has been operating about 2 years, it has had two Secretaries, three Deputy Secretaries, and additional turnover at the Undersecretary and Assistant Secretary levels. The problem of turnover in top leadership is not unique to DHS. The average tenure of political leadership in federal agencies—slightly less than 3 years for the period 1990–2001—and the long-term nature of change management initiatives can have critical implications for the success of those initiatives. The frequent turnover of the political leadership has often made it difficult to obtain the sustained and inspired attention required to make needed changes. Similarly, the recent turnover in DHS's top leadership raises questions about the department's ability to provide the consistent and sustained senior leadership necessary to achieve integration over the long term.

Another level for focus on management efforts is those leaders responsible for day-to-day management functions. As we have reported, a Chief Operating Officer (COO)/Chief Management Officer (CMO) may effectively provide the continuing, focused attention essential to successfully completing these multiyear transformations in agencies like DHS.[14] At DHS, we have reported that the COO/CMO concept would provide the department with a single organizational focus for the key management functions involved in the business transformation of the department, such as human capital, financial management, information technology, acquisition management, and performance management, as well as for other organizational transformation initiatives.[15] We have also recently testified that a COO/CMO can effectively provide the continuing, focused attention essential to successfully complete the implementation of DHS's new human capital system, a large-scale, multiyear change initiative.[16]

The specific implementation of a COO/CMO position must be determined within the context of the particular facts, circumstances, challenges and opportunities of each individual agency. As the agency is currently structured, the roles and responsibilities of the Under Secretary for Management contain some of the characteristics of a COO/CMO for the department. According to Section 701 of the Homeland Security Act, the Under Secretary for Management is responsible for the management and administration of the Department in such functional areas as budget, accounting, finance, procurement, human resources and personnel, information technology, and communications systems.[17] In addition, the Under Secretary is responsible for the transition and reorganization process and to ensure an efficient and orderly transfer of functions and personnel to the Department, including the development of a transition plan.

Monitoring Transformation and Integration

While the protection of the homeland is the primary mission of the department, critical to meeting this challenge is the integration of DHS's varied management processes, systems, and people—in areas such as information technology, financial

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[14] On September 9, 2002, GAO convened a roundtable of government leaders and management experts to discuss the COO concept and how it might apply within selected federal departments and agencies. See GAO, *Highlights of a GAO Roundtable: The Chief Operating Officer Concept: A Potential Strategy to Address Federal Governance Challenges,* GAO–03–192SP (Washington, D.C.: Oct. 4, 2002).

[15] GAO, *The Chief Operating Officer Concept and its Potential Use as a Strategy to Improve Management at the Department of Homeland Security,* GAO–04–876R (Washington, D.C.: June 28, 2004).

[16] GAO, *Human Capital: Observations on Final DHS Human Capital Regulations,* GAO–05–391T (Washington, D.C.: March 2, 2005), and GAO, *Human Capital: Preliminary Observations on Final Department of Homeland Security Human Capital Regulations,* GAO–05–320T (Washington, D.C.: Feb. 10. 2005).

[17] Other responsibilities of the Under Secretary for Management under section 701 include financial management, procurement, human resources and personnel, information technology and communications systems, facilities and property management, security, performance measurements, grants and other assistance management programs, internal audits, and maintenance of immigration statistics.

management, procurement, and human capital—as well as in its administrative services. The integration of these various functions is being executed through DHS's management integration initiative. The success of this initiative is important since the initiative provides critical support for the total integration of the department, including its operations and programs, to ultimately meet its mission of protecting the homeland. Last week, we released a report on DHS's management integration efforts to date as compared against selected key practices consistently found to be at the center of successful mergers and transformations.[18]

Overall, we found that while DHS has made some progress in its management integration efforts, it has the opportunity to better leverage this progress by implementing a comprehensive and sustained approach to its overall integration efforts. First, key practices show that establishing implementation goals and a timeline is critical to ensuring success and could be contained in an overall integration plan for a merger or transformation. DHS has issued guidance and plans to assist its integration efforts, on a function-by-function basis (information technology and human capital, for example); but it does not have such a comprehensive strategy to guide the management integration departmentwide. Specifically, DHS still does not have a plan that clearly identifies the critical links that must occur across these functions, the necessary timing to make these links occur, how these critical interrelationships will occur, and who will drive and manage them.

Second, it is important to dedicate a strong and stable implementation team for the day-to-day management of the transformation, a team vested with the necessary authority and resources to help set priorities, make timely decisions, and move quickly to implement decisions. In addition, this team would ensure that various change initiatives are sequenced and implemented in a coherent and integrated way. DHS is establishing a Business Transformation Office, reporting to the Under Secretary for Management, to help monitor and look for interdependencies among the individual functional integration efforts. However, this office is not currently responsible for leading and managing the coordination and integration that must occur across functions not only to make these individual initiatives work but also to achieve and sustain the overall management integration of DHS.

To address this challenge, we recommended, and DHS agreed, that it should develop an overarching management integration strategy and provide its recently established Business Transformation Office with the authority and responsibility to serve as a dedicated integration team and also help develop and implement the strategy.

IMPROVING STRATEGIC PLANNING

Effective strategic planning is another challenge for DHS. We have previously identified strategic planning as one of the critical success factors for new organizations. This is particularly true for DHS, given the breadth of its responsibility and need to clearly identify how stakeholders? responsibilities and activities align to address homeland security efforts. Without thoughtful and transparent planning that involves key stakeholders, DHS may not be able to implement its programs effectively. In 2004, DHS issued its first departmentwide strategic plan. We have evaluated DHS's strategic planning process, including the development of its first departmentwide strategic plan, and plan to release a report on our findings within a few weeks. This report will discuss (1) the extent to which DHS's planning process and associated documents address the required elements of the Government Performance and Results Act of 1993 (GPRA) and reflect good strategic planning practices and (2) the extent to which DHS's planning documents reflect both its homeland security and nonhomeland security mission responsibilities.

MANAGING HUMAN CAPITAL

Another management challenge faced by DHS is how to manage its human capital. Our work in identifying key practices for implementing successful mergers and transformations indicates that attention to strategic human capital management issues should be at the center of such efforts. DHS has been given significant authority to design a new human capital system free from many of the government's existing civil service requirements, and has issued final regulations for this new system. We have issued a series of reports on DHS's efforts to design its human capital system.[19] First, we found that the department's efforts to design a new human cap-

[18] GAO, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration,* GAO–05–139 (Washington, D.C.: Mar. 16, 2005).

[19] GAO, *Human Capital: Preliminary Observations on Proposed DHS Human Capital Regulations,* GAO–04–479T (Washington, D.C.: February 25, 2003); *Posthearing Questions Related to Proposed Department of Homeland Security (DHS) Human Capital Regulations,* GAO–04–570R

Continued

ital system was collaborative and facilitated the participation of employees from all levels of the department, and generally reflected important elements of effective transformations. We recommended that the department maximize opportunities for employees? involvement throughout the design process and that it place special emphasis on seeking the feedback and buy-in of front line employees in the field. Second, we found that DHS's human capital management system, as described in the recently released final regulations, includes many principles that are consistent with proven approaches to strategic human capital management. For example, many elements for a modern compensation system—such as occupational cluster, pay bands, and pay ranges that take into account factors such as labor market conditions—are to be incorporated into DHS's new system. However, these final regulations are intended to provide an outline and not a detailed, comprehensive presentation of how the new system will be implemented. Thus, DHS has considerable work ahead to define the details of the implementation of its system, and understanding these details is important to assessing the overall system.[20]

STRENGTHENING FINANCIAL MANAGEMENT INFRASTRUCTURE

DHS faces significant financial management challenges. Specifically, it must address numerous internal control weaknesses, meet the mandates of the DHS Financial Accountability Act,[21] and integrate and modernize its financial management systems, which individually have problems and collectively are not compatible with one another. Overcoming each of these challenges will assist DHS in strengthening its financial management environment, improving the quality of financial information available to manage the department day to day, and obtaining an unqualified opinion on its financial statements.

DHS's independent auditors were unable to issue an opinion on any of the department's financial statements for fiscal year 2004. This was a substantial setback in DHS's financial management progress, compounded by continued challenges in resolving its internal control weaknesses. The number of material internal control weaknesses at the department has increased from 7 as of September 30, 2003 to 10 as of September 30, 2004. With the passage of the Department of Homeland Security Financial Accountability Act (the Accountability Act), DHS is now subject to the Chief Financial Officers Act of 1990 (the CFO Act)[22] and the Federal Financial Management Improvement Act of 1996 (FFMIA).[23] The Accountability Act also requires that in fiscal year 2005 the Secretary of Homeland Security include an assertion on internal controls over financial reporting at the department, and in fiscal year 2006 requires an audit of internal controls over financial reporting. We will continue to monitor the steps DHS is taking to meet the requirements of the Accountability Act as part of our audit of the consolidated financial statements of the United States government.

We reported in July 2004 that DHS continues to work to reduce the number of financial management service providers and to acquire and deploy an integrated financial enterprise solution.[24] At that time, DHS reported that it had reduced the number of financial management service providers for the department from the 19 providers at the time DHS was formed to 10. DHS planned to consolidate to 7 providers. Additionally, DHS hired a contractor to deploy an integrated financial enterprise solution. This is a costly and time consuming project and we have found that similar projects have proven challenging for other federal agencies. We will therefore continue to monitor DHS's progress on overcoming this serious challenge.

(Washington, D.C.: March 22, 2004); *Additional Posthearing Questions Related to Proposed Department of Homeland Security (DHS) Human Capital Regulations,* GAO–04–617R (Washington, D.C.: April 30, 2004); *Human Capital: DHS Faces Challenges in Implementing Its New Personnel System,* GAO–04–790 (Washington, D.C.: June 18, 2004); and *Human Capital: DHS Personnel System Design Effort Provides for Collaboration and Employee Participation,* GAO–03–1099 (Washington, D.C.: September 30, 2003).

[20] GAO, *Human Capital: Preliminary Observations on Final Department of Homeland Security Human Capital Regulations,* GAO–05–320T (Washington, D.C.: Feb. 10, 2005).

[21] Pub. L. No. 108–330 (Oct. 16, 2004).

[22] Pub. L. No. 101–576 (Nov. 15, 1990).

[23] Division A, Section 101(f), Title VIII, of Public Law 104–208 is entitled the Federal Financial Management Improvement Act of 1996. FFMIA requires the major departments and agencies covered by the CFO Act to implement and maintain financial management systems that comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards, and (3) the U.S. Government Standard General Ledger at the transaction level.

[24] GAO, *Financial Management: Department of Homeland Security Faces Significant Financial Management Challenges,* GAO–04–774 (Washington: D.C.: July 19, 2004).

ESTABLISHING AN INFORMATION TECHNOLOGY MANAGEMENT FRAMEWORK

DHS has recognized the need for a strategic management framework that addresses key information technology disciplines, and has made a significant effort to make improvements in each of these disciplines. For example, DHS is implementing its information technology (IT) investment management structure, developing an enterprise architecture, and has begun IT strategic human capital planning. However, much remains to be accomplished before it will have fully established a departmentwide IT management framework. To fully develop and institutionalize the management framework, DHS will need to strengthen strategic planning, develop the enterprise architecture, improve management of systems development and acquisition, and strengthen security. To assist DHS, we have made numerous recommendations, including (1) limiting information technology investments until the department's strategic management framework is completed and available to effectively guide and constrain the billions of dollars that DHS is spending on such investments; (2) taking appropriate steps to correct any limitations in the Chief Information Officer's ability to effectively support departmentwide missions; and (3) ensuring the department develops and implements a well-defined enterprise architecture to guide and constrain business transformation and supporting system modernization. The development of this framework is essential to ensuring the proper acquisition and management of key DHS programs such as U.S. Visitor and Immigrant Status Indicator Technology (US–VISIT), Automated Commercial Environment, and Secure Flight.[25] To this end, we have recently reported on key management challenges and weaknesses for each of the programs that an effective DHS-wide framework for managing systems investments would be instrumental in addressing.[26]

MANAGING ACQUISITIONS

Our work has indicated that managing acquisitions is also a major management challenge for DHS. The department faces the challenge of structuring its acquisition organization so that its various procurement organizations are held accountable for complying with procurement policies and regulations and ensuring that taxpayer dollars are well-spent. In addition, the department has in place a number of large, complex, and high-cost acquisition programs, such as US-VISIT and the Coast Guard's Deepwater program, which will need to be closely managed to ensure that they receive the appropriate level of oversight and that acquisition decisions are made based on the right level of information. For example, we reported in March 2004 that the Deepwater program needed to pay more attention to management and contractor oversight in order to avoid cost overruns.[27] We have also reported on contract management problems at the former Immigration and Naturalization Service, now a part of DHS, and TSA.[28] We will issue a report at the end of the this month that addresses (1) areas where DHS has been successful in promoting collaboration among its various organizations, (2) areas where DHS still faces challenges in integrating the acquisition function, and (3) the department's progress in implementing an effective review process for its major, complex investments.

COORDINATING RESEARCH AND DEVELOPMENT

DHS also faces management challenges in coordinating research and development (R&D). Our work has recently found that DHS has not yet completed a strategic plan to identify priorities, goals, objectives, and policies for the R&D of homeland security technologies and that additional challenges remain in its coordination with other federal agencies. Failure to complete a strategic plan and to fully coordinate its research efforts may limit DHS's ability to leverage resources and could increase the potential for duplication of research. In addition, DHS faces challenges with regard to its use of DOE laboratories. These challenges include the development of

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[25] For information about the challenges these programs face, see GAO, *Homeland Security: Some Progress Made, but Many Challenges Remain on U.S. Visitor and Immigrant Status Indicator Technology Program,* GAO–05–202 (Washington, D.C.: Feb. 23, 2005); *Information Technology: Customs Automated Commercial Environment Program Processing, but Need for Management Improvements Continues,* GAO–05–267 (Washington, D.C.: Mar. 14, 2005); and *Aviation Security: Secure Flight Development and Testing under Way, but Risks Should Be Managed as System Is Further Developed,* GAO–05–356 (Washington, D.C.: Mar. 28, 2005).

[26] GAO, *Department of Homeland Security: Formidable Information and Technology Management Challenge Requires Institutional Approach,* GAO–05–702 (Washington, D.C.: Aug. 27, 2004).

[27] GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight,* GAO–04–380 (Washington, D.C.: Mar. 9, 2004).

[28] GAO, *Contract Management: INS Contracting Weaknesses Need Attention from the Department of Homeland Security,* GAO–03–799 (Washington, D.C.: Jul. 25, 2003) and *Transportation Security Agency: High-Level Attention Needed to Strengthen Acquisition Function,* GAO–04–544 (Washington, D.C.: May 28, 2004).

a better working relationship through better communication and the development of clear, well-defined criteria for designating the DOE laboratories to receive the majority of DHS's R&D funding. Moreover, DHS faces the challenge of balancing the immediate needs of the users of homeland security technologies with the need to conduct R&D on advanced technologies for the future.[29]

Similarly, conducting R&D on technologies for detecting, preventing, and mitigating terrorist threats is vital to enhancing the security of the nation's transportation system. In our report on the Transportation Security Administration's (TSA) and DHS's transportation security R&D programs, we found that although TSA and DHS have made some efforts to coordinate R&D with each other and with other federal agencies, both their coordination with the Department of Transportation (DOT) and their outreach to the transportation industry have been limited.[30] For example, officials from the modal administrations of DOT, which continue to conduct some transportation security R&D, said they had not provided any input into TSA's and DHS's transportation security R&D project selections. Consequently, DOT's and the transportation industry's security R&D needs may not be adequately reflected in TSA's and DHS's R&D portfolios. Therefore, we recommend that TSA and DHS (1) develop a process with DOT to coordinate transportation security R&D, such as a memorandum of agreement identifying roles and responsibilities and designating agency liaisons and (2) develop a vehicle to communicate with the transportation industry to ensure that its R&D security needs have been identified and considered. DHS generally concurred with our report and its recommendations.

IMPORTANCE OF FOCUSING ON MANAGEMENT ISSUES

Given the dominant role that DHS plays in securing the homeland, it is critical that DHS be able to ensure that its management systems are operating as efficiently and effectively as possible. While it is understood that a transformation of this magnitude takes time and that DHS's immediate focus has been on its homeland security mission, we see the need for DHS to increase its focus on management issues. This is important not only to DHS itself, but also to the nation's homeland security efforts, because, in addition to managing its own organization, DHS plays a larger role in managing homeland security and in coordinating with the activities of other federal, state, local, and private stakeholders. This larger DHS role presents its own unique challenges.

- For example, DHS faces the challenge of clarifying the role of government versus the private sector. In April 2002, we testified that the appropriate roles and responsibilities within and between the levels of governments and with the private sector are evolving and need to be clarified.[31] New threats are prompting a reassessment and shifting of long-standing roles and responsibilities. These shifts have been occurring on a piecemeal and ad hoc basis without the benefit of an overarching framework and criteria to guide the process.
- As another example, DHS faces a challenge in determining how federal resources are allocated to non-federal stakeholders. We have long advocated a risk management approach to guide the allocation of resources and investments for improving homeland security.[32] Additionally, OMB has identified various tools, such as benefit-cost analysis, it considers useful in planning such as capital budgeting and regulatory decisionmaking.[33] DHS must develop a commonly accepted framework and supporting tools to inform cost allocations in a risk management process. Although OMB asked the public in 2002 for suggestions on how to adjust standard tools to the homeland security setting,[34] a vacuum currently exists in which benefits of homeland security investments are often not quantified and almost never valued in monetary terms.[35]
- As a final example, DHS faces a challenge in sharing information among all stakeholders. DHS has initiatives underway to enhance information sharing (including the development of a homeland security enterprise architecture to inte-

[29] GAO, *Homeland Security: DHS Needs a Strategy to Use DOE's Laboratories for Research on Nuclear, Biological, and Chemical Detection and Response Technologies,* GAO–04–653 (Washington, D.C.: May 24, 2004).

[30] GAO, *Transportation Security R&D: TSA and DHS Are Researching and Developing Technologies, but Need to Improve R&D Management,* GAO–04–890 (Washington, D.C.: Sep. 30, 2004).

[31] GAO, *Homeland Security: Responsibility and Accountability for Achieving National Goals,* GAO–02–627T (Washington, D.C.: Apr. 11, 2002).

[32] GAO, *Homeland Security: Key Elements of a Risk Management Approach,* GAO–02–150T (Washington, D.C.: Oct. 12, 2001); and *Homeland Security: A Risk Management Approach Can Guide Preparedness Efforts,* GAO–02–208T (Washington, D.C.: Oct. 31, 2001).

[33] OMB Circulars A–11 and A–94.

[34] OMB, *2003 Report to Congress on Combating Terrorism (Washington, D.C.: Sept. 2003).*

[35] OMB Circular A–11.

grate sharing between federal, state, and local authorities). However, our August 2003 report noted that these initiatives, while beneficial for the partners, presented challenges because they (1) were not well coordinated, (2) risked limiting participants' access to information, and (3) potentially duplicated the efforts of some key agencies at each level of government.[36] We also found that despite various legislation, strategies, and initiatives, federal agencies, states, and cities did not consider the information sharing process to be effective.

A well-managed DHS will be needed to meet these larger homeland security challenges. As DHS continues to evolve, integrate its functions, and implement its programs, we will continue to review its progress and provide information to Congress for oversight purposes.

Mr. Chairman, this concludes my prepared statement. I will now be pleased to respond to any questions that you or other members of the subcommittee have.

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[36] GAO, *Homeland Security: Efforts to Improve Information Sharing Need to be Strengthened,* GAO–03–760 (Washington, D.C.: Aug. 27, 2003).

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Mr. ROGERS. Thank you, Mr. Rabkin.

The Chair now recognizes the Honorable Asa Hutchinson, Chairman of the homeland security practice at Venable, LLC, and the former Undersecretary of Border and Transportation Security at the Department Homeland security and one of our former colleagues.

It is good to have you here, Mr. Hutchinson, and the Chair now recognizes you for your statement.

STATEMENT OF THE HONORABLE ASA HUTCHINSON, CHAIRMAN OF THE HOMELAND SECURITY PRACTICE, VENABLE, LLC

Mr. HUTCHINSON. Chairman, Mr. Meek, it is a pleasure to appear before you today. I have appeared before you a number of times as Undersecretary at the Department of Homeland Security, and I always appreciate the courtesies you have extended and also the leadership you have provided on the important issues of security of our nation.

As you know, I am now in the private sector and perhaps that lends me a little bit more freedom as I make my remarks before this committee. And after investing over 2 years of my public career in helping shape the new department, I am pleased to continue my involvement in homeland security as head of the Homeland Security Group at Venable.

Today, I will comment on the organizational structure of homeland security, and the focus of this hearing is very timely in view of the 90-day review of Secretary Chertoff on organizational changes that may be needed in order to more effectively address the risks we face.

I compliment Secretary Chertoff on this approach. It reflects the need for a review but does not make changes simply in reaction to perceived shortcomings within the Department.

First, with the 22 agencies making up the new department, Congress wisely gave broad latitude to the administration in reorganizing the functions and missions of the old entities. A new mission was mandated and old structures were ill-equipped to accomplish the objectives of integration, information sharing and security. The changes have been tough, as change always is. The 180,000 men and women of Homeland Security should receive the thanks of the American people for their determination to successfully set up the new department.

As a result of the statutory flexibility given to the Secretary in reorganizing the 22 agencies, notable differences between the Homeland Security Act and the current structure of the Department are noticeable. For example, the Bureau of Border Security is established in Section 442 of the act but those functions are organized as the Immigration and Customs Enforcement Agency. At some point, and I know the committee is working on this, the Congress may wish to conform the authorizing legislation to the reality of the Department.

Second, I would offer the following areas that should be considered in the reorganization review of the Department. First, strengthening the Policy Office of the Secretary. The Policy Director at the departmental level should be elevated to an Assistant Secretary position or Undersecretary level to enhance the ability of the Secretary to forge policy changes and to drive those changes within the executive branch.

The second area I would address is that the formation of a Screening Coordination Office should be expedited. This office is set forth in the President's 2006 budget submitted to Congress. It is important to prevent further stovepiping of the programs that are brought together in the Screening Coordination Office. This can only be done by implementing some coordination oversight role at the departmental level in anticipation of the approval of such office in the 2006 appropriation process.

So, first, I would certainly urge Congress to adopt the president's creation of the Screening Coordination Office that will integrate many of the stovepipe functions in the Registered Traveler Program, the Transportation Worker Identification Credential Program and others. And then, secondly, I would certainly urge Congress to support a movement toward this, even prior to the adoption of the budget.

Thirdly, in the change, I would encourage enhancing the role of the Chief Information Officer by raising the Office to be a direct report to the Secretary or Deputy Secretary. The integration of the information technology systems is critical and must have the immediate support of the highest levels of the Department. Direct access of the CIO to the Secretary is essential in driving this important mission.

Fourthly, I would urge that the Department move forward with the creation of the regional leadership structure for the Department with a pilot region being created this year. The regional team would enhance relationships with local governments, be prepared to manage and coordinate responses to any terrorist incident and to be more effective in monitoring homeland security grant spending.

And let me just say I have an interest in Arkansas these days, as always, and from an Arkansas perspective the funds that are given by the Department should be used effectively with accountability, but the concept that all the Federal money should go to high-risk areas is short-sighted. There needs to be a robust base level of funding in every area of the country. And I think that is important, and a regional concept will help provide the accountability, help coordinate the spending of the homeland security funds and also to make sure it is targeted base level of funding plus the higher risk areas.

And of course, finally, the regional concept would help oversee regional planning in homeland security exercises.

These are items that I think and would hope the Department will consider and Congress will look at supporting to increase the security and effectiveness of our homeland security efforts.

Thank you very much.

[The statement of Mr. Hutchinson follows:]

PREPARED STATEMENT OF THE HONORABLE ASA HUTCHISON

Mr. Chairman, Members of the Committee, it is my privilege to appear once again before the Congress but in a new capacity. I have appeared before this Committee a number of times as Undersecretary at the Department of Homeland Security and I appreciate the courtesies you have always extended and for your leadership on the challenges we face as a nation and as a government.

As you know I am now in the private sector and as a citizen I have more freedom to comment on our security challenges. After investing over two years of my public career in helping shape the new Department, I am pleased to continue my involvement in homeland security as head of the Homeland Security Group at Venable LLP This firm had the wisdom and foresight to build an inter disciplinary group of professionals to help educate and guide the business community through the new world of homeland security and I am delighted to have joined such a team.

Today, I will comment on the organizational structure of DHS and the focus of this hearing is very timely in view of the 90 day review of Secretary Chertoff on organizational changes that may be needed in order to more effectively address the risks we face. I compliment Secretary Chertoff on this approach. It reflects the need for review but does not make changes simply in reaction to perceived shortcomings within the department

First, with the 22 agencies making up the new Department, Congress wisely gave broad latitude to the Administration in reorganizing the functions and mission of the old entities. A new mission was mandated and old structures were ill equipped to accomplish the objectives of integration, information sharing and security. The changes have been tough, as change always is, but the 180,000 men and women of homeland security should receive the thanks of the American people for their determination to successfully set up the new Department. As a result of the statutory flexibility given to the Secretary of Homeland Security in reorganizing the 22 agencies there are notable differences between the Homeland Security Act and the current structure of the department. For example, the Bureau of Border Security is established in Section 442 of the Act but those functions are organized as the Immigration and Customs Enforcement Agency. At some point Congress may wish to conform the authorizing legislation to the reality of the department.

Second, I would offer the following areas that should be considered in the reorganization review of the department:

1. Strengthening the policy office of the Secretary. The policy director at the departmental level should be elevated to an Assistant Secretary position or Undersecretary level to enhance the ability of the Secretary to forge policy changes and to drive those changes within the executive branch.
2. Expedite the formation of the Screening Coordination Office that is set forth in the President's 2006 budget submission to Congress. It is important to prevent further stove-piping of the programs brought together in the Screening Coordination Office. This can only be done by implementing some coordination oversight role at the department level now in anticipation of the approval of such office in the 2006 appropriation process.
3. Enhance the role of the Chief Information Officer by raising the office to be a direct report to the Secretary and Deputy Secretary. The integration of the information technology systems is critical and must have the immediate support of the highest levels of the department. Direct access of the CIO to the Secretary is essential in driving this important mission.
4. Move forward with the creation of regional leadership for the Department with a pilot region being created this year. The regional team would enhance relationships with local governments; be prepared to manage and coordinate responses to any terrorist incident; and to more effectively monitor homeland security grant spending; and finally to oversee regional planning and homeland security exercises.

Thank you for the opportunity to testify today and I would be happy to respond to any questions.

Mr. ROGERS. Thank you, Mr. Hutchinson.

The Chair now recognizes the Honorable James Gilmore, III, Chairman of the National Council on Readiness and Preparedness and former Governor of the Commonwealth of Virginia.

Welcome, and we look forward to your statement.

STATEMENT OF THE HONORABLE JAMES S. GILMORE III, CHAIRMAN, NATIONAL COUNCIL ON READINESS AND PREPAREDNESS

Mr. GILMORE. Thank you, Mr. Chairman.

Mr. Chairman, Mr. Meek, thank you for the opportunity to be here today, particularly with my good friend, the chairman, Chris Cox.

Thank you very much, Mr. Chairman, for being here today.

Let me just say a few things. You will find my remarks extended in the record that I have asked to be placed into the record. You will find that they do some description of the work that has been done by the Commission but it is focused on the organizational aspects, touches on the intelligence sharing aspects, the need for enterprise solutions as opposed to just the rifle shot type of tasks by individual agencies, the need for a risk-based analysis in order to direct and focus money, the need for an overall culture of homeland security and the focus on civil liberties.

Let me, if I could, expand on several of the key points. Like Congressman Hutchinson, Secretary Hutchinson, I am now in private business. I Chaired the Commission for this Congress, the advisory panel that you established for a period of 5 years. It was established at the beginning of 1999. We actually published two reports and completed a third prior to the 9/11 attack.

I was Governor of the State of Virginia during the time of attack and therefore was involved with the response across the river in Virginia at the Pentagon. Following that, we did two additional reports as well, and you will find that these reports dealt with the risk assessment, the way that you are supposed to structure and handle the nation's response by way of a structure and organization of developing homeland security, the issues of intelligence concerns, specific areas on how to develop a national strategy, the focus on stovepiping and intelligence sharing and then finally some type of visionary approach of what we are supposed to be doing here in Homeland Security.

If you would like to look at those reports, you will find them on the RAND Corporation Web page, rand.org, with the search window being Gilmore Commission.

Let me just add a few additional points in the remaining few minutes that I have. Number one, I think that the Department has got to focus on a more thorough plan. They have put forward some good plans, but if I were to add a suggestion to them for improvement it would be to do a plan thorough enough so the states and locals, which must be folded into this process on a national plan, have a feel for how they are supposed to spend money.

Asa suggested an approach on that, but I think at some point we have to really try to understand how we are supposed to spend money. The states and local do not fully appreciate that yet.

And you have to be able to fold in the private sector, which I am trying to do, by the way, through the INCORP organization, USA Secure and other private organizations that I am trying to develop in order to give vehicles for private people to participate.

Secondly, the simple truth is that vulnerability in this country is not threat, and that is a challenge, because we have focused almost entirely upon vulnerability in our communications to the American

people. Threat is instead the intentions and capabilities of the enemy. That is all it is.

And so we have to try to understand that better, and that means a greater focus on intelligence and making sure that the Department has access to good intelligence, which we hope that these reforms now will give the Secretary an opportunity to have. Because unless he knows what the capabilities of the enemy are, what they might want to do, then at that point you are trying to protect everything, which means, of course, as we know, you protect nothing.

Third of all, let me just remark, in terms of organization, I certainly applaud Secretary Chertoff in his effort at this point to look more toward risk-based type of assessment and spending of money. I think that is the right approach, and it is different from the old approach, and I think that it will be better.

Organizationally, when I was both Commonwealth Attorney and Attorney General of the State of Virginia, I reorganized both of those departments, and it was from the point of view of trying to develop direction of what needed to be accomplished instead of just simply taking old structures and having them do the same things over and over again. This is what we mean by an enterprise-based type of approach.

Fourthly, public communication, and I would say public education. I think we could do more of that. Right now we are not really putting the terrorist threat into a very good, I think, perspective for the American people. They are puzzled as to what to expect and what to fear or what to be concerned about or what to be confident of, and I think that we need to have an opportunity for greater public communication.

A policy office which has been recommended by different groups, which I think that Secretary Chertoff is thinking about, might help to develop the better message, which, by the way, cannot be a message that says we are going to protect everything and that one attack by the enemy means the end of the Republic. It just does not, and we need to find a way to get that communication out so that we are not misleading the American people about what we are trying to accomplish and the accomplishments we are doing.

And, five, the civil freedoms issue. This has been alluded to in many places. A Privacy Office has been set up in the Department, but it is mostly about data and privacy security. A new department is coming out of the White House, a new group to really focus on civil freedoms. I think it is essential that this be done. Otherwise, we just are not going to be able to win this battle if we give up the issue of civil liberties and civil freedoms in this country.

And so now I will close by congratulating the people in the Department. I think that in setting up a new structure our Commission always believed it was going to be a heartbreak and a difficulty and a challenge and maybe divisionary of the real goals and mission. I think that they have labored very mightily in new structures and new efforts under good leadership, and I am confident that under the leadership of Secretary Chertoff that it will even be more refined and focused and better in the future.

[The statement of Mr. Gilmore follows:]

PREPARED STATEMENT OF THE HONORABLE JAMES S. GILMORE, III

Introduction

Chairman Rogers, Mr. Ranking Member Meek, and members of this Subcommittee on Management, Integration, and Oversight. Thank you for the opportunity to appear today to discuss the evolution of management issues within the Department of Homeland Security. This is timely. Both the Department and our national efforts to improve the safety and security of the nation have reached a pivotal crossroads.

I bring three perspectives today. From 1999 to 2003, I Chaired the Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction, the only national commission to transcend both the pre and post 9–11 environments. Also, I was the Governor of one of the three states viciously attacked on 9–11 and finally, as Governor I understand the phenomenal challenges of organizational management under a charged atmosphere of politics and perception.

I will begin today by underscoring, that in the broadest of terms, we have much to celebrate in terms of the progress made at the federal, state and local levels and with the private sector and our citizens since 9-11. Have we been perfect. No. But we did not have perfect conditions under which to change our national priorities and create the Department following the 9-11 attacks.

I believe, however, that we are at the logical point where scrutiny is needed and is appropriate to chart a clearer path that will empower future progress, free from the ambiguity that has begun to creep into our national efforts. This is essential if we are to continue the forward momentum needed to keep America safe.

There are four key challenges that the Department of Homeland Security and its new Secretary must overcome in the days ahead.

First. What is the right organization for the Department. There was great debate in the Executive Branch, Congress, media and elsewhere in developing the legislation that provides the basis for DHS's structure. The end result is the structure of the Department—not its mission became the overriding theme of much of the debate. Consequently, then Secretary Ridge and his team were forced to implement a design by Committee. Unfortunately less attention was given to ensuring more flexibility in what I would offer has been one of the most rapidly evolving public policy issues in recent memory. There was no road map for our national journey in the post 9-11 World and our zeal to address all the twists and turn along the way may have kept us from solidly establishing the desired destination.

Second. Information and intelligence sharing—whether internal to the Department among major components or sub-components and with external stakeholder groups is essential for success. The Department is a series of stovepipes. That is not necessarily all bad IF and the operative word is IF there is a culture and structure within the Department that promotes and instills internal and external sharing of information and intelligence in a logical pattern with defined objectives between and beyond these stovepipes. Clearly one of the key issues highlighted by the Gilmore Commission and re-stated by the 9–11 and the Robb-Silverman Commissions is having the sound business rules and practices in-place to promote sharing of information and intelligence. Sometimes the desire for the latest technological tool preempts the more basic discussion of who needs what, what is the best way to get it to them and how do we ensure quality of information—not quantity of information is the driving factor.

Third. The Department must be focused on enterprise solutions that actively engage local and state governments and the private sector in their implementation. Much of the Departments efforts since 9–11 has been in trying to conceptualize, develop and implement protective measures for facilities, communities, sectors and the nation—and doing much of it by themselves. There has been state, local and private sector engagement—but not in a holistic manner that will achieve optimal progress. A good parallel is the nation's interstate transportation system. If the federal government were responsible for designing and building every bridge, exit ramp and mile of federal road then we would not have the system that is in-place today. A deliberate system was put in-place that the federal government would facilitate the creation of broad goals and standards and it has been up to states and communities to construct the national federal aid road system. Federal level conceptualization—state and local implementation.

Finally, the Department is but one component of a national effort. Unfortunately they get the blame for anything negative related to homeland security. Homeland security is more than terrorism. Homeland security is more than physical impacts. Homeland security is more than a department or profession.

Homeland security must be a culture of managing risk. The Gilmore Commission said repeatedly that our efforts to prevent and deter and respond and recover must

focus on all hazards and do so in a manner that balances the likelihood of each relative to the others. But creating a comprehensive risk management approach across all federal agencies and with states, communities and the private sector is beyond the Departments purview. They are a new bureaucracy operating on a playing field with larger, more mature and powerful federal organizations. This is not right or wrong. It just is.

Addressing cultural change, beyond the Department, will impact how Congress will monitor and oversee, how the Homeland Security Council in White House will coordinate and adjudicate and how states, communities and the private sector will implement. Our first National Strategy for Securing the Homeland was good for its point in the effort. It must be updated to reflect the phenomenal advances since 9–11 and the issues that have emerged since it was published. A solid and updated National Strategy should drive the Departments organization—and those of other federal departments and agencies as a matter of fact as they implement their responsibilities for homeland security—not the other way around.

Mr. Chairman if I had one point that I would ask be remembered today it is this. We cannot keep micro-managing the Department if it is going to succeed. Homeland security is not the department—clearly DHS is an integral component but this is a shared responsibility. Let me be clear I am not implying that it should not have oversight. DHS must be held accountable by this Congress, the President, the nations Governor's, local officials, corporate CEO's and ultimately the American people. Let's focus less on telling them how to do their job and more on defining and articulating what there job is in relation to the other government and private sector players as part of a culture of homeland security. Constant micro directed adjustments will not produce momentum—it will only add to confusion.

I am convinced, based on my discussions around America that DHS has talented doers and leaders in its ranks capable of accomplishing great things. The Department needs our guidance and suggestions on the what needs to be done—but given the level of professional competence of its employees I believe they have achieved a level of maturity needed to decide how to best specifically organize to accomplish the mission. We do not tell battlefield commanders how to fight a War—we give them the guidance on the objectives and parameters—they do the rest.

In closing let me say that the number one objective that DHS, any other federal, state and local organization should seek to achieve as we seek to secure our homeland is the preservation of civil liberties. The debate should not be about blocks on an organizational chart. It should be what is the mission and what are the parameters that will guide the accomplishment of that mission and how do we do so in a manner that preserves our civil liberties and strengthens the values of our democracy.

Thank you and I look forward to the Subcommittee's questions.

Mr. ROGERS. Thank you, Governor Gilmore.

The Chair now recognizes the Honorable Clark Kent Ervin, Director of the Homeland Security Initiative at the Aspen Institute and former Inspector General of the Department of Homeland Security, for any statement you might have.

STATEMENT OF CLARK KENT ERVIN, DIRECTOR, HOMELAND SECURITY INITIATIVE, THE ASPEN INSTITUTE

Mr. ERVIN. Thank you, Mr. Chairman and Mr. Ranking Member, members of the subcommittee. Thank you very much for this opportunity to testify on the major management challenges facing the Department of Homeland Security.

This being relatively early in the new year, the new presidential term and the tenure of the new leadership team at DHS, now is a good time to assess what the Department has achieved in its first 2 years of operation and what remains to be done to secure the homeland.

Like my colleagues, I am sure, as I speak to various audiences around the country, I am often asked whether the nation is safer than we were on 9/11. The good news is that the answer to that question, in my judgment, is an unequivocal yes. Since America was attacked on 9/11 by means of airplanes, it is not surprising

that the greatest strides have been made in the area of aviation security.

Today, for example, cockpit doors are hardened, some pilots are armed, the number of air marshals covering flights has been significantly increased, airports are better protected, and, generally, airport screeners are better trained and more sensitized to the critical role that they play as a key line of defense against would-be terrorists.

But the bad news is that whether we are safer today than we were 4 years ago is not the only question, and, in that scheme of things, it is not really the most important question. Seems to me that the key questions are: Are we as safe as we need to be, are we as safe as we can be, and are we as safe as we think we are? The answer to all these questions, I am afraid, is no.

Even in the area where the most time, attention and resources have been invested, aviation security, serious vulnerabilities remain, as you have heard. Just yesterday, in fact, confirming my fears, the DHS Office of Inspector General released a report indicating it is still far easier to sneak guns, knives and explosives past the screener workforce than it should be, and GAO is expected to release a report to the same effect later this week.

As was alluded to by Mr. Skinner, as demonstrated so graphically by an ABC news team, which managed to smuggle undetected the same shipment of deplete uranium into two different American ports on two different occasions, our ports remain vulnerable to terrorist penetration. And as demonstrated by an OIG report released in January, monies intended to secure the ports have, on occasion, been directed to projects of dubious value.

Despite the attack on a train station in Spain, in March of last year, which Europe considerers to be its 9/11, relatively little has been done in our country to secure mass transit and rail transportation.

In the area of border security, the Department is to be applauded for the progress that it has made on the US–VISIT entry-exit biometrics-based immigration system. For the first time in our history, we are moving toward keeping track of who is entering our country through legal immigration channels and where they are leaving when they are supposed to. But a February OIG report points out most visitors who enter our country by land do so from Mexico and Canada, and most of those country's citizens are not subjected to US–VISIT.

And while the system has, to the Department's credit, been extended to the busiest land crossings, it is perhaps even more important that it be made operational as soon as possible at the least busy and most remote border crossings since it is there that terrorists are likeliest to try to enter. Moreover, the exit feature is only in the pilot stage.

And, finally, as pointed out in a recent Justice Department Office of Inspector General report, 99 percent of foreign visitors to the United States do not have their fingerprint checked against an FBI database that contains 47 million prints, including those of non–American citizens suspected of terrorism, because DHS and FBI biometrics system are not fully interoperable.

Moving on to talk for a minute about critical infrastructure, media reports from a few months ago noted that the present version of the list contains things like municipal golf courses and amusement parks that are obviously not critical to the security of the United States and items that are and should be on the list, like nuclear power plants and oil and gas refineries, are not prioritized according to which are most at risk of attack.

Two other quick things to note. With regard to intelligence matters, I want to underscore what Governor Gilmore said about the importance of that. I had concerns a year or so ago after the creation of TTIC and TSC as to whether the Department would have access to the intelligence that it needs to secure the homeland. The recent Silberman-Robb Commission points out that DHS itself does not always share information with its federal and state and local partners. CIA and FBI continue, on occasion, to keep information from DHS, and there was even a quotation that DHS and the FBI cannot e-mail each other.

With regard to the Department's organization and finances, it is critical, as you have heard already, that the CIO, the CPO and the CFO have the ability to direct the work of their nominal subordinates, their component counterparts. And it is critical that the Department get a handle on both its accounting practices and its financial spending so that we have the money that we need to make the kinds of investments in technology and equipment that had been alluded to here with regard to closing the security gaps that we all know exist.

That said, I applaud Secretary Chertoff for the threat-based, risk-based and consequences-based approach that he is taking with regard to the Department, and I am very hopeful that this new leadership team will make significant strides with regard to homeland security.

Many thanks for this opportunity to testify.

[The statement of Mr. Ervin follows:]

PREPARED STATEMENT OF CLARK KENT ERVIN

Mr. Chairman, Mr. Ranking Member, and Members of the Committee, thank you for inviting me to appear today to share my thoughts with you on the topic, Management Challenges Facing the Department of Homeland Security." This being relatively early in the new year, the new presidential term, and the tenure of the new leadership team at DHS, now is a good time to assess what the department has achieved in its first two years of operation and what remains to be done to secure the homeland.

As I speak to various audiences, I'm often asked whether the nation is safer than it was on 9–11. The good news is that the answer to that question is an unequivocal yes. Since America was attacked on 9–11 by means of airplanes, it is not surprising that the greatest strides have been made in the area of aviation security. Today, cockpit doors are hardened, some pilots are armed, the number of air marshals covering flights has been significantly increased, airports are better protected, and airport screeners are better trained and more sensitized to the critical role that they play as the first line of defense against would-be terrorists.

But, the bad news is that whether we're safer today than we were four years ago isn't the only question. And, in the scheme of things, it's not the most important question. The key questions are—are we as safe as we need to be; are we as safe as we can be; and are we as safe as we think we are. The answer to all these questions, sadly, is no.

Even in the area where the most time, attention, and resources have been invested, aviation security, serious vulnerabilities remain. Just yesterday, in fact, confirming my worst fears, the GAO and the DHS Office of Inspector General released reports showing that, for all their training and sensitization, screeners are still no

better able to detect guns, knives, and explosives concealed on passengers themselves or hidden in passenger luggage than they were on 9–11.

As demonstrated so graphically by an ABC News investigative team which managed to smuggle undetected the same shipment of depleted uranium into two different American ports on two different occasions, our ports remain vulnerable to terrorist penetration. And, as demonstrated by a recent OIG report, monies intended to secure the ports have on occasion been directed to projects of dubious value.

Despite, the attack on a train station in Spain in March of last year, which Europe considers to be its 9–11, relatively little has been done in this country to secure mass transit and rail transportation.

In the area of border security, the department is to be applauded for the progress that it has made on the U.S. VISIT entry-exit biometrics based immigration system. For the first time in our history, we are moving toward keeping track of who is entering our country through legal immigration channels and whether they are leaving when they are supposed to. But, as a recent OIG report points out, most visitors who enter our country by land do so from Mexico and Canada, and most of those countries' citizens aren't subjected to U.S. VISIT. And, while the system has been extended to the 50 busiest land crossings, it is perhaps even more important that it be made operational as soon as possible at the least busy and most remote crossings, since it is there that terrorists are likeliest to try to enter. Moreover, the exit feature is only in the pilot stage. Finally, as pointed out in a recent report by the Justice Department's Inspector General, 99% of foreign visitors to the United States do not have their fingerprints checked against an FBI database that contains 47 million prints, including those of non-American citizens suspected of terrorism because the FBI and DHS/State Department biometric systems are not fully interoperable.

And, shockingly, according to another recent OIG report, aliens carrying stolen passports are usually permitted to enter the United States, even when the department's Customs and Border Protection inspectors are advised by "lookouts" posted in their computer systems that the passports are stolen.

Of course, the foregoing comments relate solely to vulnerabilities in border security that can be exploited by people who are attempting to enter our country legally. So, it is to say nothing of the ease with which millions of illegal aliens continue to enter our country, among whom even the former DHS Deputy Secretary acknowledged in recent congressional testimony could be operatives of Al-Qa'ida. It is critical that the new leadership team at DHS make closing these various security gaps the urgent national priority that it should be.

Another challenge is to complete the list of the nation's most critical infrastructure. Media reports from just a few months ago suggest that the present version of the list contains things like municipal golf courses and amusement parks that are obviously not critical to the security of the United States, and items that are and should be on the list, like nuclear power plants and oil and gas refineries, are not prioritized according to which are most risk of terrorist attack.

A third challenge is ensuring that the department has access to the intelligence it needs to protect the homeland. When I raised concerns last year that the creation of the CIA-led Terrorist Threat Integration Center and the FBI-led Terrorist Screening Center supplanted roles that were to have been and should be played by DHS and, that as a consequence, DHS would be marginalized, I was told that I didn't know what I was talking about and I was assured that DHS would have access to the information it needed. The recently released Silberman-Robb report shows otherwise. The commission found that the CIA and the FBI continue to keep information from DHS; that DHS and the FBI can't email each other; and, even, that DHS itself doesn't always share information with its federal, state, and local partners.

Finally, just a word about the department's organization, finances, and contracting practices. Part of the reason why the department remains so ineffective is that it is not yet fully integrated. To a significant degree, it remains merely a collection of variously dysfunctional components operating under a common name, logo, and motto. The CFO, the CIO, and the CPO need to be given the authority to hire, fire, and direct their nominal subordinates at the component level. The department needs to take accounting and financial management seriously, so that, for example, ICE, for lack of money, does not have to prematurely release detained illegal aliens. And, to ensure that there's adequate money to meet the nation's counterterrorism needs, the department needs to put common sense contracting policies and procedures in place like competitively bidding all contracts, deciding on contract requirements itself and not relying on contractors themselves to do so; not contracting with "middle men" contractors who provide little or no services themselves; and not entering into contracts where the contractor has an incentive to overcharge.

I want to end, happily, on an optimistic note. I applaud the approach that the new Secretary of Homeland Security has taken. His emphasis on analyzing programs and operations and policies and procedures on a threat, risk, and consequences related basis, and then allocating scarce homeland security related dollars accordingly, is exactly the right direction in which to move. I have been impressed by his strategic approach to homeland security, and he appears to be serious about addressing the many problems that cry out for attention, while duly respecting civil rights and civil liberties.

With that, thank you again for this invitation, and I look forward to answering your questions.

Mr. ROGERS. Thank you, Mr. Ervin.

I want to thank all on the panel for your statements. They are very insightful and helpful.

I would like to start off with a couple of questions. I noted what Mr. Rabkin had indicated was going to be the case, a pretty uniform message from all of the panelists in that we need to strengthen some of these Department heads organizationally.

If we were to raise the CIO to an Undersecretary level or the Policy Office, how long do you think it would take if we were to implement the recommendations mostly outlined by Asa in his statement to see a significant transformation and enhancement of the management structure?

I will start with Mr. Skinner.

Mr. SKINNER. I do not think it would take long at all. For one thing, the Department does have the resources, but they are at the component level. What is lacking now is the oversight and the authority to direct those resources. So it is not going to require major reorganization, per se. You could embed those IT types in the components, but now they would have a direct line reporting responsibility to the CIO as opposed to their component heads. So it should not take long at all. You are not talking about a major reorganization.

Mr. ROGERS. So by that, you mean 6 months, 12 months?

Mr. SKINNER. I would not want to speculate dealing with any bureaucracy to get the message across, but, yes, I would say within a year.

Mr. ROGERS. Is there a particular area—and I would like to get you all to give me your thoughts on that question, but before I get your answer I would like for you to also think—is there a particular area that you already see the kind of management structure and strength of that chief officer that we should replicate in these other departments? Or is it just non-existent anywhere within the Department.

Let's go with Mr. Rabkin and then Asa.

Mr. RABKIN. We have talked about the concept of a Chief Management Officer to provide focus, and I think that the Department of Defense is moving in that direction, and it is going to be done legislatively. And I think the committee ought to consider whether it is appropriate to, through legislation, direct the Department to move in the same direction.

While the time this would take to implement change based on these changes might not be all that long, as Mr. Skinner suggested, I think what we really have to worry about is the inertia. There are a lot of changes that are being proposed at the bottom and the middle of the organization and moving their way up, and either be-

cause of inertia or because of all the changes in the leadership of the organization, not many decisions are being made.

So I would be concerned about having some continuity and leadership to be able to ensure that the changes that are going to be instituted, either administratively or legislatively, would be able to bear fruit.

Mr. ROGERS. Okay.

Asa?

Mr. HUTCHINSON. I believe there are some good examples in the Department of success and management and leadership, one of them being the US–VISIT Program, which I appreciate Clark Kent Ervin mentioning in positive terms. This is where you set up a strong program office that managed an at-risk program and have been successful in it.

And I think that points up the greatest need for the Department of Homeland Security is to have greater resources, greater strength at the oversight level. And you can put it in an Undersecretary of Management or a Deputy Secretary of Management. You can put it in the CIO, you can put in a Screening Coordination Office, but right now you have extraordinarily strong stovepiped agencies. That is where the strength is.

And as Congress looks at adding maybe 2,000 new border patrol agents, do not do that without adding a higher level of strength and capability for oversight. You have the American Shield Initiative to add technology and integrate technology on our borders. Well, you cannot implement a successful national integrated program of surveillance and technology without a strong program office to oversee that. And that is where the needs are, and so it can be successful. We have done it in a quick amount of time, but the resources have got to be brought to that oversight departmental level to accomplish that integration.

Mr. ROGERS. Thank you.

Governor?

Mr. GILMORE. I think so far the comments have been technical. For example, technology, we have always got to remember that tech is only in service to policy. If you know what you are trying to do, then you can figure out how to do it. Same for management structures. If you know what you are trying to do, you can figure out how to manage your way through it. And I certainly think that the Congress would want to hear from Secretary Chertoff as he goes through these management analyses in order to figure out what to do.

I would second Mr. Hutchinson's view that things are somewhat stovepiped. Certainly, if you take 22 preexisting agencies, all of whom, many of whom—all of whom, I guess, responded to some other secretary someplace and had been in their niche for years and years and had been working very hard to become more and more efficient, now all of a sudden you put them someplace else, paired up with partners they have never seen before, naturally, their tendency is going to be focus on what they are doing.

I think that the goal of Homeland Security, which I think they are headed for, is more enterprise concerns. What is it that all these people can be made to partner together to do? And that can be certainly done technologically and managerially, but first you

have to determine what your policy goals are, and I think that that is in process.

Mr. ROGERS. I see my time has expired.

I want to get back to you, Mr. Ervin, in a little bit, but right now I would like to recognize my colleague from Florida, the Ranking Member, Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman. I really appreciate the written testimony, and, Mr. Secretary, I do want to get a copy of your testimony, because I think you have put forth some great ideas that we definitely need to consider.

We know that Secretary Chertoff is going through a second phase of his 90-day review. How many of you have been a part of or asked to give input to that review? Anyone?

Mr. SKINNER. We are not officially part of the review, per se, because, of course, as the IG, cannot be involved in an operational sense, but we have had several meetings with Secretary Chertoff and the Deputy Secretary where they have in fact asked for our input as to areas that we think should be addressed, for example, the issue of the placement of the CFO, the CIO, and the issue of the integrity of procurement programs, things of that nature.

So in that regard, we are participating. We have also brought to his attention the reports that we have issued over the last 2 years in which we have raised issues. And I am sure he is going to be taking those into consideration as he goes through this process.

Mr. GILMORE. If I could?

Mr. MEEK. Go ahead, Governor.

Mr. GILMORE. Mr. Meek, if I could respond also. We communicated with the Secretary and offered to bring over the key leadership of our Commission, our 5-year Commission, including our Executive Director, our Vice Chairman, our Chairman, to brief him on the 5 years work. That meeting is in fact scheduled for this week.

Mr. HUTCHINSON. And, likewise, I had a great opportunity to visit with Secretary Chertoff before leaving the Department and sharing these ideas with him, but I do want to second what Governor Gilmore said in terms of Secretary Chertoff should be given broad latitude in the recommendations. There are a lot of different structures that can work. I have put forth some ideas, but whatever he comes forward with I think is something that can be made to work if we give it the resources that are needed.

Mr. MEEK. I have a couple of more questions, especially for you, Secretary Hutchinson. The issue of the functions of the Department and airport screening, it is an ongoing issue. We were talking prior to the meeting, I mean, there is always a news report about something getting through to screeners. Following up on the 2003 report that Mr. Ervin put together for consideration by the agency, what was the follow through on it and what is left to be done?.

MR. HUTCHINSON. Well, there was substantial follow through on the first report, both from the GAO and the IG, and the follow through was a very extensive retraining of the screeners, retesting, trying to improve their ability to detect these items. More red testing of the screeners' performance as well. So those steps were taken.

And I think the most recent results that have been discussed where there are still deficiencies in screener performance, I think

the conclusion is that you need to continue to enhance training but you are going to have to move to better technology as well. You are going to get to an optimum result for the screeners, but the detection capability sometimes is a deficiency of our technology.

And also the constraints of privacy. I think back to some policy changes that we made while I was there really got an uproar because of the intrusive nature of it. We have also a backscatter technology that can do a real good job of detecting more weapons that might be secreted onto an aircraft, but it is very revealing in terms of invasion of privacy.

And so you have to make judgments there, and we are looking at ways to screen that, to make it effective, not invade the privacy but also accomplish the objectives.

Mr. MEEK. What is important here is to make sure that we are able to not only provide—I mean, in this process of protecting the homeland and definitely airport security, there has to be some sensitivity but also there will be some toes stepped on along the way. We have two ways of doing this: either now, while the waters are somewhat calm, or after where we have made decisions in haste and they may not be the best decisions.

And I think we are going through that process, and this is a great opportunity for the Department to be able to change some of the things we legislated in haste in trying to respond to a gap.

Mr. Skinner, as you know, Reverend Joseph Dantica was a Haitian gentleman who came through MIA Airport. He did the right thing, he had a visitor's visa, he told the ICE officer, or the inspection officer, Customs officer when he came into the country that he was claiming political asylum due to the fact that he was in Port-au-Prince and was helping U.N. troops. The gangs were threatening his life. He left. They used his church to observe these gangs. His medicine was taken.

Mr. Rangel and I asked Mr. Ervin and then it passed on to you to do a review. You all responded back saying that you are doing a review. Where is that review right now, because the reason why I am asking the question is the fact that he tried to do the right thing, and if he was just to leave the airport and go to his home and then call the Department and say, "Hey, guess what, I want to stay."

That is the wrong thing to do, and so what we are trying to do, like the Governor mentioned, train the public on homeland security and also train those who want to claim political asylum or ask for political asylum when they come into our country so that we can review them in the proper process, but in this case he lost his life.

Mr. SKINNER. Yes, Congressman Meek, you are absolutely right. This is something that does merit a review, and we thank you for bringing it to our attention.

In response to your request, we have in fact initiated an investigation, which is currently ongoing. We are coming very close to bringing that investigation to closure, and hopefully within the next month to 2 months we should be able to produce a report outlining the results of that particular incident, sad as it may be, resulting in a death. We will be happy to provide you a copy of the Public report or come up and brief you personally once the report is finalized.

Mr. MEEK. Thank you. I would appreciate both.

Thank you, Mr. Chairman.

Mr. ROGERS. Gentleman's time has expired.

The Chair now recognizes the gentleman from California, the Chairman of our full committee, Mr. Cox.

Mr. COX. Thank you, Mr. Chairman.

This panel has given us an extraordinary number and breadth of recommendations. I just want to go over some of them that I think are salient, and make sure that we have a clear understanding.

Mr. HUTCHINSON AND MR. Ervin both recommended, I believe, that we strengthen the role of the CIO. Are we straight on that? We had a hearing last week on some of the vulnerabilities and the lack of achievement of milestones in the IT structure at DHS.

Anybody else on the panel disagree with this, or is this something that this subcommittee and the full committee ought to be moving forward on?

Mr. Skinner?

Mr. SKINNER. Congressman, we have reports in the past raising this as an issue. I agree both with Mr. Hutchinson and Mr. Ervin in their observations that the CIO does in fact need to be elevated within the Department.

The IT transcends all of the Department's operations, and someone needs to be in a management position to provide the proper oversight and direction as to where we want to go as a department.

Mr. COX. Appreciate that.

Mr. Rabkin, you counseled us, if I can put it in the vernacular, to look before we leap on our IT investments. We have billions of dollars that we are investing in technology, and you cautioned that we need to have a strategy as we go forward with this. I think that is sound counsel.

And, Mr. Gilmore, you have told us in this hearing and repeatedly in previous hearings that when it comes to information sharing, and specifically intelligence, that you can have all the IT you want, but if there is not a plan in place to share, if you do not know what you are trying to achieve, then technology is not a silver bullet. On the other hand, if you know what you want to achieve, then the technology solutions tend more to suggest themselves.

And, Mr. Ervin, you focused on this as well, on the need for us to do a better job in sharing intelligence information. We have in this committee, not always in our public hearings, but in other ways that we collect information, been able to see that this many years after September 11 and the creation of the Department, we are now drifting away from the sharing culture that everyone seemed to sign on to early on.

For IA within the Department of Homeland Security it is now routinely difficult to get information from the FBI when they are tracking terrorism that starts overseas and transits by air or by sea. It lands here in America. Once it is in America it becomes a fog. What can we do, and does anyone on this panel want to make specific management recommendations to address this problem of inadequate sharing of information between DHS and FBI?

Mr. Ervin?

Mr. ERVIN. Mr. Chairman, if I could say a word about that? I am glad that you have focused on that, as I did in my remarks.

I am hopeful, given Secretary Chertoff's experience and his tendency to be very aggressive in interagency counsels from his time at the Justice Department. I am hopeful that he will make an urgent priority of talking to Director Negroponte in making sure that going forward this new reorganization, this further reorganization of the intelligence community, will not result in further marginalization of DHS IA and that DHS has access to the intelligence information that it needs.

I think it is terrific that DHS analysts are seated with FBI and CIA personnel at these entities but it is clear from the Silberman-Robb Commission, as I said, that proximity alone is not sufficient. The information simply must be shared with DHS, and, likewise, DHS must do a better job of sharing information itself with the FBI, CIA, other Federal partners and state and local partners.

Mr. COX. Mr. Gilmore and Mr. Hutchinson.

Mr. GILMORE. Let me add this: When our Commission addressed this managerial point, which we did for about a year, our concern was that if the homeland security function were simply placed on an equal basis with all the other players in the government, that he would not have the superiority to change culture. That is the challenge. At the end of the day, it is hard to get a traffic cop over top of everything to direct the different secretaries to play on the same team and to overcome some of these stovepiping cultures that occur.

Nonetheless, if the Secretary of Homeland Security is property empowered and told that he has in fact the authority to go to his colleagues and suggest to them that they all need to be on a team to break down some of these cultural barriers, I think that it can happen even within the managerial structure that exists today. But I think that he has to be empowered to do that.

Mr. COX. Mr. Hutchinson?

Mr. HUTCHINSON. Two things on that point.

First of all, I think we have primarily overcome the cultural reluctance for sharing information. I think the challenges are more technical in nature in making the systems communicate and continuing to drive that sharing of information.

I think also what has changed is the original concept, as Governor Gilmore knows, which was that Homeland Security was going to be the big dog in intelligence. It was going to be the key recipient of the intelligence, analysis and communicator of it, and that structure has changed. And so I think you have to—it is on a different footing than it was when the Department was created.

The one specific thing I would mention is that the key sharing of terrorist-related information is through the Joint Terrorism Task Forces all across this country where we have all of the agencies participating. Homeland Security is participating there. I think because of the role of Homeland Security, it would be good if Homeland Security were given a Deputy Director position in the JTTF. I think that would help build that alliance with Justice Department and communicate in the field that we are equal partners in this endeavor.

Mr. COX. Thank you.

Mr. Chairman, I see that my time is expired.

Just in conclusion, I would like to congratulate Mr. Skinner for bringing to our attention the need for us to settle on a biometric for the various screening programs that the Department of Homeland Security is administering.

And I would strongly suggest that we pursue a fingerprint biometric as one that is more readily acceptable to the public, that is a mature technology, and that prevents us from being an early adopter which, as the virtual case file shows us, is sometimes a problem. It is the broadest possible international participation. All the police forces around the world tend to keep this biometric, and it is the most easily integrated database.

But my time has expired, and so maybe we will pursue that in a subsequent round.

I thank you, Mr. Chairman.

Mr. ROGERS. Thank you. The gentleman's time has expired.

The Chair now recognizes the Ranking Member of the full committee, the gentleman from Mississippi, Mr. Thompson.

Mr. THOMPSON. Thank you, Mr. Chairman.

And let me thank the members of the panel for a very wonderful presentation.

Mr. Hutchinson, while you were Undersecretary—nice to see you again, remember when we were together in another body—you talked about the Arizona Border Control Initiative, and lately we have been talking about this Minutemen militia, 400 volunteers.

How do we call that initiative a success when volunteers go to that area because the borders are unprotected and all of a sudden our Border Patrol dispatches 500 agents to that area to compensate for it? What is your analysis of that situation?

Mr. HUTCHINSON. Of the Minutemen Project?

Mr. THOMPSON. Well, the Arizona Border Patrol Project and the fact that it was supposed to be a success. Then the Minutemen go in and then we respond to the Minutemen coming in by sending 500 people to that area.

Mr. HUTCHINSON. Well, I guess we would all like to view success as being perfect, but I think success can also be progress, and whenever you look at the fact that because of the Arizona Border Patrol Initiative we increased our apprehensions by 42 percent. To me that makes it a very successful program. Now, does that mean that there is still not a problem there? No, absolutely. We have to do more.

What we recognize is the challenge is greater than even the resources that we devoted to the initiative. And so I was delighted that the Department followed up by increasing again the number of Border Patrol agents assigned to that project, continuing to invest in technology and other solutions.

So it is an ongoing effort. I think what both the intel bill has done, which called for thousands of new Border Patrol agents, authorized, not funded, has been helpful, and of course the public outcry and concern will I think demand additional action and support for these efforts.

Mr. THOMPSON. Well, you lead me into my next question, which is the fact that the intel bill calls for 2,000 Border agents over the next few years annually, and we can only fund 210 in the presi-

dent's budget. So is your testimony that we need to fully fund the 210 agents that is identified in the 9/11 bill?

Mr. HUTCHINSON. I think that we need to fully fund the 2,000 increase in the Border Patrol identified in the intel bill over a period of years. I think its very difficult for an agency to absorb that kind of increase immediately. And so I think that needs to be funded over a period of time. I think the Congress needs to debate how quickly that should be accelerated and that time period. I think we need to move forward with that increase as quickly as possible, because it is necessary and very critical.

Mr. THOMPSON. Thank you.

Mr. Ervin, would you care to comment on that?

Mr. ERVIN. Well, I support the notion of full funding for this. I was disappointed that full funding was not sought for it. Certainly, the issue of the borders cannot be solved by personnel alone. It is a huge border, both in the South and in the North, but it seems to me there needs to be more personnel at the same time greater use of technology and we cannot afford to scrimp with regard to either.

Mr. THOMPSON. Thank you. Another issue is this notion of privatizing the security within TSA at the airports.

Mr. Skinner, I think you all have kind of looked at that. There are some real problems with the management of TSA identified in the San Francisco area, specifically, and the fact that one of the private contractors has already come into question as to the propriety of their practices. Have you all started looking at that as an issue, moving from TSA to the private employing of guards?

Mr. SKINNER. No, Congressman, we have not. We have in fact, however, included the private screening workforce in our sampling as we did our penetration testing, and what we found there is that the private sector does no better or no worse than the Federal sector with regards to screening. But, no, we have not focused on that issue, per se, as to whether there should be a transition from public to private or private to public.

Mr. THOMPSON. Well, the other issue maybe you can help me on is, have we fully identified how many full-time DHS employees we have versus contractors and who is supervising the contractors within DHS? Have you all looked at that?

Mr. SKINNER. I think we have marginally. I know we have not done any assessment, per se, of the numbers that are required within DHS to provide oversight or to manage the private sector. I believe there are five airports that are being managed in the private sector. We have not done anything in that regard that would answer your question.

Mr. THOMPSON. If I might, Mr. Chairman, it is really more looking at the Department as a whole, not within just TSA. We have an inordinate number of contractors who are not employees of DHS, and as I understand earlier testimony, to go to the personnel system that we are talking about will take about 4 years. And within this 4-year period of time, if we are lucky, we will still have a number of contractors working. Are we getting, in your estimation, our money's worth with private contractors versus DHS employees?

Mr. SKINNER. Congressman, now that is something that we are going to be looking at. As a matter of fact, we just initiated a project within the last 30 days. We have tripled the staffing in our procurement shop. We had not looked at procurement other than two or three major contracts. In the last 30 days, we realized when we were assessing what we wanted to do and where we wanted to go in the next 2 to 3 years, we realized that the Department spends 25 percent of its budget on contracts. We could not operate without the support of contractors.

So what we have done is tripled our procurement staff from 6 to 18. We have a review underway right now looking at the integrity of our procurement program throughout the Department, and this will be an ongoing, long-term effort looking at how the Department is managing its contracts, whether we are getting our money's worth.

I know there are cases, for example, the Boeing contract and the Pearson contract at TSA, sworded in its early years, the Department did not provide the oversight that it should have, and as a result, I think the costs were exorbitant and wasteful.

The Department is now starting to tighten up considerably, particularly in TSA. They have a very strong procurement operation there now, but we want to take a look and see how well it is in fact working. This is not something that we can do in 3 months, 6 months, 9 months. This is something we need to do over the next 2 to 3 years and produce reports as we progress.

Mr. THOMPSON. Thank you.

Mr. GILMORE. I wonder if I might be able to answer Mr. Thompson's previous question for just 30 seconds. Congressman, it would seem to me that the policy decision is what is the role and value of border security in the overall effort of homeland security, and I think it is very significant. We are placing so much of our money at—we are really talking about ports of entry, legal ports of entry at airplane terminals, we are talking about ports of entry at seaports, and we are talking about ports of entry with illegal border crossings. And that is really why we are looking at the border types of issues.

So it is clear that it is important. And if it is, then I think that it would be proper for the Department, with the advice and guidance of the Congress, to make a policy decision that it is important, and then I would not necessarily feel like you have to have more money. There is a lot of money in this Department.

Redeploy money. Require that the types of efficiencies that are being discussed across the table be evaluated closely and that value judgments be made on what kinds of monies are being spent and then redeploy the money back where it belongs, exactly where I think you are suggesting that it belongs, Congressman.

Mr. ROGERS. Gentleman's time has expired.

The Chair now recognizes the gentleman from Washington, Mr. Reichert, for any questions he may have.

Mr. REICHERT. Thank you, Mr. Chairman.

Welcome, gentlemen, and thank you for your testimony. I have to mention that I did have the opportunity to work with Secretary Hutchinson a couple of occasions as I was sheriff in Seattle—once

as he was the Administrator of DEA and also in his position in Homeland Security.

I want to take this down to the street level. That is where I came from in my police experience. My Sheriff's office had 1,100 employees and just a $110 million budget, and it first came into existence in 1852. Well, today, we still have stovepipes and we still have silos, so that is going to be a continual challenge that your organization has. I cannot imagine bringing together 22 huge departments with 180,000 or so employees.

We can talk about training, you can talk about equipment, you can talk about technology, and these things you havementioned in management, supervision and integrated systems and consolidated financial systems and restructuring of management, and those things are important, and as administrators we need to talk about those things.

But a few weeks ago, we had another hearing and witnesses testified about the reorganization the Department of Homeland Security, and really what we heard from them was, there is no leadership, there is no mission, there is no vision, there are no goals, and they have low morale. And that was their focus. And I think that sometimes we might lose the whole concept of really how operations, in general, work, and that is employees are the number one asset.

And somehow in breaking down those silos—and this is editorializing just a little bit, some philosophical comments—by really getting the employees involved in your restructuring, reorganizing process and building your mission, you achieve your vision and your goals through including your employees. And I know that sounds like a pie-in-the-sky kind of idea with as many employees as you have, but I think it is important.

The other thing that goes along with that is the mention of public communication and education. I think that is so critical. Coming from the Seattle area, our community is really not very well up to speed on what the Department of Homeland Security does, how they integrated and work with local law enforcement, the FBI, DEA, ATF and others in our community. I think it is important for you to get your message out, so to speak.

I think there are some important things that you talked about. Intelligence gathering is, in my opinion, number one. I continually harp on this in each one of these meetings in sharing not only between your agencies within DHS and CIA and FBI but also with the locals. Asa Hutchinson mentioned that JTTF is so important.

Here is a question for you: Secretary Hutchinson, you mentioned that you thought a risk-based approach as far as allocating monies could be short-sighted, and, Governor, you were really focused on the risk-based analysis in allocating finances and how they might be spent. We are having trouble with that. There is money out there. In Washington State, $234 million, but only 27 percent of that has been spent.

So there seems to be a little bit of a disagreement there. Did I read that right or are you really in line with each other?

Mr. HUTCHINSON. I think we are probably in line with each other. I think it is a matter of emphasis. What I said was that the concept that all—so I would underline all—the federal money

should go to high-risk areas is short-sighted, because I do believe there needs to be, first of all, risk-based assessments and a risk-based allocation of the money.

But the fact is that there is a basic level of risk and vulnerability in every area of the country. Whenever you look at Nuradin Abdi being caught outside of Columbus, Ohio in a traditionally rural area of the country, whenever you look at the vulnerabilities that we have seen and the connections in rural areas of the country, you have to have a base level of response capability and homeland security everywhere in the country.

So that is a risk base, but then the substantial bulk of the money should be specifically allocated on threats and risk and those assessments being done.

So my admonition is, let us not take all of the money and say it has got to go to the high-risk urban areas. We have got to have that base level of funding in even the rural areas of the country.

Mr. GILMORE. Congressman, as I said I was Governor at the time of the 9/11 attack, and I watched what happened that day and helped to carry out what happened that day. And what happened that day was done by police, fire, rescue, emergency services, sheriff's offices, hospitals, people at the local scene at the Pentagon, and it was even more true in New York, and that is the heart of the matter. And our Commission has—if there was one thing that we have preached in our Commission over the 5 years it is the absolute essential nature of the states and locals being folded in the national effort, which means there has to be proper direction, there has to be proper funding and proper training.

When we held our last committee meeting, I was invited to go to Seattle, as a matter of fact, for a conference of all local responders. It was a sudden spontaneous conference that was held in Seattle to address the frustrations that they were feeling.

Now, I think that under the good work of Pat Hughes and others in the Department, much effort has been made to open up those lines of communication between the Department and the states and the locals.

But if I wanted to focus on one last point I want to reemphasize, and, again, I think that Asa and I are pretty much in agreement, if you determine through analysis and intelligence that the enemy's capabilities and intentions might strike a rural target, for example, agriculture, then you have to begin to address that financially and with direction and training and focus. You simply have to do that.

So I agree, I think it would be a mistake to just simply take all the money and throw it into New York and Washington, because that almost guarantees that the opposition with the enemy will go elsewhere and do it in some other method. The key is the threat is the intentions and capabilities of the enemy, and that means that you have to really put a great deal of focus on intelligence and analysis.

Mr. REICHERT. Great. Thank you.

Mr. ROGERS. Gentleman's time has expired.

The Chair now recognizes the gentleman from Pennsylvania, Mr. Dent, for any questions he may have.

Mr. DENT. Thank you, Mr. Chairman.

And I guess my question is to Governor Gilmore, and I think you began to answer my question in your last statement. But beginning in 1999 I know you served as the Chair of the Congressional Advisory Panel that later became known as the Gilmore Commission. You did an outstanding job in assessing the capabilities of the Federal, state and local governments and responding to the consequence of a terrorist attack. And I know your panel released five reports. I think the last one was released in December of 2003.

And I know that your Commission made 164 recommendations, 142 of which have been implemented by Congress and DHS. Could you summarize what recommendations have been adopted, and of those remaining recommendations, what would you encourage us to consider?

Mr. GILMORE. Congressman, thank you, and I thought about that as we had mentioned to the Congress the various numbers and statistics. We are going to ask the RAND Corporation to do up an actual matrix for the Congress. We have actually done that in each of the books, but in terms of the implementation we have not, and I think that we should prepare a matrix for you, Mr. Dent, and others in the Congress, and we shall do that.

The direct answer is that we suggested that there be a structure for the establishment of a strategy. That has been done. We suggested that there be a center for intelligence gathering and intelligence communication to begin to eliminate stovepiping. That became the TTIC. We suggested that there be contacts with states and locals, which previous to 9/11 probably did not exist very much other than through perhaps some effort through the JTTFs and others. That has improved dramatically.

There should be a national planning process. That has occurred, but still has further to go. We have suggested that the civil freedoms and the privacy issues be focused on. It is being begun now to address those kinds of issues, although quite frankly there will be no substitute for the Congress in this matter—zero, no substitute for the Congress in that policy determination of civil freedoms and civil liberties.

We have suggested intelligence rules reforms like the old reform rule that said that you could not recruit people who had necessarily broken the law into intelligence organizations. Silly rules like that, which now have been eliminated. These are examples.

I think that if there is one place that we believe that we need to go, once again it would be the places that I tried to emphasize in my opening remarks, which is a sharper strategy that gives better policy and spending direction and training direction to the locals, integrated them into a complete team, has a better focus on exactly what we are telling the American people in terms of the context of terrorism within their daily lives and not exaggerating it—not minimizing it but not exaggerating it either—and the supreme focus on privacy and civil freedoms. And we will try to get you something in writing that is more of a matrix.

Mr. DENT. Finally, one of those recommendations of your Commission was to establish a National Counterterrorism Center, which of course is now a reality. Could you just share your thoughts and views on the development of that center, how it is progressing, what you envision for the future?

Mr. GILMORE. Well, the intention of it was to create some actual physical place where you could force people from the CIA, the FBI and the NSA and the others to actually sit together and develop some sense of rapport between each other and then to begin to break down the cultural problems.

The reason that we had recommended it was because of our perception that the problem was less administrative than it was structural and cultural. Intelligence organizations by their very nature do not want to share anything, for heaven sakes, and you have got to find some way to break that down. So that was the goal.

It has been done but I do not think it is emphasized very much. I do not know that it has been discussed very much. I believe that as a matter of fact that you have seen a need for more, and that is why they developed this National Intelligence Director. Let's hope that he is given the appropriate power and authority to make all the others play under his coaching and that it will all come together.

Mr. ROGERS. Gentleman yields back.

The gentleman from Texas, Mr. McCaul, is recognized for any questions he may have.

Mr. MCCAUL. Thank you, Mr. Chairman.

I want to first welcome my former colleague, Clark Kent Ervin. We both served under then Attorney General John Cornyn. It is good to have you here today.

Mr. ERVIN. Thank you, Congressman.

Mr. MCCAUL. I have two questions and I will try to be brief because my time is limited. As a freshman, by the time they usually get to you every conceivable question has already been asked, so I hope I am not redundant.

First one has to do with the funding issue. I was at the Houston Port Authority last week with Senator John Cornyn. He has introduced a bill in the Senate, and we have one in the House to make it more risk based. In my state, as in California and New York, we rank in terms of funding per capita just about dead last. And so that is obviously a big issue for some of these states like my own that has the largest port in the country and an international border.

And that is for you, Clark.

And if I could point my second question to Governor Gilmore and to Secretary Hutchinson, and it has to do with the border. I view probably the paramount mission of the Department of Homeland Security as protecting the border.

Secretary Hutchinson, I know you had a lot of oversight in that area. I worked in the Justice Department on counterterrorism issues, I worked with the JTTFs. I testified yesterday in support of the Patriot Act, which, by the way, if that is sunsetted, the National Counterterrorism Center is probably going to be dissolved, essentially, and so I think it is very imperative. That is another issue for another day.

Currently, we have a situation on the border where 1.2 million people were arrested last year. The Border Patrol estimates two to three more are getting in. That is about three million people illegally. It is not so much those from Mexico who come here to work as it is the ones other than Mexico. We do not have the detention

space to the lock them up and they are given a notice to appear and they disappear into our society. I think that is a serious threat to the United States. It is the way Ramzi Yusef got in this country, the perpetrator of the World Trade Center bombing.

I think something needs to be done. I sent a letter to the Appropriations Committee with the support of 45 members to get the funding that was authorized in the intelligence bill but not yet appropriated. I would hope that it would be requested at some point. I hope we can appropriate those dollars.

So I know those are two big issues, and I will just go ahead and turn it over to all three of you in the interest of time.

Mr. ERVIN. Well, Congressman, thank you for that. As you know, I am from Houston myself so I completely agree with what you say about the importance of that particular port, and of course that is true for all the major ports like that throughout the country.

I want to associate myself with Governor Gilmore's last comments, and that is I really do support the notion of a 100 percent threat-based, risk-based, consequences-based allocation of scarce Homeland Security dollars. That is not to say, though, that that money would wind up necessarily in urban centers. As the Governor just pointed out, many of those centers, if it is done on a threat basis, could well be in rural areas given the nature of the threat, given the nature of the vulnerability, and given the nature of the consequences.

Houston happens to be one area that is critical to the infrastructure of the United States and happens to be a major urban center, but to the extent there is any conflict between the two, I think we need to do both.

With regard to port security grants, as you know, I am sure there was a recent Office of Inspector General report pointing out that port security grants were sometimes made to projects of dubious value. It is critical that only the projects that are of real counterterrorism value are funded since these dollars are scarce.

Mr. MCCAUL. Thank you.

Mr. HUTCHINSON. In reference to the border, I think you really captured the challenge, that it is not just simply a matter of putting Border Patrol agents at the border. You also have to increase the detention space, because if they apprehend someone from Central America and they do not have the detention space, they have to release them into society and they may not appear in court.

And so you have to be able to have a comprehensive look at our security, both in terms of detention space, resources for processing through court when that is necessary and also putting pressure, as appropriate, on the other nations to receive the repatriation of these aliens that are apprehended.

And I believe that there is a point that you can get over where it actually will start discouraging the illegal flow of those, because they know that they will likely get apprehended. Secondly, they are not going to be released. They are going to be sitting in a detention cell until they are returned home. That will discourage the flow.

And then, of course, the employer side is important to reduce the strength of the magnet. We need comprehensive reform and stronger resources for employers and employer sanctions to stop that illegal flow.

Mr. MCCAUL. As the former Under Secretary who was over that specific issue, would you support fully funding what was authorized in the intelligence bill?

Mr. HUTCHINSON. Absolutely. I think it is the right direction to go, that it needs to be fully funded, and Congress, I hope, will do that.

MCCAUL. Thank you.

Governor Gilmore?

Mr. GILMORE. I think I would only add that I think that there is a political debate going on in the country about immigration and that still has to be resolved, probably by the Congress, ultimately, as to what the proper policy is. But once you have decided that policy, then you are in the business of implementation.

And I agree that I think that emphasis should be placed on Border Patrol. I know that the Department of Homeland Security, Bob Bonner's office, is looking very closely at this issue, both on the North and South borders.

In my private organization that I work with, I have worked with Batel and CSC, and I know that they are just two of many companies that are focused on the border issues and trying to find private solutions to market to the Federal government. These are going to involve personnel, they are going to involve sensors, they are going to involve integrating all these kinds of biometrics in order to actually begin to secure the borders.

Because as Asa points out, if you have 3 million people coming across the border, it becomes a whole different problem of how you are going to deal with them once they are in the confines of the United States.

So probably controlling the borders better is ultimately where this country is headed, and I believe that that would be a good deployment of funding.

Mr. MCCAUL. And I agree that technology gives a more comprehensive view and answer to the problem. Would you also support funding what was authorized under the intelligence bill?

Mr. GILMORE. Yes, sir, I would.

Mr. MCCAUL. Thank you.

Thank you, Mr. Chairman.

Mr. ROGERS. The gentleman's time has expired.

The Chair recognizes the Ranking Member, Mr. Meek.

Mr. MEEK. Thank you, Mr. Chairman.

Secretary Hutchinson, I wanted to ask you, because I know that you have dealt with this quite a bit and now you are in the private sector. What we are hearing time and time again in these subcommittee meetings and even the full committee meetings and when we served on the Select Committee last year, there was an ever-changing face on the Department of Homeland Security. Attrition is just—I mean, it will make you dizzy of the names that go through senior management positions within the Department.

What will slow down the attrition that we are experiencing now? The reason why this is an issue is because as soon as we start to get a policy maker—well, an administrator educated on the politics of one of the largest departments in the Federal government and they gain the knowledge, they are gone.

And I do not know if it is one or two things. Is it they do not have the authority that they should have in certain positions or they feel that they do not want to be in the position when something happens here in the homeland? And that is just a practical question I want to ask you as a manager, or a past manager.

Mr. HUTCHINSON. Well, first of all, I think we ought to be grateful as a nation that there are so many who take up the mantel and are willing to serve in very tough positions and are very dedicated to it, and there has never been a lack of commitment or a lack of people who are willing to take on those positions. And I think that speaks well of folks in law enforcement but also in higher levels.

In terms of the turnover, I think it is fairly—obviously, there is more pressure in the arena of homeland security than other areas, and it is a pressure cooker environment. I was there a little over 2 years and in the second term of an administration there is natural change in leadership. Secondly, there is probably a limited amount of time that somebody can serve in those top positions in today's environment.

So I do not know that there is anything they can change about that. I think we just ought to be grateful for those people who are willing to take on that, and they are bringing in the expertise that is needed.

Perhaps I can end with that, that that is probably a need of the Department is to develop at both the political level and the career level, a stronger culture of leadership in the Homeland Security arena so that we can train people to fill these positions so there is not a gap whenever someone does leave.

Mr. MEEK. Well, you have about three or four of the most vital, I think, positions within the Department that are vacant and acting. It's no reflection on you, Mr. Skinner, the IG is outside the Department. But I am saying, just like the information officer who came before us, he is on his way out, and the Department has received an F as it relates to its IT security, which we are trying do something about actively as the Oversight Committee.

This is a great concern. Once in my life I was a state trooper and if the Colonel changed every 8 months, it is hard to be able to receive the kind of leadership vision that one needs to, in my case, protect the highways and byways of Florida. But in this case, it is protecting the homeland, and that is the reason why I think that we have oversight and accountability problems with our contractors.

Mr. Skinner is right. Contracting and procurement—well, that end of the Department of Homeland Security is vital. It is an agency of unique expertise and you need to be able to bring individuals on quickly so it will be able to stand up. But the accountability is just not there because the principals keep changing.

Mr. HUTCHINSON. Congressman, you are right on target. I think the only thing that can be addressed is that, one, we need to train and have good quality people to fill these slots, and, second, we need to fill them very quickly. The time that is in transition is harmful to the movement of the agency, the growth of it, the security of our nation. So these positions need to be filled. That is partly the role of the administration and partly the role of Congress to move them through confirmation.

Mr. MEEK. Do you think during your time there was there any discussion about if someone was to be hired—I know that the White House has a lot to do with the appointments of Undersecretaries and Assistant Secretaries—some level of commitment of service to the Department of Homeland Security, a period of 2 years or greater?

You remember Congress and sometimes we even ask staffers through that interview process, how long do you expect to be here? Of course you cannot get them to tell a secret. But is there any discussion there? Because this is not the average job, in my opinion. These individuals receive the highest level of security clearance when they come into these jobs and they walk away with a great deal of knowledge. Not saying that they are walking away and sharing that knowledge but to give away that expertise is going to be counterproductive to what we are trying to achieve here.

Mr. HUTCHINSON. Well, you look, the leadership of the Department was established mid-term of the first Bush term, and that leadership team carried on through into the second term. So I think it is a natural transition. I think, again, we serve at the pleasure of the President. There are times that you move on, you just need to fill those positions quickly.

Mr. MEEK. Okay. Thank you.

Mr. ROGERS. Gentleman's time is expired.

I would like to go back to Mr. Rabkin. Earlier in your remarks you talked about the need for restructuring management, but you described that as high risk. What did you mean that being high risk?

Mr. RABKIN. GAO evaluates all the Federal programs and identifies every 2 years at the beginning of a Congress a list of programs that we think are most vulnerable, susceptible to fraud, waste, abuse, mismanagement of funds, et cetera—areas that the Congress, that the executive branch, the American people ought to focus on in terms of improving management, and improving performance of the program.

And as I said, 2 years ago, we put the transformation of DHS on that list because of the problems I outlined. When we redid that list in January, we decided to keep this transformation on. As we said when DHS started, transformations of this magnitude take 5 to 7 years to work themselves out. In the case of DHS, they are making progress, but they are nowhere near where they need to be for us to consider them as not high risk.

Mr. ROGERS. Okay. Thank you.

Governor Gilmore, I am thinking about our first responders. I understand and fully appreciate your emphasis on intelligence and trying to assess threat, but I think we also all recognize we have to have a baseline level of capability in responding in the event of an attack.

Did your Commission come up with a report—or what was your position on the level of first responder training that we have? Is it adequate? How can we better improve it? What is the most glaring inadequacy there?

Mr. GILMORE. Mr. Chairman, we address that continuously for many years, be we think that the preparedness of the states and

locals, structurally and with their capabilities, is the key to this. And, frankly, history has borne that out that that is the key.

I think the heart of the training issue would be standards. I think that to get the heart of training you have to ask yourself, what are we training for and is there something consistent across the country that we should be training people to do. Train to what is really the question.

We, of course, took an all-hazards approach with our Commission report. We believe that it was cost effective to the Congress to think in terms of not only terrorist attack but also hurricane, fire and flood, the theme which so effectively works with the states now.

So I think that you have to address what is the threat? What is it that we are training people to do? What should we expect them to do? I would emphasize that culture and management structures are everything in terms of getting ready to go, and then at that point you can begin to implement with proper equipment and the proper training.

Mr. ROGERS. With the current structure that we have?

Mr. GILMORE. Well, no. I think that we do not yet have the standards fully assessed as to what exactly the training requirements ought to be. I am working with ANSI, the American Standards Institute, to try to put together something that the Congress could look at with respect to standards. But then after that then I think we—no, I think it is very loose.

I think we have to address the block grants that are presently going to the states which are in such a risk of dripping down into pork barrel. The real question is, should it be spent on training, what kind of training and to what standards? And I think that that probably needs to be sharpened up a great deal more, and then I think—but, look, you cannot train somebody if you do not know what you are trying to train for.

Mr. ROGERS. Thank you.

And, Mr. Hutchinson, you talked about earlier when you made your introductory remarks that now you are on the outside you might be able to share a different perspective. We held a hearing a month or so ago in this subcommittee about the possible merger of ICE and Customs and Border Protection, and uniformly we heard from everybody who testified before us that merger was long overdue. And, frankly, we have heard from others before and after that hearing that merger was long overdue.

I read an article in preparation for that hearing that you had made a clear statement that you were completely opposed to that merger. Could you elaborate a little bit now that you are on the outside? Are you still opposed to it and why?

Mr. HUTCHINSON. Absolutely and fundamentally I would be opposed to it. I think that to merge ICE and CBP you would be recreating the old INS with all the problems attendant to it. You would have a 65,000 person agency with multiple missions, with difficulty of oversight and I think that you have to have integration between the agencies but you integrate by facilitating the communication, by memoranda of understanding. You do not do it by simply merging everything. We have to be able to accomplish in Homeland Se-

curity integration without simply making everything one uniform agency. That is the objective, and that should be the test.

And so as has been pointed out, it takes 5 to 7 years for a successful reorganization. We are trying to measure this reorganization after 2 years. And, sure, there is some pain out there, absolutely, and we need to address it and we need to do better, but I think the original decisions were fundamentally sound, and I think that to remedy this by the merging of those two agencies would again recreate the old problems of the old INS.

Mr. ROGERS. All right. Thank you very much.

Mr. Reichert, did you have additional questions?

Mr. REICHERT. Yes, sir. Thank you, Mr. Chairman.

Just one more question. Back to the border issue, I noticed in the Washington Times there is a mention of 11 Mexican nationals who were stopped by a local police officer, turned over to Department of Homeland Security's Immigration and Customs Enforcement Bureau and then released and told to come back later for court. Of course, they did not appear.

At the same time, the Department of Homeland Security has announced a national gang initiative focused on MS–13, 50,000 members involved in all kinds of drug trafficking and other crimes, operating throughout South America and through this country.

One of the comments made by an ICE spokesperson was that, "We are committed to enforcing immigration law but do we go after terrorists or gangs or do we go after day laborers?" Anybody like to comment on the difficulty in trying to balance the job that you have in this area?

Mr. HUTCHINSON. Well, you have two issues there. You have the security of our nation, which obviously has to be the top priority, but the other issue is the integrity of immigration laws, and I think that is a fundamental purpose as well of the Department of Homeland Security and US–VISIT Program. And so I think that both objectives are important, but obviously the higher priority is the security of our nation.

Mr. GILMORE. Congressman, I guess I would add that I, first of all, would agree exactly with Asa with respect to security. Remember there is a political issue still to be debated in the nation, and that is the economic issues, that is your day worker issue. You alluded to it. The country at some point has to make up its mind what it is going to do with respect to other economic issues and then it can go forward on the enforcement side with a much more centrality of purpose, it seems to me.

But that being said, I lean to the support of the border initiatives. I believe you get control of your borders and you know who is coming in and going out. And you do that effectively and then you are okay on all those goals that you raised. Border security will allow you to focus on all those issues—the economic, the gangs, the drugs, the terrorists.

Mr. ERVIN. I might just add one thing, Congressman, if I might on that. I have alluded to this earlier. I think it is absolutely critical that ICE get a handle on its financial accounting and on its finances, that it get a handle on exactly how much is coming in and how much is going out. Because ICE was not able to do that last fiscal year, ultimately, there was not enough money to continue to

house illegal aliens. I think that probably accounts for the scenario that you mentioned.

That, by the way, also is why I, too—I do not know that I am opposed, I am going to keep an open mind about the notion of a merger between ICE and CBP until the Office of Inspector General completes the review that the Senate asked it to do, but my inclination is not to support it because of the problems like this that ICE has. CBP has its own problems, and like Secretary Hutchinson, I am afraid that putting the two together might just compound the problem rather than attempt to solve it.

Mr. REICHERT. Great.

Thank you, Mr. Chairman.

Mr. ROGERS. Thank you.

Earlier we talked about the first responders and the Governor talked about the need to incorporate state and local government officials. And Mr. Rabkin talked about integration problems among the 22 agencies.

And I would like to ask anybody who would offer their thoughts on this to share it with us—I agree, I think there is an integration problem among the agencies. I think there is a glaring problem of inadequate integration between Homeland and the states and the local governments. Is that your opinion? And, if so, what is the best way to remedy that?

Start with Mr. Skinner.

Mr. SKINNER. When you say integration with the Department of Homeland and the states, we are talking about?

Mr. ROGERS. Going back to what Governor Gilmore was talking about. They need to have a clear vision of what we are trying to accomplish. What are we doing, if anything, to incorporate their infrastructure into our larger Federal infrastructure?

Mr. SKINNER. And I agree with Governor Gilmore wholeheartedly. Our message has been a very poor message. In the early going, I would say 2003 and into 2004, the Department received billions of dollars, which they had to get out to the states, and it was not afforded the opportunity to actually plan on how these monies could be best spent. We dispersed the money under these grant programs before we had the opportunity to think about, well, what should our message be?

Just recently the Department has published some terrorist goals, and they will be publishing later this month or early next month, some guidelines which the states then can use, for example, to prioritize how they should best use federal monies to address different terrorist type threats—agriculture threats, urban threats, landmark threats, things of that nature.

That message then will help I believe the state and local governments crystallize their vulnerabilities and decide where best to invest its grant monies. And it also helps the Department make better decisions on how the funds should be dispersed, because now they will have a set of priorities, goals, and objectives on how best to target that money.

It is not going to make everyone happy. There will be losers, but there will be winners. It is not an issue of rural areas versus urban areas, because we have to deal with threats to both agricultural communities and the urban communities. But I think we do need

to address where is the risk and where should those monies go, because we only have a finite amount of money.

This year, for the first time, I think we will in fact have a clear message. The first 2 years we did not have a clear message at all. We simply identified very broad areas where we could spend the money and, as a result, it was a spending spree out there. When the states received their grants, or the locals, I should say, some spent it wisely, some did not. We are currently in the process of blanketing the country and looking at how some of those monies were spent, so that we can identify lessons learned, and make recommendations to the Department on how it can improve its internal controls over its grant programs.

Mr. ROGERS. Now you say we have a poor message.

Mr. SKINNER. Initially.

Mr. ROGERS. See, I did not think we had a message at all that they were receiving.

Mr. SKINNER. The message was simply too broad. Here is several billion dollars, we want to protect our homeland, and you are allowed to spend them in these seven categories: Training, exercise, equipment, things of that nature. I guess you can call that a message, but it is not a very clear or focused message.

Mr. ROGERS. Asa?

Mr. HUTCHINSON. There is a requirement that before the funds are dispersed each state has to have a homeland security strategy and plan as to how they are going to spend that money, and it is to be reviewed. So there are some priorities that are set. I agree that there are problems that can be refined.

I would add that in my testimony I mentioned the regional concept. I think when you are talking about partnerships, when you are talking about improving our communication and messaging with our state and local partners, that if we had regional Directors and moved in that direction, that that would be a tool that could be used to help us localize and communicate our message more effectively.

Mr. ROGERS. Excellent. Anybody else?

Mr. Rabkin?

Mr. RABKIN. Mr. Chairman, it is my sense that there is a lot of communication taking place in both directions, but there are some obvious things that the Federal government can do. We have talked about providing money. Governor Gilmore has mentioned about setting standards and doing that in a cooperative way.

We have also made recommendations dealing with interoperable communications, for example, where each of the local units that would be responding, reacting to either a disaster or a terrorist act, need to communicate with each other to define the requirements for communications. The federal government can play a role by stepping in and helping to coordinate all that.

Mr. ROGERS. Excellent.

Governor Gilmore?

Mr. GILMORE. I would only add, Congressman, some good news here. There are a series of scenarios that have just come out of Homeland Security and been sent down to the states, a series of scenarios, which begins to give you a feel for what kinds of chal-

lenges might have to be met. And that is pretty good. Now, that is better.

And I might say, by the way, that since Secretary Chertoff just arrived, that that scenario program was probably developed under Governor Ridge's tutelage earlier, so he ought to probably get some credit for that because it just came down the pike. But that is the kind of thing we need to do, and that means that you begin to minimize pork barrel and get your money where it belongs, into a national strategy with some direction.

Mr. ROGERS. My time has expired.

The Chair recognizes the Ranking Member.

Mr. MEEK. Mr. Chairman, I think you have raised an interesting point.

Governor Gilmore, you talked about in your opening testimony of education as it relates to homeland security. And I think it is worth just a little bit further discussion, because I know at the state and local level that when municipal governments think of homeland security they think of grant opportunities. And I think that we may very well run into a problem about how much money is going to the Department of Homeland Security. I know that the budget will increase versus decrease.

As you know, both chairmen of the committees in question on the appropriations end saying that they were thinking about taking a 2-year moratorium on earmarking projects within the Appropriations Act by Members of Congress to fund local programs.

Has this been a discussion? I have not had an opportunity to read your work or the committee's work in talking about what we should do, but what—and, Mr. Secretary, you can probably respond to this too—what do you think we need to do as a Federal oversight committee or as the Department of Homeland Security in sending that message out that protecting the homeland is more than a grant or a fire truck.

But even though that is important, do not get me wrong, what are we doing now, what can we do in the future? Some of that is needed, but it should not be the only reason why people are coming to the table.

Mr. GILMORE. Is this addressed to me?

Mr. MEEK. Yes.

Mr. GILMORE. I think I am sorry about that.

Mr. MEEK. I was looking at you the whole time.

Mr. GILMORE. Yes, I know. I know. I was afraid maybe you were.

I think that you have to get back to trying to decide what you are trying to do and get that done with specificity and then the Congress itself has a better feel for how you can direct money, in what places you can place your money and in what places it is not valuable.

You know, Congress might very well—if you had a real clear picture about what was trying to be done, maybe an earmark might actually be appropriate in border control, for example, in some places like that.

But on the other hand, if the Congress people are earmarking for things that do not fit within the national plan, a national prioritization of the expenditure of money, then it is just pork barrel. And I guess you can put as much money on it as you want to

to keep adding pork barrel, but at some point, I imagine, the taxpayer will run out and you have to be very effective.

So I would think there has to be a really good partnership between the new administration at the Department and the Congress to really come to an agreement as to what the strategic value of money is and where the money has to be spent in order to be most effective and then work together through whatever processes the Congress has, like the budgetary processes, to get that decision made. I hope that is responsive to you.

Mr. MEEK. Hold on before we go to you, Mr. Secretary.

I think, Governor, you are 110 percent right as it relates to the Congress and I think even the Department, making sure that we have some parental guidance. Because we can do it does not mean necessarily that we should do it.

This is very, very important, because when you have these cases of the $30,000 dealing with flowers and things of that nature, I mean it really makes it—it hurts the culture that we are trying to build now. Members of Congress are, I know I am, getting better educated because we have a committee on the topic that has oversight authority. Soon you are going to have Members of Congress that you do not have to start from in the beginning in genesis. We will be able to move on to further chapters.

Mr. Secretary?

Mr. HUTCHINSON. I would just add, and I certainly agree with the Governor and his comments, but if you put this historically in perspective, after 9/11, particularly after the Department was set up, you recall the funding level was increased dramatically, but the criteria and the use of the money was not changed any.

And then, secondly, when the money came to the Department and we wanted to spend the money carefully in accordance to the state plan, the pressure was, get the money out the door. The money is not getting out the door, it is not being spent, and the pressure has been constantly to get the money spent.

And so I think that we support your leadership with a balanced message on that that, one, maybe we ought to look at the criteria but then, secondly, we ought to be making sure that we have those state plans in place and that we are emphasizing the accountability side as much as the speed and the process in that funding.

Mr. MEEK. Mr. Chairman, I do not know if the Secretary—I mean, my mom once told me that the game warden cannot be the lead poacher—but I just want to say that I know that I was a part of that chorus of members saying that. When you start looking at what is in the Department and what is bottlenecked and what is actually getting down to where it is supposed to be, I think there was a chorus of members here saying that that should happen.

Now we have gone through those growing pains, hopefully, that we can start targeting these dollars.

I just want to add to the panel that the committee has done something in my opinion, the chairman, also with the bigger chairman on the full committee and Ranking Member. We have resisted from earmarking projects even in our authorization bills. Both sides have not put projects within that bill. So we are trying to slow the roll a little bit as it relates to just pushing not only projects but money out the door because they are critical issues

that are out there. We talked about border officers, we are talking about checking containers, getting a higher level there. There are some meat and potato issues that we have to address.

So I just wanted to hear what was happening in the states and the local level and are they thinking in those terms, because I know that they are looking at cuts in other places, and I know my cities are saying, "Well, I think that is Homeland Security," you know, the sidewalk, it is important. So we have to watch ourselves there.

Mr. Chairman, thank you.

Mr. ROGERS. Gentleman's time has expired.

We have been very blessed to have you here for these 2 hours. It has been very helpful.

We have had one more member come in and for these of you who cannot stay for 5 more minutes, I would understand, but if you could indulge us, I would like to recognize the gentlelady from Texas, Ms. Jackson-Lee, for any questions that she may have.

Ms. JACKSON-LEE. Yes. Thank you very much, Mr. Chairman, for your indulgence and the committee and the Ranking Member. Thank you very much.

This is a very important committee. We are in the midst of markup in Judiciary, Mr. Chairman and Ranking Member, and as you well know, sometimes we do have responsibilities that are overlapping.

I am delighted to see a fellow Texan, Mr. Ervin, and thank him for his service. I think we should acknowledge at all times when people are committed and dedicated to public service. We may disagree with them but we should give full airing to the vitality of their work.

And Governor Gilmore, of course, we have worked together, and my colleague on Judiciary, he probably could attest to the fact that I am legitimately delayed.

To the other gentlemen, thank you so very much.

Let me just say two points and then do directly—I am trying to focus on a narrow aspect of what we are doing. I said earlier, and Mr. Hutchinson has worked in the committee some couple of sessions ago, that I am beginning to sense that 180,000 people is a very large managerial challenge. And so many facets of it require a greater integration.

I just left Judiciary but also just left a Science Committee hearing dealing with technology and NASA, and what I am finding out is that Homeland Security probably more than any other department in its responsibilities overlaps from Justice to Health and Human Services. There is a great deal of overlap. So integration is key to be able to eliminate redundancy.

If I can make one question, in as much as I know that I may have missed the inquiries of my colleagues and I may be posing some redundancy but I am quarreling with myself as a policy maker on the size and whether or not we can ever integrate to be safe.

The second point is a more narrow point, and that has to do with what I have been hearing pronouncements and since we are regular travelers through the nation's airports, who, by the way, encounter members frequently, whether or not they are in your con-

gressional district. I have the Houston Intercontinental Airport in my district, one of the largest in the nation and certainly one of those very vulnerable sites. But the point is, is that as we listen to the consumer side of it, we are hearing different reports on the screeners. One member has made a point of suggesting that we return to private screeners because of a report that was given.

I do not think you can throw the baby out with the bath water. I am willing to listen, but it seems to me if you have an orderly system of people who are vetted, who are trained and we are still on the training curve, if you will, does it make sense now to return back to a system that clearly drove us toward 9/11?

So those are questions of integration of this Department, its largeness and its many facets that you all could respond to.

Mr. Ervin, you know I am responding to you on the TSA, and I am looking for the GAO—I did not look at my—thank you very much. You know that I would love your report and assessment, if you will, on these private screeners versus the staff that we are now utilizing in the Transportation Security Administration.

I thank both my colleagues and the Ranking Member for the importance of this hearing, and I will continue to try to grapple and get an answer about the largeness of this Department.

Mr. ERVIN. Well, I will start, Congresswoman, I suppose—whomever you would like.

Ms. JACKSON-LEE. Let me go with Mr. Hutchinson. I assume he is going to take the larger point and then we thank you, Mr. Ervin and Mr. Rabskin and Mr.—Rabkin—my glasses are not with me this morning, thank you. I apologize to you.

Mr. HUTCHINSON. Thank you, Congresswoman.

In terms of the size of the Department, I think the key issue is the centrality or the focused mission of the Department, and I think that it is created with 22 agencies that all have a major role in homeland security so it naturally fits within the Department, and I think it is appropriate.

I think we should resist wholesale changes for a longer period of time before we make judgments on whether there needs to be some tinkering and some adjustments to it. That is my judgment. It is certainly a challenge, but I think it is a focused mission that has added great value to the security of our nation.

Mr. Chairman, if I might, I do need to step out. So thank you for your hospitality today and your leadership on this.

Mr. ROGERS. Thank you for being here. It has been very helpful.

Ms. JACKSON-LEE. Thank you.

Mr. ROGERS. Mr. Ervin?

Mr. ERVIN. Just three quick things, Congresswoman, to talk briefly about each of the areas that you mentioned. As far as integration is concerned, of course it is difficult to integrate an agency with 180,000 or so employees and 22 different components that are very different from each other. But more than radical changes in the organizational structure of the Department, I think, as I said in my testimony, simply giving the Chief Financial Officer, the Chief Information Officer and the Chief Procurement Officer at the headquarters level the authority to hire, fire and otherwise direct the work of their counterparts at the component level, would do

more, it seems to me, within the existing legal framework to make the Department more integrated, point one.

Two, with regard to the screener report that was just released yesterday by the Office of Inspector General, it is disappointing that there has not been improvement since 2003 in the ability of screeners, as shown by these tests to detect these deadly weapons. That report, as you know, noted the importance of equipment and technology, and there were three kinds of equipment that were laid out and recommended in the 2003 report that I am hopeful the new leadership team will embrace fully and with the support of the Congress deploy at airports throughout the country.

Finally, on the notion of returning to the private screener workforce, I would be opposed to that. Mr. Skinner said some time ago that the results show that there is really no difference in the ability of the five private airports and the federalized airports in terms of their ability to detect these deadly weapons.

And, further, as you know, there was recently a lawsuit filed, and it is just a lawsuit, so we do not know whether it is true, by someone who used to work at the San Francisco Airport, which is another of the five privatized airports alleging that there were problems there in the private sector. It is so profit driven that Federal tests were compromised and the training actually did not take place, even though it was claimed to have taken place. So I would have real concerns about that.

Ms. JACKSON-LEE. Yes, sir.

Mr. RABKIN. Ms. Jackson-Lee, in terms of the performance of screeners, we have issued recently two reports. One is classified secret, one is classified as a security sensitive report to the Transportation and Infrastructure Committee. We intend to issue a public report in the next week or so, and we are going through final deliberations with TSA on what we can say in that public report.

But let me just say that there are issues beyond that simple testing of how the screeners do with the red team for the covert test. There are issues about how many screeners there are at each airport, and how many there should be, there are issues about how they interact with the public, there are issues about the technology that they have, the training that they have received, the time that they have to absorb this training, et cetera. And we would urge that all these factors be considered when reaching conclusions about their performance.

Ms. JACKSON-LEE. Governor?

Mr. GILMORE. Congresswoman, good to see you again, by the way.

Ms. JACKSON-LEE. Thank you.

Mr. GILMORE. Let me, if I could, answer two things very quickly. Number one, in the last 10 days I have traveled to California, Colorado and Houston. So I know very well about going through TSA screening processes, and it is, I must say, a very titillating experience.

I do not know. My impression is that it is not the people or even their training, because I think they are doing probably what they are trained to do, to tell you the truth. Probably doing it pretty well. But the question is, what are they being trained to do, and is the system really appropriate to provide security and be respect-

ful of people who go through and suspect one more go-over on them would probably be productive. I could talk to you more about that in detail.

The second is the more pertinent point. Our Commission addressed your key issue in the year 2000 and that key issue was how do you manage homeland security? How do you do it? And we always understood that if you put together a department which was an equal player with everybody else at HHS, Department of Defense, Department of State, FBI and these other equals, it was going to be very, very difficult for one person to manage it all.

Now, to be sure, 22 agencies were thrown into it that all have a homeland security component. By the way, they do things sometimes that do not have anything to do with homeland security. And that was a very big managerial challenge. We did not actually think that it would work in the Department, but we have a department and we have been supportive of trying to help make that work.

I think there is no substitute for the maximum possible authority of Secretary of Homeland Security to be able to coordinate his fellows in government into an overarching strategy.

Ms. JACKSON-LEE. Chairman, my time is up. May I just say this for the record, thanking both you and the Ranking Member. To our surprise, this may be one of the more important committees of this larger Homeland Security committee. I think we have got to get a way that there is synergistic work. I am not sure whether I am hearing from Governor Gilmore a redebate on civil service versus his other approaches and deployment, but I am hearing from him that we have got to give the Secretary that kind of authority to sort of purge through and find out a solution.

My last point, I hope we will hear from him again, meaning the Secretary of Homeland Security, is that although we all can support entities like Lockheed Martin and Covenant Aviation Security, I heard two strong points.

We have not nailed down what that problem is. We do not know whether or not it is training or technology. I think we need to give TSA and the trained Federal employees which you can closely vet and supervise, the resources, the training, the numbers at the appropriate airport and the balanced training dealing with civil liberties and civil rights before we make any judgment as to whether or not we should move back to where we came from. And I hope we will have an opportunity to review this question more extensively.

I thank you, and I yield back.

Mr. ROGERS. Gentlelady's time has expired.

Again, I want to thank all the witnesses. You have provided very valuable testimony. Your insights and perspectives have been very helpful to this committee.

There may be some additional questions that members have that they would submit to you. We are going to hold the record open for 10 days. If you could reply to those in writing if they do have any questions I would appreciate that.

And with that, this committee stands adjourned.
[Whereupon, at 12:04 p.m., the subcommittee was adjourned.]