

GAO

Testimony

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HOMELAND SECURITY

Proposal for Cabinet
Agency Has Merit, But
Implementation Will be
Pivotal to Success

Statement of David Walker
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Madame Chair and Members of Subcommittee:

Thank you for the opportunity to appear before the Subcommittee today to discuss one of the most important issues of our time, the reorganization of government agencies and the reorientation of their missions to improve our nation's ability to better protect our homeland. It is important to recognize that this transition to a more effective homeland security approach is part of a larger transformation that our government must make to address emerging fiscal, economic, demographic, scientific, technological and other challenges of the 21st century and to meet the expectations of the American people for timely, quality and cost-effective public services.

In the nine months since the horrible events of September 11th, the President and the Congress have responded with important and aggressive actions to protect the nation – creating an Office of Homeland Security (OHS), passing new laws such as the USA Patriot Act and an emergency supplemental spending bill, establishing a new agency to improve transportation security, and working with unprecedented collaboration with federal, state and local governments, private sector entities, non-governmental organizations and other countries to prevent future terrorist acts and to bring to justice those individuals responsible for such terrible acts.

More recently, the Congress and the President have sought to remedy long-standing issues and concerns in the government's homeland security functions by proposing greater consolidation and coordination of various agencies and activities. Recent proposals include restructuring the Federal Bureau of Investigation (FBI) and splitting the enforcement and service sections of the Immigration and Naturalization Service (INS). Additionally, Senator Joseph I. Lieberman and Representative William M. "Mac" Thornberry have authored legislation designed to consolidate many homeland security functions. On June 6th, the President announced a proposal to establish a Department of Homeland Security (DHS) and on June 18th transmitted draft legislation to the Congress for its consideration.

In my testimony today, I will focus on two major issues that Congress should review in its deliberations on creating a new cabinet department principally dedicated to homeland security: (1) the need for reorganization and the principles and criteria to help evaluate what agencies and missions should be included in or left out of the new DHS; and (2) issues related to the transition, cost and implementation challenges of the new department.

Need, Principles And Criteria For Reorganization

In response to global challenges the government faces in the coming years, we have a unique opportunity to create an extremely effective and performance-based organization that can strengthen the nation's ability to protect its borders and citizens against terrorism. There is likely to be considerable benefit over time from restructuring some of the homeland security functions, including reducing risk and improving the economy, efficiency and effectiveness of these consolidated agencies and programs. Realistically, however, in the short term, the magnitude of the challenges that the new department faces will clearly require substantial time and effort, and will take additional resources to make it fully effective. Numerous complicated issues will need to be resolved in the short term, including a harmonization of information technology systems, human capital systems, the physical location of people and other assets, and many other factors. Implementation of the new department will be an extremely complex task and will ultimately take years to achieve. Given the magnitude of the endeavor, not everything can be achieved at the same time. As a result, it will be important for the new department to focus on a handful of important things, such as: articulating a clear overarching mission and core values, developing a national strategy, utilizing strategic planning to establish desired outcomes and key priorities, and assuring effective communications systems. Further, effective performance and risk management systems must be established, and work must be completed on threat and vulnerability assessments.

Need for Reorganization

GAO and other observers of the federal government's organization, performance and accountability for terrorism and homeland security functions have long recognized the prevalence of gaps, duplication and overlaps driven in large part by the absence of a central policy focal point, fragmented missions, ineffective information sharing, and institutional rivalries. In recent years, GAO has made numerous recommendations related to changes necessary for improving the government's response to combating terrorism. Prior to the establishment of the OHS, GAO found that the federal government lacked overall homeland security leadership and management accountable to both the President and Congress. GAO has also stated that fragmentation exists in both coordination of domestic preparedness programs and in efforts to develop a national strategy.¹ Based on evaluations prior to September 11th, GAO identified the following five actions to improve programs to combat terrorism:²

- Create a single high-level federal focal point for policy and coordination,
- Develop a comprehensive threat and risk assessment,
- Develop a national strategy with a defined end state to measure progress against,
- Analyze and prioritize governmentwide programs and budgets to identify gaps and reduce duplication of effort, and
- Coordinate implementation among the different federal agencies.

Moreover, in a recent report to Congress on initial concerns about organizing for homeland security since September 11th, GAO indicated that a definition of homeland security should be developed, preferably in the context of the Administration's issuance of a national strategy for homeland security, in order to improve the effectiveness and coordination of relevant programs.³

¹*Combating Terrorism: Comments on Counterterrorism Leadership and National Strategy*, March 27, 2001 ([GAO-01-556T](#)).

²*Combating Terrorism: Observations on Options to Improve the Federal Response*, April 24, 2001([GAO-01-660T](#)).

³*Homeland Security: Key Elements to Unify Efforts are Underway but Uncertainty Remains*, June 7, 2002 ([GAO-02-610](#)).

The recent and on-going actions of the Administration to strengthen homeland security functions, including the proposal for establishing DHS, should not be considered a substitute for, nor should they supplant, the timely issuance of a national homeland security strategy. Based on our prior work, GAO believes that the consolidation of some homeland security functions makes sense and will, if properly organized and implemented, over time lead to more efficient, effective and coordinated programs, better intelligence sharing, and a more robust protection of our people, borders and critical infrastructure. At the same time, the proposed cabinet department, even with its multiple missions, will still be just one of many players with important roles and responsibilities for ensuring homeland security. At the federal level, homeland security missions will require the involvement of the CIA, FBI, the U.S. Marshals Service, the Department of Defense (DOD), and a myriad of other agencies. State and local governments, including law enforcement and first responder personnel, and the private sector all have critical roles to play. If anything, the multiplicity of players only reinforces the recommendations that GAO has made in the past regarding the urgent need for a comprehensive threat, risk and vulnerability assessment and a national homeland security strategy that can provide direction and utility at all levels of government and across all sectors of the country.⁴

The development and implementation of a national strategy for homeland security is vital to effectively leveraging and coordinating the country's assets, at a national rather than federal level, to prevent and defend against future terrorist acts. A national homeland security strategy can help define and establish a clear role and need for homeland security and its operational components, to create specific expectations for performance and accountability, and to build a framework for partnerships that will support the critical role of coordination, communication and collaboration among all relevant parties and stakeholders with homeland security missions. DHS will clearly have a central role in the success of efforts to strengthen homeland security, but it is a role that will be made stronger within the context of a larger, more comprehensive and integrated national homeland security strategy.

A reorganization of the government's homeland security functions along the lines being proposed is a major undertaking and represents one of the

⁴*Combating Terrorism: Selected Challenges and Recommendations*, September, 2001 (GAO-01-822).

largest potential reorganizations and consolidations of government agencies, personnel, programs and operations in recent history. Those involved in this transition should not underestimate the time or effort required to successfully achieve the results the nation seeks. Numerous comparisons have been made between the proposed DHS and other large-scale government reorganizations, including the creation of DOD, the Central Intelligence Agency and the National Security Council as part of the National Security Act of 1947. Other analogies include the 1953 creation of the Department of Health, Education and Welfare, the 1966 establishment of the Department of Transportation (DOT) or the 1977 creation of the Department of Energy (DOE). Each of these cabinet level restructurings involved the transfer and consolidation of disparate functions and the creation of a new cabinet level structure in the Executive Branch.

Often it has taken years for the consolidated functions in new departments to effectively build on their combined strengths, and it is not uncommon for these structures to remain as management challenges for decades. It is instructive to note that the creation of DOD, which arguably already had the most similar and aligned missions and functions among the reorganizations mentioned, still required Congress to make further amendments to its organization in 1949, 1953, 1958 and 1986 in order to improve its structural effectiveness. Despite these and other changes made by DOD, GAO has consistently reported over the years that the department – more than 50 years after the reorganization – continues to have a number of serious management challenges. In fact, DOD has 6 of 22 government wide high risk areas based on GAO's latest list.⁵ This note of caution is not intended to dissuade the Congress from seeking logical and important consolidations in government agencies and programs in order to improve homeland security missions. Rather, it is meant to suggest that reorganizations of government agencies frequently encounter start up problems and unanticipated consequences that result from the consolidations, are unlikely to fully overcome obstacles and challenges, and may require additional modifications in the future to effectively achieve our collective goals for defending the country against terrorism.⁶

⁵*High Risk Series: An Update*, January 2001(GAO-01-263).

⁶*Implementation: The Missing Link in Planning Reorganizations*, March 20, 1981(GAO-GGD-81-57).

Organizational Principles and Criteria

The Congress faces a challenging and complex job in its consideration of DHS. On the one hand, there exists a certain urgency to move rapidly in order to remedy known problems relating to intelligence and information sharing and leveraging like activities that have in the past and even today prevent the United States from exercising as strong a homeland defense as emerging and potential threats warrant. Simultaneously, that same urgency of purpose would suggest that the Congress be extremely careful and deliberate in how it creates a new department for defending the country against terrorism. The urge to “do it quickly” must be balanced by an equal need to “do it right” in order to ensure a consensus on identified problems and needs, and to be sure that the solutions our government legislates and implements can effectively remedy the problems we face in a reasonably timely manner. It is clear that fixing the wrong problems, or even worse, fixing the right problems poorly, could cause more harm than good in our efforts to defend our country against terrorism.

The federal government has engaged in numerous reorganizations of agencies in our nation’s history. Reorganizations have occurred at various times and for various reasons, and have been achieved through executive order, through recommendations by landmark commissions subsequently approved by the Congress, such as the Hoover Commission chaired by former President Herbert Hoover in the late 1940s, and by the Congress through its committee structure. The prevailing consensus on organizational management principles changed considerably during the course of the 20th century and through the various approaches to reorganization, but Hoover’s Commission clearly articulated that agencies and functions of the executive branch should be grouped together based on their major purposes or missions. The government has not always followed Hoover’s lead uniformly, but in recent years most departments except those serving a specific clientele, such as veterans, generally have been organized according to this principle.⁷

⁷*Reorganizing the Executive Branch in the 20th Century: Landmark Commissions* (Congressional Research Service, June 10, 2002) and *Principles of Federal Organization* (National Academy of Public Administration, January, 1997)

GAO's own work on government restructuring and organization over the years has tended to support the overall tendency to emphasize consolidations of agencies as ways to improve the economy, efficiency and effectiveness of government operations. GAO has previously recommended that reorganizations should emphasize an integrated approach, that reorganization plans should be designed to achieve specific, identifiable goals, and that careful attention to fundamental public sector management practices and principles, such as strong financial, technology and human capital management are critical to the successful implementation of government reorganizations.⁸ Similarly, GAO has also suggested that reorganizations may be warranted based on the significance of the problems requiring resolution, as well as the extent and level of coordination and interaction necessary with other entities in order to resolve problems or achieve overall objectives.⁹

Of course, there are many lessons to be learned from the private sector, which over the past 20 years has experienced an extraordinary degree of consolidation through the merger and acquisition of companies or business units. Among the most important lessons, besides ensuring that synergistic entities can broaden organizational strengths more than limit them, is the need to pay critical attention to the employees impacted by the reorganization, and to align the human capital strategies and core competency components of the organization in order to meet expectations and achieve results.¹⁰ GAO has made similar conclusions and recommendations for the federal government.¹¹ These observations are particularly apt to the proposed structure of DHS, which would combine an estimated 170,000 employees into a single department, making it the third largest government department in terms of personnel behind DOD and the Department of Veterans Affairs.

⁸*Government Reorganization Issues and Principles*, May 17, 1995 ([GAO/T-GGD/AIMD-95-166](#)).

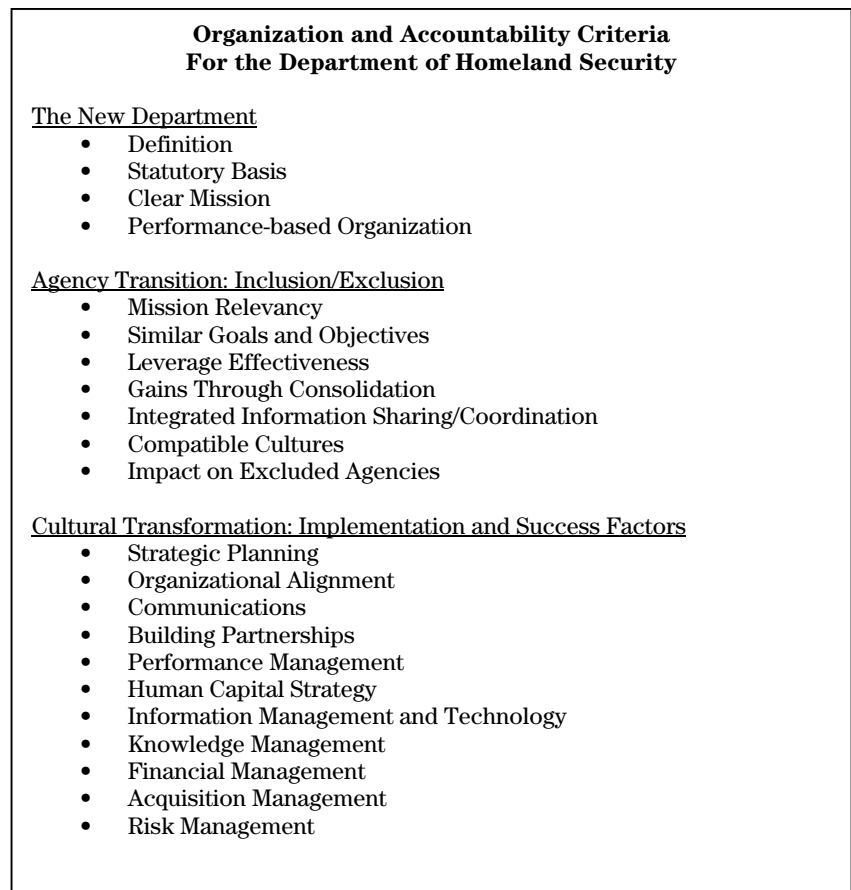
⁹*Environmental Protection: Observations on Elevating the EPA to Cabinet Status*, March 22, 2002 ([GAO-02-522T](#)).

¹⁰R.J. Kramer, *Post Merger Organization Handbook* (The Conference Board, 1999); and A.R. Lajoux, *The Art of M&A Integration* (McGraw Hill, 1998) and James Brian Quinn, *Intelligent Enterprise: A Knowledge and Service Based Paradigm for Industry* (Free Press, 1992).

¹¹*Human Capital: A Self-Assessment Checklist for Agency Leaders*, September 2000 ([GAO/OCG-00-14G](#)).

GAO, based on its own work as well as a review of other applicable studies of approaches to the organization and structure of entities, has concluded that Congress should consider utilizing specific criteria as a guide to creating and implementing the new department. Specifically, GAO has developed a framework that will help Congress and the Administration create and implement a strong and effective new cabinet department by establishing criteria to be considered for constructing the department itself, determining which agencies should be included and excluded, and leveraging numerous key management and policy elements that, after completion of the revised organizational structure, will be critical to the department's success. The following chart depicts the proposed framework:

Figure 1: Organization and Accountability Criteria



With respect to criteria that Congress should consider for constructing the department itself, the following questions about the overall purpose and structure of the organization should be evaluated:

- **Definition:** Is there a clear and consistently applied definition of homeland security that will be used as a basis for organizing and managing the new department?
- **Statutory Basis:** Are the authorities of the new department clear and complete in how they articulate roles and responsibilities and do they sufficiently describe the department's relationship with other parties?
- **Clear Mission:** What will the primary missions of the new DHS be and how will it define success?
- **Performance-based Organization:** Does the new department have the structure (e.g., COO, etc.) and statutory authorities (e.g., human capital, sourcing) necessary to meet performance expectations, be held accountable for results, and leverage effective management approaches for achieving its mission on a national basis?

Congress should also consider several very specific criteria in its evaluation of whether individual agencies or programs should be included or excluded from the proposed department. Those criteria include the following:

- **Mission Relevancy:** Is homeland security a major part of the agency or program mission? Is it the primary mission of the agency or program?
- **Similar Goals and Objectives:** Does the agency or program being considered for the new department share primary goals and objectives with the other agencies or programs being consolidated?
- **Leverage Effectiveness:** Does the agency or program being considered for the new department create synergy and help to leverage the effectiveness of other agencies and programs or the new department as a whole? In other words, is the whole greater than the sum of the parts?
- **Gains Through Consolidation:** Does the agency or program being considered for the new department improve the efficiency and effectiveness of homeland security missions through eliminating

duplications and overlaps, closing gaps and aligning or merging common roles and responsibilities?

- ***Integrated Information Sharing/Coordination:*** Does the agency or program being considered for the new department contribute to or leverage the ability of the new department to enhance the sharing of critical information or otherwise improve the coordination of missions and activities related to homeland security?
- ***Compatible Cultures:*** Can the organizational culture of the agency or program being considered for the new department effectively meld with the other entities that will be consolidated? Field structures and approaches to achieving missions vary considerably between agencies.
- ***Impact on Excluded Agencies:*** What is the impact on departments losing components to DHS? What is the impact on agencies with homeland security missions left out of DHS?

In addition to the criteria that Congress should consider when evaluating what to include and exclude from the proposed DHS, there are certain critical success factors the new department should emphasize in its initial implementation phase. GAO over the years has made observations and recommendations about many of these success factors, based on effective management of people, technology, financial and other issues, especially in its biannual Performance and Accountability Series on major government departments.¹² These factors include the following:

- ***Strategic Planning:*** Leading results-oriented organizations focus on the process of strategic planning that includes involvement of stakeholders, assessment of internal and external environments, and an alignment of activities, core processes and resources to support mission-related outcomes.
- ***Organizational Alignment:*** The organization of the new department should be aligned to be consistent with the goals and objectives established in the strategic plan.

¹²Major Management Challenges and Program Risks: A Government wide Perspective, January 2001 ([GAO-01-241](#)).

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- **Communication:** Effective communication strategies are key to any major consolidation or transformation effort.
 - **Building Partnerships:** One of the key challenges of this new department will be the development and maintenance of homeland security partners at all levels of the government and the private sector, both in the United States and overseas.
 - **Performance Management:** An effective performance management system fosters institutional, unit and individual accountability.
 - **Human Capital Strategy:** The new department must ensure that that its homeland security missions are not adversely impacted by the government's pending human capital crisis, and that it can recruit, retain and reward a talented and motivated workforce, which has required core competencies, to achieve its mission and objectives. The people factor is a critical element in any major consolidation or transformation.
 - **Information Management and Technology:** The new department should leverage state-of-the art enabling technology to enhance its ability to transform capabilities and capacities to share and act upon timely, quality information about terrorist threats.
 - **Knowledge Management:** The new department must ensure it makes maximum use of the collective body of knowledge that will be brought together in the consolidation.
 - **Financial Management:** The new department has a stewardship obligation to prevent fraud, waste and abuse, to use tax dollars appropriately, and to ensure financial accountability to the President, Congress and the American people.
 - **Acquisition Management:** Anticipated as one of the largest of new federal departments, the proposed DHS will potentially have one of the most extensive acquisition requirements in government. Early attention to strong systems and controls for acquisition and related business processes will be critical both to ensuring success and maintaining integrity and accountability.
 - **Risk Management:** The new department must be able to maintain and enhance current states of homeland security readiness while transitioning and transforming itself into a more effective and efficient

structural unit. The proposed DHS will also need to immediately improve the government's overall ability to perform risk management activities that can help to prevent, defend against and respond to terrorist acts.

Homeland Security Reorganization

Prior to the terrorist attacks of September 11th, the United States in recent years had made what must be characterized as limited progress in strengthening its efforts to protect the nation from terrorist attacks. Mainly through the mechanisms of executive orders and presidential decision directives (PDD), the President has sought to provide greater clarity and leadership in homeland security areas. For instance, PDD 39 in June 1995 assigned the Department of Justice, through the FBI, responsibility as the lead federal agency for crisis management, and FEMA as the lead federal agency for consequence management for domestic terrorist attacks. In May 1998, PDD 62 established the position of national coordinator for terrorism within the National Security Council. PDD 63 emphasized new efforts to protect the nation's critical infrastructure from attack. Through legislation, the federal government increased the availability of grants for first responder training and instituted more regular tabletop training exercises involving state and local governments.

A number of blue ribbon panels or commissions were also convened prior to September 11th and, after studying the government's structure and methods for protecting against terrorism, made many important and timely recommendations for improving our approach. Panels led by former Senators Gary Hart and Warren Rudman, as well as former Virginia Governor James Gilmore, made sweeping recommendations about remedying the gaps, overlaps and coordination problems in the government's ability to detect, prevent, and respond to terrorist attacks in a comprehensive manner across both the public and private sectors. Indeed, the Hart-Rudman Commission recommended the creation of a new department to consolidate many of the government's homeland security functions.

In recent years, GAO has also issued numerous reports and made many recommendations designed to improve the nation's approach to homeland security. We summarized our work in a report completed just prior to the September 11th attacks, in which we found that: (1) overall leadership and coordination needed to be addressed; (2) limited progress had been made in developing a national strategy and related guidance and plans; (3) federal response capabilities had improved but further action was still necessary; (4) federal assistance to state and local governments could be consolidated; and (5) limited progress had been made in implementing a strategy to counter computer-based threats.¹³ We have continued to reiterate that a central focal point such as OHS be established statutorily in order to coordinate and oversee homeland security policy within a national framework.¹⁴ Today, we re-emphasize the need for OHS to be established statutorily in order to effectively coordinate activities beyond the scope of the proposed DHS and to assure reasonable congressional oversight.

As mentioned previously, after the September 11th terrorist attacks, Congress and the Administration took a number of actions designed to improve our ability to combat terrorism and protect the nation. The President created OHS via executive order. Congress passed legislation creating the Transportation Security Administration (TSA) to better secure transportation and the USA Patriot Act to improve our capabilities to detect and prevent terrorist acts. Congress also introduced legislation to restructure a variety of homeland security related functions, and Senator Lieberman and Representative Thornberry proposed legislation to create a new cabinet department to consolidate many homeland security functions.

¹³*Combating Terrorism: Selected Challenges and Recommendations*, September 20, 2001 (GAO-01-822).

¹⁴*Homeland Security: Responsibility and Accountability for Achieving National Goals*, April 11, 2002 (GAO-02-627T).

On June 6th, President Bush announced a new proposal to create a Department of Homeland Security and submitted draft legislation to Congress on June 18th. Like the congressional approaches to creation of a new department, the President's plan also reflected many of the recent commissions' suggestions and GAO's recommendations for improved coordination and consolidation of homeland security functions. As indicated by Governor Ridge in his recent testimony before Congress, the creation of DHS would empower a single cabinet official whose primary mission is to protect the American homeland from terrorism, including: (1) preventing terrorist attacks within the United States; (2) reducing America's vulnerability to terrorism; and (3) minimizing the damage and recovering from attacks that do occur.¹⁵

In our initial review of the proposed DHS, we have used the President's draft bill of June 18th as the basis of our comments. Nevertheless, we recognize that the proposal has already – and will continue – to evolve in the coming days and weeks ahead. The President's proposal creates a cabinet department with four divisions, including:

- Information Analysis and Infrastructure Protection
- Chemical, Biological, Radiological and Nuclear Countermeasures
- Border and Transportation Security
- Emergency Preparedness and Response

Additionally, the proposed DHS would be responsible for homeland security coordination with other executive branch agencies, state and local governments, the private sector and other entities. The legislation transfers to the new department intact the U.S. Secret Service and the U.S. Coast Guard. For the organizations transferred to the new department, the proposed DHS would be responsible for managing all of their functions, including non-homeland security functions. In some instances, these other responsibilities are substantial. Finally, the proposal would exempt the new department from certain authorities, including some civil service protections, the Federal Advisory Committee Act, and procurement laws,

¹⁵*The Department of Homeland Security: Making Americans Safer*, Written Statement of Governor Tom Ridge before the Committee on Governmental Affairs, U.S. Senate, June 20, 2002.

while providing authority to authorize new rules by regulation and to reprogram portions of departmental appropriations. The new department's Inspector General would be modeled on that office in the Central Intelligence Agency.

Homeland Security Missions

One of the most critical functions that the new department will have is the analysis of information and intelligence to better foresee terrorist threats to the United States. As part of its function, the Information Analysis and Infrastructure Protection division of the department would assess the vulnerability of America's key assets and critical infrastructure, including food and water systems, agriculture, health systems, emergency services, banking and finance, communications and information systems, energy (including electric, nuclear, gas and oil and hydropower), transportation systems, and national monuments.

The President's proposal seeks to transfer to the new department the FBI's National Infrastructure Protection Center (other than the computer investigations and operations center), the National Communications System of DOD, the Commerce Department's Critical Infrastructure Assurance Office, the Computer Security Division of the National Institute of Standards and Technology (NIST), the National Infrastructure Simulation and Analysis Center of DOE, and the General Services Administration's (GSA) Federal Computer Incident Response Center.

The Administration has indicated that this new division would for the first time merge under one roof the capability to identify and assess threats to the homeland, map those threats against our vulnerabilities, issue timely warnings, and organize preventive or protective action to secure the homeland. Considerable debate has ensued in recent weeks with respect to the quality and timeliness of intelligence data shared between and among relevant intelligence, law enforcement and other agencies. The proposal would provide for the new department to receive all reports and analysis related to threats of terrorism and vulnerabilities to our infrastructure and, if the President directs, information in the "raw" state that has not been analyzed.

The agencies and programs included in the Administration's proposal to consolidate information analysis functions are clear contributors to the homeland security mission and, if well coordinated or consolidated, could provide greater benefits in incident reporting, analysis and warning, and the identification of critical assets. Such a critical endeavor, however, will

still require detailed planning and coordination, including a national critical infrastructure protection strategy, both inside and outside the new department, to ensure that relevant information reaches the right offices and officials who can act upon it. Furthermore, in considering this portion of the legislation, Congress ought to evaluate whether the new division as proposed, despite the provision stipulating access, will have sufficient ability to obtain all necessary information, assistance and guidance to make decisions in a timely, effective manner.

Within this framework, the Congress will likely need to make trade-off decisions between concerns over access and utility of information and the concerns that some Americans may have about civil rights issues associated with any larger consolidation of domestically-oriented intelligence operations. It is also important to note that while certain cyber/critical infrastructure protection functions are proposed for transfer into DHS, a significant number of federal organizations involved in this effort will remain in their existing locations, including the Critical Infrastructure Protection Board, the Joint Task Force for Computer Network Operations, and the Computer Investigations and Operations Section of the FBI. The homeland security proposal is silent on the relationship between those entities that will be consolidated and their role in coordinating with the entities left out of the new department, and Congress should consider addressing this important issue. Ultimately, a greater emphasis on strategic planning and information sharing clearly will be necessary to resolve the significant shortfalls that the government has faced in sharing critical intelligence and infrastructure information in order to better achieve homeland security expectations. The consolidation of some intelligence functions into DHS may help solve these problems.

The division of the new department responsible for chemical, biological, radiological and nuclear countermeasures will consolidate several important scientific, research and development programs, including the select agent registration enforcement programs and activities of the Department of Health and Human Services (HHS), programs at DOE dealing with chemical and biological national security and non-proliferation supporting programs, the nuclear smuggling programs, the nuclear assessment program, energy security and assurance activities, and life science activities of DOE's biological and environmental research program related to microbial pathogens. Also proposed for transfer are the Environmental Measurements Laboratory, portions of the Lawrence Livermore National Laboratory, the Plum Island Animal Diseases Center of

the Department of Agriculture (USDA), and DOD's National Bio-Weapons Defense Analysis Center, which is not yet operational.

The proposal seeks to remedy the current fragmented efforts of the government and its private sector partners to counter and protect against the threat of weapons of mass destruction. To the extent that this division would develop or coordinate the development of national policy to strengthen research and development in the areas of countermeasures to chemical, biological, radiological and nuclear weapons, such a goal conforms to previous recommendations we have made.¹⁶ As with the information analysis division discussed previously, this division would also have extensive needs to coordinate with other similar programs throughout the government – programs which are not included in the new department. For example, there are civilian applications of defense related research and development underway at the Defense Threat Reduction Agency (DTRA) and the National Institutes of Health (NIH) has some on-going responsibility for bioterrorism research. Whether such programs ought to be considered for inclusion in the new department, or whether these issues can be coordinated simply through improved interaction, are also questions that should be considered in the larger context of the legislation. The proposal also calls for transferring elements of the Lawrence Livermore Lab to the new department. At this point, without sufficient additional information, it is not clear what the impact that such a shift would have on the lab's overall research program or the significant contract workforce that is engaged in much of the activities. Congress may also need to further explore whether the relationships the proposal would establish between the new department's secretary and the Secretary of HHS will efficiently and effectively result in the desired outcomes for civilian research, as the nature of the agreements and delegations to implement such functions are not clear. Nevertheless, despite some unresolved ambiguity, it will be important for the Congress to capture the synergy that potentially can be created by combining compatible research and development activities.

One of the larger divisions of the new department would handle Border and Transportation Security, and would include the transfer of the U.S. Customs Service, INS, the Animal and Plant Health Inspection Service (APHIS) of USDA, the Coast Guard and TSA, both from DOT, and GSA's

¹⁶*Combating Terrorism: Selected Challenges and Related Recommendations*, September 20, 2001 ([GAO-01-822](#)).

Federal Protective Service. The proposal seeks to bring together under one department all of the border control functions, including authority over the issuance of visas, in order to consolidate operations for border controls, territorial waters and transportation systems. This effort is designed to balance prevention of terrorist activities against people, food and other goods, and transportation systems with the legitimate, rapid movement of people and commerce across borders and around the country. Under the proposed transfer, APHIS and Plum Island (as part of the Infrastructure division) would be moved from USDA, but other units would remain. In addition, no Food and Drug Administration (FDA) food safety functions were identified for transfer. Thus, the focus appears to be on enhancing protection of livestock and crops from terrorist acts, rather than on protecting the food supply as a whole. In previous reports, GAO has described our current fragmented federal food supply safety structure and, in the absence of a single food safety agency, Congress may wish to consider whether the new department would be able to prevent, detect, and quickly respond to acts of terrorism in the food supply. Another issue that Congress may need to consider is the organizational separation of facilities management functions and building security responsibilities contained in the Federal Protective Service's mission. Since the provision of security is a key facilities management function, security needs to be integrated into decisions about the location, design and operation of federal facilities. Moreover, many federal agencies provide their own building security. The proposal does not address the coordination or further consolidation of such functions, and it is also silent on GSA's role in leading the Interagency Security Committee, which develops the federal government's security policies and oversees the implementation of such policies in federal facilities.

Finally, the last division, Emergency Preparedness and Response, would combine the government's various agencies and programs that provide assistance, grants, training and related help to state and local governments, to first responder personnel and support other federal agencies that may confront terrorist attacks, major disasters and other emergencies. The proposal would transfer to the new department the Federal Emergency Management Agency (FEMA), the Office of Domestic Preparedness and the Domestic Emergency Support Teams of the Justice Department and National Domestic Preparedness Office of the FBI, as well as the Strategic National Stockpile and certain public health preparedness responsibilities of HHS. This consolidation would allow the secretary of the new department to oversee federal government assistance in the domestic disaster preparedness training of first responders and would coordinate the

government's disaster response efforts. Although certain other disaster response functions are not specifically included in the proposed department, the DHS secretary would have the authority to call on other response assets, such as DOE's nuclear incident response teams. Additionally, Congress might wish to examine the likely impact of establishing agreements between the DHS and HHS secretaries that retain authority for the conduct of certain public health related activities at DHS but the execution of the activities would be left to HHS.

Impact on Other Functions

The legislation for the new department indicates that DHS, in addition to its homeland security responsibilities, will also be responsible for carrying out all other functions of the agencies and programs that are transferred to it. In fact, quite a number of the agencies proposed to be transferred to DHS have multiple functions – they have missions directly associated with homeland security and missions that are not at all related to homeland security. In our initial review of the impacted agencies, we have not found any missions that would appear to be in fundamental conflict with the department's primary mission of homeland security. However, the Congress will need to consider whether many of the non-homeland security missions of those agencies transferred to DHS will receive adequate funding, attention, visibility and support when subsumed into a department that will be under tremendous pressure to succeed in its primary mission. As important and vital as the homeland security mission is to our nation's future, the other non-homeland security missions transferred to DHS for the most part are not small or trivial responsibilities. Rather, they represent extremely important functions executed by the federal government that, absent sufficient attention, could have serious implications for their effective delivery and consequences for sectors of our economy, health and safety, research programs and other significant government functions. Some of these responsibilities include:

- maritime safety and drug interdiction by the Coast Guard,
- collection of commercial tariffs by the Customs Service,
- regulation of genetically engineered plants by APHIS,
- advanced energy and environmental research by the Lawrence Livermore and Environmental Measurements labs,
- responding to floods and other natural disasters by FEMA, and

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- authority over processing visas by the State Department’s consular officers.

These examples reveal that many non-homeland security missions are likely to be integrated into a cabinet department overwhelmingly dedicated to protecting the nation from terrorism. Congress may wish to consider whether the new department, as proposed, will dedicate sufficient management capacity and accountability to ensure the execution of non-homeland security missions, as well as consider potential alternatives to the current framework for handling these important functions.

Likewise, Congress may wish to consider the impact that the proposed transfer of certain agencies and programs may have on their “home” departments. Both the Department of the Treasury and the DOT will see significant reductions in size and changes to their overall departmental missions, organization, and environments if the legislation is enacted. As a result, these changes provide an opportunity for Congress and the Administration to consider what is the proper role for these and other federal government entities. As the impact of reductions of missions and personnel are contemplated at several cabinet departments, it is appropriate for Congress to reconsider the relevance or fit of federal programs and activities. This process requires that we ask important, yet sometimes tough questions, such as:

- What is the national need?
- How important is it relative to other competing needs and available resources?
- What is the proper federal role, if any?
- Who are the other key players (e.g., state and local government, non-government organizations, private sector)?
- How should we define success (e.g., desired outcomes)?
- What tools of government create the best incentives for strong results – (direct funding, tax incentives, guarantees, regulation, enforcement)?
- What does experience tell us about the effectiveness of any current related government programs?

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- Based on the above, what programs should be reduced, terminated, started or expanded?

In fact, given the key trends identified in GAO's recent strategic plan for supporting the Congress and our long range fiscal challenges, now is the time to ask three key questions: (1) what should the federal government do in the 21st century? (2) how should the federal government do business in the 21st century? and (3) who should do the federal government's business the 21st century? These questions are relevant for DHS and every other federal agency and activity.

As the proposal to create DHS indicates, the terrorist events of last fall have provided an impetus for the government to look at the larger picture of how it provides homeland security and how it can best accomplish associated missions. Yet, even for those agencies that are not being integrated into DHS, there remains a very real need and possibly a unique opportunity to rethink approaches and priorities to enable them to better target their resources to address our most urgent needs. In some cases, the new emphasis on homeland security has prompted attention to long-standing problems that have suddenly become more pressing. For example, we've mentioned the overlapping and duplicative food safety programs in the federal government.¹⁷ While such overlap has been responsible for poor coordination and inefficient allocation of resources, these issues assume a new, and potentially more foreboding, meaning after September 11th given the threat from bio-terrorism. A consolidated approach can facilitate a concerted and effective response to new threats.

The federal role in law enforcement, especially in connection with securing our borders, is another area that is ripe for re-examination following the events of September 11th. In the past 20 years, the federal government has taken on a larger role in financing criminal justice activities that have traditionally been viewed as the province of the state and local sector. Given the daunting new law enforcement responsibilities, and limited budgetary resources at all levels, it is important to consider whether these additional responsibilities should encourage us to reassess criminal justice roles and responsibilities at the federal, state and local level.

¹⁷*Food Safety: Fundamental Changes Needed to Ensure Safe Food*, October 10, 2001 (GAO-02-47T).

Management Concerns

As Congress considers legislation for a new homeland security department, it is important to note that simply moving agencies into a new government organizational structure will, by itself, be insufficient to create the dynamic environment that will be required to meet performance expectations for protecting and defending the nation against terrorism. It is critical to recognize the important management and implementation challenges the new department will face. These challenges are already being faced at TSA, which is under considerable pressure to build a strong workforce and meet numerous deadlines for integrating technology and security issues. Moreover, Congress should be aware that some fundamental problems currently exist with certain of the agencies that are slated to become part of the new department. DHS will need to pay special attention to these agencies to ensure that they can maintain readiness and confront significant management problems simultaneously.

For example, several of the agencies currently face challenges in administering their programs, managing their human capital, and implementing and securing information technology systems. Absent immediate and sustained attention to long-standing issues, these problems are likely to remain once the transfer is complete. Our past work has demonstrated that these management challenges exist within INS, APHIS, and FEMA. Program management and implementation has been a particular challenge for INS, which has a dual mission of enforcing laws regarding illegal immigration and providing immigration and naturalization services for aliens who enter and reside legally in the U.S. This “mission overload” has impeded INS from succeeding at either of its primary functions. In 1997, the bipartisan Commission on Immigration Reform stated that INS’ service and enforcement functions were incompatible and that tasking one agency with carrying out both functions caused problems, such as competition for resources, lack of coordination and cooperation, and personnel practices that created confusion regarding mission and responsibilities. For example, INS does not have procedures in place to coordinate its resources for initiating and managing its programs to combat alien smuggling. In several border areas, multiple antismuggling units exist that operate autonomously, overlap in jurisdiction, and report to different

INS officials. In addition, INS field officials lack clear criteria on which antismuggling cases to investigate, resulting in inconsistent decision-making across locations.¹⁸

Managing human capital also remains a challenge for INS, APHIS, and FEMA. For INS, issues in managing its human capital management have impacted various functions. Because of cut backs or delays in training, a large portion of INS' staff will be relatively inexperienced and inadequately trained for processing visas for specialty occupations. Furthermore, while INS officials believe they need more staff to keep up with the workload, they could not specify the types of staff needed or where they should be located because of the lack of a staff allocation model and procedures. APHIS, one of the three primary agencies responsible for monitoring the entry of cargo and passengers into the U.S., has struggled to keep pace with its heavy workload at ports of entry.¹⁹ These conditions have led APHIS inspectors to shortcut cargo inspection procedures, thereby jeopardizing the quality of the inspections conducted. In addition, APHIS has little assurance that it is effectively deploying its limited inspection resources because of weaknesses in its staffing models. Likewise, FEMA still struggles with using its disaster relief staff in an effective manner although it has reported progress in improving its Disaster Field Office operations through convening a review council to study its operations and the implementation of corrective actions.²⁰

Agencies' management efforts to implement information technology systems, as well as utilize and secure the information within these systems, have also proved challenging. For example, INS lacks an agencywide automated case tracking and management system to help it monitor and coordinate its investigations. Further, INS' antismuggling intelligence efforts have been hampered by an inefficient and cumbersome process for retrieving and analyzing intelligence information and by the lack of clear guidance to INS staff about how to gather, analyze, and disseminate intelligence information. Within APHIS, no central automated system has

¹⁸*Major Management Challenges and Program Risks: Department of Justice*, January 2001 (GAO-01-250).

¹⁹*Agricultural Inspection: Improvements Needed to Minimize Threat of Foreign Pests and Disease*, May 5, 1997 (GAO/RED-97-102).

²⁰*Federal Emergency Management Agency: Status of Achieving Key Outcomes and Addressing Major Management Challenges*, July 9, 2001 (GAO-01-832).

been implemented to allow for agency-wide access to information on the status of shipments on hold at ports, forcing inspection staff to use a manual record keeping system that does not reliably track this information. For FEMA, material weaknesses in its access controls and program change controls have contributed to deficiencies within its financial information systems.

Keys To Successful Implementation

The creation of the Department of Homeland Security will be one of the largest, most complex re-structurings ever under taken. The department and its leaders will face many challenges, including organizational, human capital, process, technology and environmental issues that must be sorted out at the same time that the new department is working to maintain readiness. Strategic planning will be critical to maintaining readiness, managing risk, and balancing priorities, and the department's broad mission will depend on many partners to ensure success. Moreover, sound management systems and practices will be integral to the department's ability to achieve its mission effectively and to be held accountable for results.

Though faced with enormous management challenges, one must also look at the building of a new department as an opportunity to create a high performance organization. As indicated earlier, the President's proposal includes many management flexibilities to allow rapid and fluid responses to events and to obtain sufficient personnel for the new department. Given the enormous management challenges, it is clear that some degree of flexibility will be necessary for the new department to minimize transition problems. However, in providing flexibility, mechanisms must also be established to provide some protections to prevent abuse and appropriate transparency and accountability mechanisms. The government's management laws, such as the Chief Financial Officers Act, the Clinger-Cohen Act, the Inspector General Act, and the Government Performance and Results Act, for instance, provide an effective foundation for the management structure of the new department and a basis for ensuring performance and accountability. These laws, as well as the following management practices, will be critical to the ultimate success of the new department:

Strategic Planning

A strategic plan should be the cornerstone of DHS' planning structure. It should clearly articulate the agency's mission, goals, objectives, and the

strategies the department will use to achieve those goals and objectives. It provides a focal point for all planning efforts, and is integral to how an organization structures itself to accomplish its mission. In addition, a comprehensive transition plan that clearly delineates timetables and resource requirements will be vital to managing this re-organization. A consolidation of this magnitude cannot be accomplished in months. As shown by past experience, it will take years to truly consolidate the programs, functions and activities being brought under the umbrella of DHS. The President has taken a significant first step by establishing a transition planning office in the Office of Management and Budget. Congress should consider requiring a comprehensive transition plan and periodic progress reports, as part of its oversight of the consolidation actions.

The magnitude of the challenges that DHS faces calls for comprehensive and rigorous planning to guide decisions about how to make the department work effectively and achieve high performance. Leadership will be needed to establish long-range plans, to direct and coordinate the actions of the department's various interrelated policies and functions, and to achieve its goals and objectives. Management also must develop specific short-range plans to efficiently direct resources among functions and to assist in making decisions regarding day-to-day operations. DHS must define priorities, goals and plans in concert with other agencies, Congress, and outside interest groups, while also leveraging the potential and dynamism of its new units.²¹

Organizational Alignment

Leading organizations start by assessing the extent to which their programs and activities contribute to meeting their mission and intended results. An organization's activities, core processes, and resources must be aligned to support missions and help it achieve its goals. It is not uncommon for new leadership teams to find that their organization structures are obsolete and inadequate to modern demands, or that spans of control and field to headquarters ratios are misaligned, and that changes are required. For example, the agencies proposed to be included in DHS have unique field structures, the integration of which will be a significant challenge given the natural tension between organizational, functional and geographic

²¹*Management Reform: Elements of Successful Improvement Initiatives*, October 15, 1999 (GAO/T-GGD-00-26).

orientations. Flexibility will be needed to accomplish this difficult management task, as well as many others.

Communication/Building Partnerships

The President's proposal will consolidate many homeland security functions and activities. However, the new department ultimately will be dependent on the relationships it builds both within and outside the department for its ultimate success. As we indicated, the recently reported intelligence sharing challenges provide ample illustration of the need for strong partnerships and full communication among critical stakeholders.

There is a growing understanding that any meaningful results that agencies hope to achieve are accomplished through matrixed relationships or networks of governmental and nongovernmental organizations working together toward a common purpose. These matrixed relationships exist on at least three levels. First, they support the various internal units of an agency. Second, they include the relationships among the components of a parent department as well as those between individual components and the department. Matrixed relationships are also developed externally, including relationships with other federal agencies, domestic and international organizations, for-profit and not-for-profit contractors, and state and local governments, among others.

Internally, leading organizations seek to ensure that managers, teams, and employees at all levels are given the authority they need to accomplish their goals and work collaboratively to achieve organizational outcomes. Communication flows up and down the organization to ensure that line staff has the ability to provide leadership with the perspective and information that the leadership needs to make decisions. Likewise, senior leadership keeps line staff informed of key developments and issues so that the staff can best contribute to achieving the organization's goals. There is no question that effective communication strategies are key to any major consolidation or transformation effort.

Collaboration, coordination, and communication are equally important across agency boundaries. However, our work also has shown that agencies encounter a range of barriers when they attempt coordination.²² In our past work, we have offered several possible approaches for better managing crosscutting programs – such as improved coordination, integration, and consolidation—to ensure that crosscutting goals are consistent, program efforts are mutually reinforcing, and where appropriate, common or complementary performance measures are used as a basis for management.²³

The proposed legislation provides for the new department to reach out to state and local governments and the private sector to coordinate and integrate planning, communications, information, and recovery efforts addressing homeland security. This is important recognition of the critical role played by nonfederal entities in protecting the nation from terrorist attacks. State and local governments play primary roles in performing functions that will be essential in effectively addressing our new challenges. Much attention has already been paid to their role as first responders in all disasters, whether caused by terrorist attacks or natural disasters. State and local governments also have roles to play in protecting critical infrastructure and providing public health and law enforcement response capability. The private sector's ownership of energy and telecommunications is but one indicator of the critical role that the corporate sector must play in addressing threats to our homeland.

Achieving national preparedness and response goals hinge on the federal government's ability to form effective partnerships with nonfederal entities. Therefore, federal initiatives should be conceived as national, not federal in nature. The new department needs to gain the full participation and buy-in of partners in both policy formulation and implementation to develop effective partnerships. DHS will need to balance national interests with the unique needs and interests of nonfederal partners. One size will not, nor should it, fit all. It is important to recognize both the opportunities and risks associated with partnerships. While gaining the opportunity to leverage the legal, financial and human capital assets of partners for national preparedness, each of these nonfederal entities has goals and

²²*Managing for Results: Barriers to Interagency Coordination*, March 29, 2000 (GAO/GGD-01-106).

²³*Using the Results Act to Address Mission Fragmentation and Program Overlap*, August 29, 1997 (GAO/AIMD-97-146).

priorities that are independent of the federal government. In designing tools to engage these actors, the department needs to be aware of the potential for goal slippage and resource diversion. For instance, in providing grants to state or local governments for training and equipment, federal officials should be alert to the potential for these governments to use grants to substitute for their own resources in these programs, essentially converting a targeted federal grant into a general revenue sharing initiative. Maintenance of effort provisions can be included to protect against such risk. Designing and managing the tools of public policy to engage and work constructively with third parties has become a new skill required of federal agencies, and one that needs to be addressed by the new department.

A good illustration of the relevance of partnerships involves the protection of the nation's borders against threats arriving aboard shipping cargo. The Customs Service currently inspects only two percent of the cargo arriving in American ports and it is probably unrealistic to expect significant increases in coverage through inspections even with higher numbers of federal inspectors. Rather, a more effective strategy calls for the federal government to work proactively with shipping companies to gain their active buy-in to self-inspections and more rigorous protection of cargo. Partnerships with foreign ports are also critical in preventing the shipping of suspicious items in the first place. Although critical to national security, the protection of our ports illustrates the critical role played by partnerships spanning sectors of the economy and nations.

Performance Management

A performance management system that promotes the alignment of institutional, unit and individual accountability to achieve results will be an essential component for success of the new department. High-performing organizations know how the services and functions they deliver contribute to achieving the results of their organizations. Our work has shown that there are three characteristics for high-performing, results-oriented organizations. These organizations: (1) define clear missions and desired outcomes; (2) measure performance to gauge progress; and (3) use performance information as a basis for decision-making.²⁴ These characteristics are consistent with the Government Performance and

²⁴*Executive Guide: Effectively Implementing the Government Performance and Results Act*, June 1996 (GAO/GGD-96-118).

Results Act, and should be the guide to developing a strong performance management system for the new department.

The first step for the department's leadership will be to define its mission and desired outcomes. Activities, core processes and resources will have to be aligned. This will require cascading the department's goals and objectives down through the organization. Further, an effective performance management system will require involvement of stakeholders and a full understanding of the environment in which the department operates.

A good performance management system fosters both institutional, unit and individual accountability. One way to inculcate a culture of excellence or results-orientation is to align individual employees' performance expectations with agency goals and desired outcomes so that individuals understand the connection between their daily activities and their organization's success. High-performing organizations have recognized that a key element of a fully successful performance management system is to create a "line of sight" that shows how individual responsibilities contribute to organizational goals. These organizations align their top leadership's performance expectations with organizational goals and then cascade performance expectations to lower organizational levels.²⁵

Human Capital Strategy

An organization's people are its most important asset. People define an organization, affect its capacity to perform, and represent the knowledge-base of the organization. In an effort to help agency leaders integrate human capital considerations into daily decision-making and in the program results they seek to achieve, we have recently released an exposure draft of a model of strategic human capital management that highlights the kinds of thinking that agencies should apply and steps they can take to manage their human capital more strategically.²⁶ The model focuses on four cornerstones for effective human capital management – leadership; strategic human capital planning; acquiring, developing, and retaining talent; and results-oriented organization culture. The new department may find this model useful in helping guide its efforts.

²⁵*Managing for Results: Emerging Benefits From Selected Agencies' Use of Performance Agreements*, October 20, 2000 (GAO-01-115).

²⁶*A Model of Strategic Human Capital Management*, March 15, 2002 (GAO-02-373SP).

One of the major challenges DHS faces is the creation of a common organizational culture to support a unified mission, common set of core values, and organization-wide strategic goals, while simultaneously ensuring that the various components have the flexibility and authorities they need to achieve results. When I have discussed the need for government-wide reforms in strategic human capital management, I have often referred to a three-step process that should be used in making needed changes. This process may be helpful to Congress as it considers the human capital and other management authorities it will provide the department. Like other departments, DHS should be encouraged to make appropriate use of all authorities at its disposal. We often find that agencies are not taking full advantage of the tools, incentives, and authorities that Congress and the central management agencies have provided. DHS will also find it beneficial to identify targeted statutory changes that Congress could consider to enhance DHS's efficiency and effectiveness (e.g., additional hiring and compensation flexibility for critical skill areas, targeted early out and buyout authority). In this regard, Congress may wish to consider the approach it used in forming TSA, which included provisions for a progress report and related recommendations for congressional action.

Information Management and Technology

The new department will face tremendous communications and systems and information technology challenges. Programs and agencies will be brought together in the new department from throughout the government. Each will bring their communications and information systems. It will be a tremendous undertaking to integrate these diverse systems to enable effective communication and share information among themselves, as well as those outside the department. Further, considering the sensitivity of the data at the proposed department, securing its information systems and networks will be a major challenge. Since 1996, we have reported that poor information security is a widespread federal government problem with potentially devastating consequences.

Effective leadership and focused management control will be critical to meeting these challenges. We recommend that a CIO management structure as prescribed by the Clinger-Cohen Act of 1996 be established to provide the leadership necessary to direct this complex, vital function. Further, it will be critical that an enterprise architecture be developed to guide the integration and modernization of information systems. Enterprise architecture consists of models that describe how the enterprise operates now and how it needs to operate in the future. Without enterprise

architecture to guide and constrain IT investments, stovepipe operations and systems can emerge, which in turn lead to needless duplication, incompatibilities, and additional costs. By its very nature, the combining of organizations will result in stovepipes. It will require strong leadership, re-engineering of business processes to meet corporate goals, and effective planning to integrate, modernize and secure the new department's information systems.

Knowledge Management

Effective knowledge management captures the collective body of information and intellect within an organization, treats the resultant knowledge base as a valued asset, and makes relevant parts of the knowledge base available to decisionmakers at all levels of the organization. Knowledge management is closely aligned with enterprise architecture management, because both focus on systematically identifying the information needs of the organization and describing the means for sharing this information among those who need it. The people brought together in the new department will have diverse skills and knowledge. It will be critical for the new department to build an effective knowledge management capability. Elements involved in institutionalizing this function include:

- Deciding with whom (both internally and externally) to share organizational knowledge;
- Deciding what knowledge is to be share, through performing a knowledge audit and creating a knowledge map;
- Deciding how the knowledge is to be share, through creating apprenticeship/mentoring programs and communities of practice for transferring tacit knowledge, identifying best practices and lessons learned, managing knowledge content, and evaluating methods for sharing knowledge; and
- Sharing and using organizational knowledge, through obtaining sustained executive commitment, integrating the knowledge management function across the enterprise and embedding it in business models, communications strategies, and measuring performance and value.

Financial Management

The events of September 11th and the efforts of the Administration and Congress to protect the country from future terrorist attacks have generated enormous demands on resources in a short period of time. The FY2002 appropriations and the nearly simultaneous transmission of an emergency supplement and FY2003 budget request were followed shortly by a second FY2002 supplemental. This rapid growth in spending for homeland security has shifted budget priorities in ways that we are only beginning to understand. As Congress considers the resource implications of the proposed Department, both budget and accountability issues need to be addressed.

It will be important for both OMB and the Congress to develop a process to track the budget authority and outlays associated with homeland security through the President's budget proposals, congressional budget resolution, and the appropriations process.²⁷ A tracking system is vital for Congress to address the total spending for homeland security as well as to ensure that the total allocations are in fact implemented subsequently in the authorization and appropriations process. In addition, DHS must also track the spending for the non-homeland security missions of the department.

As we have indicated, many important activities relevant to homeland security will continue to be housed in other agencies outside the department, such as the protection of nuclear power plants and drinking water, and require the new department to work collaboratively. The proposed legislation addresses this challenge in several instances by authorizing the new department to transfer and/or control resources for some of these related programs. For instance, the department is given authority to set priorities for research on bioterrorism by the Department of Health and Human Services, but it is unclear how this will occur.

Although consolidating activities in one department may produce savings over the longer term, there will be certain transition costs in the near term associated with setting up the new agency, acquiring space, providing for new information systems, and other assorted administrative expenses. Some of these costs, such as developing new systems, may be one time in nature, while others, such as the overhead necessary to administer the department will be continuing. Congress may very well decide that these

²⁷OMB issues an annual report that provides funding and programming information on the federal government's efforts to combat terrorism. However, this report is issued after appropriations occur.

new costs should be absorbed from the appropriations of programs and agencies being consolidated into the department. Indeed, it appears that the Administration's proposal seeks to facilitate this by authorizing the Secretary to draw up to five percent of unobligated balances from accounts to be included in the new department after notification to the Congress. While these transfers may be sufficient to fund the transition, the costs of the transition should be transparent to Congress up front as it considers the proposed new department.

The initial estimated funding for the new department is \$37.7 billion. This estimate reportedly includes the total funds, both for homeland and non-homeland security missions of the incoming agencies and programs. Agencies and programs migrating to the new department have different financial systems, as well as financial management challenges. Further, the new department would have numerous financial relationships with other federal departments, as well as state and local government and the private sector. It will be essential that the department have very strong financial stewardship to manage these funds. It is important to re-emphasize that the department should be brought under the Chief Financial Officers (CFO) Act and related financial management statutes. A Chief Financial Officer, as provided by the CFO Act, would be a significant step to ensuring the senior leadership necessary to cut across organizational boundaries to institutionalize sound financial systems and practices and provide good internal controls and accountability for financial resources. Systems that produce reliable financial information will be critical to managing day-to-day operations and holding people accountable.

Acquisition Management

Sound acquisition management is central to accomplishing the department's mission. While the details are still emerging, the new department is expected to spend billions annually to acquire a broad range of products, technologies, and services from private-sector companies. Getting the most from this investment will depend on how well the department manages its acquisition activities. Our reports have shown that that some of the government's largest procurement operations are not always particularly well run. In fact, three agencies with major procurement operations – DOD, DOE and NASA – have been on our high-risk list for the last 10 years.²⁸

²⁸*High-Risk Series: An Update*, January 1, 2001 (GAO-01-263).

To ensure successful acquisition outcomes, and effectively integrate the diverse organizational elements that will comprise the new department, we believe the department needs to adopt a strategic perspective on acquisition needs, including the establishing a Chief Acquisition Officer. Key elements of a strategic approach involve leadership, sound acquisition strategies, and a highly skilled workforce. Our acquisition best practices work²⁹ shows that a procurement executive or chief acquisition officer plays a crucial role in implementing a strategic approach to acquisition. At the leading companies we visited, such officials were corporate executives who had authority to influence decisions on acquisitions, implement needed structural process or role changes, and provide the necessary clout to obtain buy-in and acceptance of reengineering and reform efforts. Good acquisition outcomes start with sound acquisition strategies. Before committing substantial resources, the department should look across all of its organizational elements to ensure that requirements are linked to mission needs and costs and alternative solutions have been considered. Finally, having the right people with the right skills to successfully manage acquisitions is critical to achieving the department's mission. Many agencies are experiencing significant skill and experience imbalances. This will be a particular leadership challenge for the acquisition function.

The administration's proposal would allow the department to deviate from the normal federal acquisition rules and laws. Certainly, there could be situations where it might be necessary to expedite or streamline procurement processes so that the department is not handicapped in its ability to protect American citizens against terrorism. We support such flexibilities in these situations. However, it is not clear from our review of the administration's proposal exactly what flexibilities are being requested. Moreover, depending on how far-reaching such flexibilities go, we are concerned about whether the department will have an acquisition workforce with the skills and capabilities to execute the acquisition function outside of the normal procurement structure.

Risk Management

A risk assessment is central to risk management and involves the consideration of several factors. Generally, the risk assessment process is a deliberate, analytical approach to identify which threats can exploit which vulnerabilities in an organization's specific assets. The factors to

²⁹*Best Practices: Taking a Strategic Approach Could Improve DOD's Acquisition of Services*, January 18, 2002 ([GAO-02-230](#)).

consider include analyzing the vulnerabilities, identifying and characterizing the threat, assessing the value of the asset, identifying and costing countermeasures, and assessing risks. After these factors are considered, an organization can decide on implementing actions to reduce the risk. It is very difficult to rank threats. However, it is more constructive to consider a range of threats and review the vulnerabilities and criticality of assets when contemplating decisions on resource allocations toward homeland security. As a nation, we must be able to weather a variety of threat-oriented scenarios with prudent planning and execution. Therefore it is very important to ensure that the right resources are applied to the most appropriate areas based on a risk based management approach.

In summary, I have discussed the reorganization of homeland security functions and some critical factors for success. However, the single most important element of a successful reorganization is the commitment of top leaders. Top leadership involvement and clear lines of accountability for making management improvements are critical to overcoming an organization's natural resistance to change, marshalling the resources needed to improve management, and building and maintaining organization-wide commitment to new ways of doing business. Organizational cultures will not be transformed, and new visions and ways of doing business will not take root without strong and sustained leadership. Strong and visionary leadership will be vital to creating a unified, focused organization, as opposed to a group of separate units under a single roof.

Madame Chair, this concludes my written testimony. I would be pleased to respond to any questions that you or members of the Subcommittee may have at this time.

Related GAO Products

Homeland Security

Homeland Security: Key Elements to Unify Efforts Are Underway but Uncertainty Remains ([GAO-02-610](#), June 7, 2002).

National Preparedness: Integrating New and Existing Technology and Information Sharing into an Effective Homeland Security Strategy ([GAO-02-811T](#), June 7, 2002).

Homeland Security: Responsibility and Accountability for Achieving National Goals ([GAO-02-627T](#), April 11, 2002).

National Preparedness: Integration of Federal, State, Local, and Private Sector Efforts Is Critical to an Effective National Strategy for Homeland Security ([GAO-02-621T](#), April 11, 2002).

Combating Terrorism: Enhancing Partnerships Through a National Preparedness Strategy ([GAO-02-549T](#), March 28, 2002).

Homeland Security: Progress Made, More Direction and Partnership Sought ([GAO-02-490T](#), March 12, 2002).

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Homeland Security: A Framework for Addressing the Nation's Issues ([GAO-01-1158T](#), September 21, 2001).

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