

**AN OVERVIEW OF ISSUES AND CHALLENGES FACING
THE DEPARTMENT OF HOMELAND SECURITY**

FULL HEARING
OF THE
COMMITTEE ON HOMELAND SECURITY
HOUSE OF REPRESENTATIVES
ONE HUNDRED TENTH CONGRESS
FIRST SESSION

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AN OVERVIEW OF ISSUES AND CHALLENGES FACING THE DEPARTMENT OF HOMELAND SECURITY

Wednesday, February 7, 2007

U.S. HOUSE OF REPRESENTATIVES,
COMMITTEE ON HOMELAND SECURITY,
Washington, DC.

The committee met, pursuant to call, at 1:05 p.m., in Room 311, Cannon House Office Building, Hon. Bennie Thompson [chairman of the committee] presiding.

Present: Representatives Thompson, Sanchez, Dicks, Harman, Lofgren, Jackson Lee, Christensen, Etheridge, Langevin, Cuellar, Carney, Clarke, Green, Perlmutter, King, Lungren, Rogers, McCaul, Brown-Waite, Blackburn, Bilirakis, and Davis of Tennessee.

Chairman THOMPSON. [Presiding.] The Committee on Homeland Security will come to order.

The committee is meeting today to receive testimony on an overview of issues and challenges facing the Department of Homeland Security.

Today we will hear testimony from two distinguished witnesses. Combined, they have written hundreds of reports detailing the problems and challenges facing the Department of Homeland Security.

From the outset, it was clear that the transformation of 22 agencies into one unfulfilled department would be a major challenge. But we expected that by the fourth year of this endeavor the department would be well on its path to stability. Regrettably, instead, DHS seems to be wandering aimlessly toward an uncertain destination.

Is it because of DHS's importance to our nation's security that we must now allow basic problems or organizational structure and administrative weaknesses to continue to hamper its ability to accomplish its mission? Unfortunately, that is what appears to be happening.

In Hurricane Katrina we saw firsthand that the failure to get routine management, procurement and financial assistance under control can and does hinder and sometimes even halts the ability of this agency to get the job done. The kind of dysfunction that occurred in response to Hurricane Katrina cannot become standard practice for this department.

It will take an aggressive oversight to get DHS on track. Our combined efforts—Congress's, the GAO's and the inspector gen-

eral's—are vital if the department is to become the kind of agency the American people deserve.

And that is the purpose of today's hearing, to have a frank discussion about the areas this committee needs to focus on during the 110th Congress.

Let me just say I am troubled that the department is on GAO's 2007 high-risk list, but I have to admit that it comes as no surprise. The department was on the last high-risk list published in 2005.

However, I am surprised to learn that the department has not even taken the first step to get off the list. They have not provided GAO with a complete corrective action plan.

On Friday, Mr. Chertoff will be here. I intend to ask him when corrective action plans will be provided to GAO. I know that writing these plans may be hard, but every journey must start with a single step.

I am concerned that the IG has repeatedly found problems with the department's financial management. This department has never produced a clean financial statement. The American taxpayers expect a federal agency to be able to report how it is spending our money. I think we in Congress share that expectation.

I look forward to hearing the testimony of our witnesses today.

The chair now recognizes the ranking member of the full committee, the gentleman from New York, Mr. King, for an opening statement.

PREPARED STATEMENT OF THE HONORABLE BENNIE G. THOMPSON, CHAIRMAN,
COMMITTEE ON HOMELAND SECURITY

Today we will hear testimony from two distinguished witnesses. Combined, they have written hundreds of reports detailing the problems and challenges facing the Department of Homeland Security.

From the outset, it was clear that the transformation of 22 agencies into one unified Department would be a major challenge. But we expected that by the fourth year of this endeavor, the Department would be well on the path to stability. Regrettably, instead DHS seems to be wandering aimlessly toward an uncertain destination.

It is because of DHS importance to our nation's security that we must not allow basic problems of organizational structure and administrative weakness to continue to hamper its ability to accomplish its mission.

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And that is the purpose of today's hearing—to have a frank discussion about the areas this Committee needs to focus on during the 110th Congress. Let me just say, I am troubled that the Department is on GAO's 2007 high risk list. But I have to admit that it comes as no surprise. The Department was on the last HIGH RISK list, published in 2005. However, I am surprised to learn that the Department has not even taken the first step to get off the list. They have not provided GAO with a complete corrective action plan. On Friday, Mr. Chertoff will be here. I intend to ask him when corrective action plans will be provided to GAO. I know that writing these plans may be hard, but every journey must start with a single step.

I am also concerned that the IG has repeatedly found problems with the Department's financial management. This Department has never produced a clean financial statement. The American taxpayers expect a federal agency to be able to report how it is spending our money. I think we in Congress share that expectation.

Mr. KING. Yes, I thank Chairman Thompson for recognizing me. And let me at this first full committee hearing commend him and congratulate him on his accession as chairman of the full committee and, as I have done before, pledge him my full cooperation and thank him for the extraordinary cooperation that has gone on, not just between ourselves and among the members but also between our staffs.

And I think both of us approach this as being a nonpartisan, bipartisan effort. And while there may be specific policy differences as we go forward, I assure him that we will operate in good faith. And I know that he has certainly demonstrated that good faith to me.

As far as the hearing today, I think this is a very vital hearing. It is a very important hearing, realizing that now this is the fourth year of the department and, obviously, I believe more progress should have been made.

At the same time, I believe there has been considerable progress. I don't think it is any accident that we have not been attacked in 4 years.

The chairman mentioned Katrina, which obviously was a disaster at many levels: at the local level, at the state level, and indeed, at the federal level, where while the Coast Guard performed admirably and the military performed admirably; FEMA did not. And I am proud that last year, in a genuine bipartisan effort, we were able to restructure and reform FEMA. And thus far, the results are very positive.

Just last week's tornado in Florida by all accounts—I was speaking to members of Congress who were involved and some state officials. It appears that FEMA moved quickly, moved effectively and that Director Paulson is doing a fine job. But again, the full verdict is not in, and more remains to be done. And it is certainly a work in progress.

As far as oversight of the department, obviously that has to be done. I believe in the last session at that time Chairman Rogers held a number of hearings which were very significant and did expose severe shortcomings within the Department of Homeland Security. So we can either look at the glass as being half full or half empty.

But the bottom line is both the chairman and I strongly believe that we have to go forward, we have to have aggressive oversight. We have to have aggressive investigations. I look forward to the testimony of the witnesses. Both of you have a particularly vital role to play. And I can assure you that your recommendations, your findings will be taken very seriously on our side of the aisle. And I know they will on the majority's side.

So with that, I will yield back the balance of my time and look forward to the statements of the witnesses.

Chairman THOMPSON. Thank you very much.

I, too, want to echo what the ranking member said about the cooperative relationship between Democrats and Republicans on this committee. It has been good.

We all hold our responsibility very seriously. And we look forward to continuing that relationship with the change. And I think you will readily be able to see that as time goes on.

Other members of the committee are reminded that, under committee rules, opening statements may be submitted for the record.

I now welcome our panel of witnesses.

Our first witness, Mr. David Walker, began his 15-year term as the comptroller general of the United States in 1998. As comptroller general, Mr. Walker is the nation's chief accountability officer and head of the U.S. Government Accountability Office.

Our second witness, Mr. Richard Skinner, was confirmed as the Department of Homeland Security's inspector general in 2005. Prior to his appointment, Mr. Skinner served as deputy inspector general of the department since March of 2003. Truly, he has been with the department since its inception and knows it better than just about anyone in government.

Without objection, the witnesses' full statements will be inserted into the record.

I now ask each witness to summarize his statement for 5 minutes, beginning with Mr. Walker.

**STATEMENT OF HON. DAVID M. WALKER, COMPTROLLER
GENERAL OF THE UNITED STATES, GOVERNMENT
ACCOUNTABILITY OFFICE**

Mr. WALKER. Chairman Thompson, Ranking Member King, other members of the committee, I appreciate the opportunity to be before you to address the management and programmatic challenges relating to the Department of Homeland Security.

As all of you know, I have spoken extensively about our nation's fiscal challenges and the need for fiscal prudence and stewardship. However, irrespective of our fiscal situation, it is very important for all departments and agencies, including the Department of Homeland Security, to operate as efficiently and effectively as possible in carrying out their mission.

We first designated at GAO the DHS's implementation and transformation effort as a high-risk area in January of 2003.

As members of this committee are very familiar with, DHS represented the second largest reorganization in the history of the United States government, the first being the creation of the Department of Defense in 1947. This is the 60th anniversary of the Department of Defense, and we need to be in a lot better shape in Homeland Security after 60 years than DOD is on the management side. And let's hope we can.

The government pulled together 22 different agencies with different cultures, with different systems, with different traditions, with their own problems, and, quite frankly, many, if not most, of these agencies were not primarily focused on homeland security before September 11, 2001. So that is a major transformation challenge.

We continued to have this on our high-risk list in 2005 and 2007, which was issued last week, for a variety of reasons. And I will summarize a few.

Although DHS has issued guidance and plans to assist management in the overall integration and transformation effort, it lacks a comprehensive and integrated strategy with specific overall goals, timelines and an accountability mechanism as well as a team that

is dedicated full-time to support its overall transformation integration efforts.

DHS has a strategic plan. However, DHS and its components must improve its planning by linking resources, which are limited, to its goals and by promoting greater stakeholder involvement to ensure that its resources are targeted toward the highest priorities.

In this regard, DHS also needs to improve its risk assessment process because, by definition, there is no such thing as zero risk in today's world, and therefore, choices have to be made about how to allocate limited resources to mitigate the most risks. DHS is committed to a more risk-based approach, but more progress needs to be made.

DHS has been unable to withstand an audit. It has 10 major internal control weaknesses. And it also has a number of other compliance challenges.

So these are a few of the challenges, not to mention human capital and acquisition, which obviously are challenges as well.

From a program standpoint, strengthening cargo and passenger screening, visitor tracking and efforts to combat illegal employment of non-citizens and non-legal residents is a major challenge.

The Coast Guard's asset upgrading is a challenge on the acquisition side. Balancing homeland security and personal privacy is also a continuing challenge. Improving our disaster preparedness and response efforts continues to be a major challenge in light of Katrina, although progress has been made.

In summary, let me note that some progress clearly has been made. But major challenges remain. It is going to take a number of years for us to get to where we need to be with regard to the Department of Homeland Security. Even in the private sector, it takes 5 to 7 years, minimum, to engage in a major transformation effort and able to have it stick beyond the current leadership. It is going to take longer than that at DHS.

All the more important to have a strategic integrated plan with key metrics and milestones and appropriate accountability mechanisms. It may also be important for DHS to have a chief management official, which it has one now, but might need to be restructured in order to help ensure success going forward.

Last, let me close by saying that both Rick and I yesterday testified before the Appropriations Homeland Security Subcommittee on a similar topic. And one of the issues that we both noted was that both of us have a number of frustrations with regard to failure to get timely access to documents and individuals at the Department of Homeland Security. This is a serious systemic issue.

I was, however, disappointed by some of our friends in the fourth estate, namely the press, because neither Rick nor I mentioned any particular person by name. Nor did we mention the relationship of any particular persons at DHS with other high ranking officials in this administration. This is a serious systemic problem. No one person is to blame.

But this current situation needs to change. It takes us way too long to get information. And there are way too many lawyers involved, which frustrates our access. And if our access is frustrated, it means we can't do the job necessary to support the Congress in discharging its constitutional responsibilities.

Thank you.

[The statement of Mr. Walker follows:]¹

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

I now recognize Mr. Skinner to summarize his statement for 5 minutes.

**STATEMENT OF HON. RICHARD SKINNER, INSPECTOR
GENERAL, DEPARTMENT OF HOMELAND SECURITY**

Mr. SKINNER. Thank you, Chairman Thompson, Ranking Member King and members of the committee. Thank you for having me here today.

Today what I would like to do is just focus on the management support activities within FEMA. And that is financial management, information technology management, acquisition management and grants management.

Each of these activities transverses everything the department does in all of its programs and all of its operations. And each of these activities can have a profound and direct impact on the ability for the department to carry out its mission.

First, there are two important points I would like to make. And Dave hit on one of them. And that is the environment in which the department was stood up.

We have to keep in mind that when the department was stood up in March of 2003, we brought together 22 disparate agencies with their own cultures and ways of doing business. They also brought with them their own management challenges, their own material weaknesses and their own problems.

At the same time when we stood up, I believe the department's management support activities were short-changed. That is, while we brought in the entire operational assets of these agencies and all of their programs on side of the ledger, on the other side of the ledger, we did not bring in a proportionate share of management support activities to support those programs and activities and operations.

And to compound matters, the Management Directorate was asked to support a new component in the office such as Science and Technology and the Intelligence Analysis Directorate and the Infrastructure Protection Directorate.

We have to remember that this was more than just a merger of 22 agencies. It was also an acquisition. It was a divestiture. It was a startup.

With regards to the financial management, as you know, there were 4 years in a row now we were not able to offer an opinion on the department's financial statements. In essence, for the first 3 years, we just squandered 3 years.

The first year we went through the artificial exercise of trying to prepare consolidated financial statements when, in fact, we didn't even know what the components' capabilities were or what their systems were capable of producing, let alone what the staff resources capabilities were. And we were trying to do this with a skeleton staff at headquarters.

¹See GAO, "HOMELAND SECURITY Management and Programmatic Challenges Facing the Department of Homeland Security", GAO-07-452T, Wednesday, February 7, 2007, at www.gao.gov/cgi-bin/getrpt?GAO-07-452T.

We did the same thing for the second year. The second year we went in and started focusing on doing electronic measure or electronic merger of information. But again, this was e-merge. And again, we still did not have a real clear understanding what was going on within the department at the component level.

The third year we just ran in place. We had leadership change. We had reorganization.

And then in the fourth year, although we issued a disclaimer, behind the scenes there was considerable improvements. For the first time ever, we started delving in and digging down deep down to the root causes of our material weaknesses.

And just recently the department has developed corrective action plans. They are going to roll that up into a departmental-wide playbook with performance matrix goals and objectives.

We participated, reviewed that, offered recommendations. And as it stands right now, we now have a long-term plan, and we hope we can offer an unqualified opinion as soon as 2009.

With regards to the information technology, there too we have some major management challenges, both at the component level and at the department-wide level.

The department has made progress. Although slow, it has made progress. We brought in over 2,000 systems. We have now been able to reduce those down to 200 systems. As of September 30, 2006, we have credited and certified 85 percent of those systems.

But there is still a lot more that we need to do. We still do not have a department-wide platform or IT network. We still have to remove stovepipes. This is particularly obvious in our intelligence activities. We have intelligence functions throughout the department that they can't talk to one another. And therefore, we can't connect the dots.

With regards to acquisition management, obviously this is where our greatest exposure to fraud, waste and abuse is. The problem really dates back government-wide into the 1990s, our shortsighted policies reducing the size of the federal workforce.

On one hand, we were reducing the workforce. Who got hit the hardest? Generally the management support activities, particularly procurement. On the other side, or on the other hand, we were increasing our procurement activities and our reliance on contractors. This is most evident within DHS where our reliance on contractors is very, very great.

If you look at our expenditures last year, over 40 percent of our budget, \$16 billion, was spent on contracts alone. This compounded by the fact—I mean, we are in a catch-22 situation here. We don't have the capability on one hand, the infrastructure, to service all of these contracts. Yet we can't slow them down or we can't stop them because of the urgency of our mission.

What we have to do is proceed very cautiously on how we are administering these contracts. And we have to find alternative ways to ensure that we are getting our dollar's worth.

The last thing I wanted to touch upon is grants management. And again, this is something I think we need to take in more—and this includes Congress—needs to take a close look of how we are delivering grants to our state and local partners.

If you look at our 2008 budget, for example, of all the various grant programs we have, my fear is that we have become stovepiped and, as a result, we are not as efficient with our dollars as we should be.

The things that I think need to be considered is how we can better involve the states in administering these grants on a state-wide basis. And we also have to invest in resources to ensure that we can provide oversight for those funds and technical assistance to the states.

And finally, I think it is very important that we have mechanisms in place to evaluate how well we are doing, what is the impact of those grants, what are we receiving for our money. Because a lot of money each year is being spent on our grant programs.

Thank you. That concludes my opening remarks.

[The statement of Mr. Skinner follows:]

PREPARED STATEMENT OF THE HONORABLE RICHARD L. SKINNER

Good afternoon, Mr. Chairman and Members of the Committee. I am Richard L. Skinner, Inspector General for the Department of Homeland Security (DHS). Thank you for the opportunity to discuss the major management challenges facing DHS.

Since its inception in 2003, DHS has worked to accomplish the largest reorganization of the federal government in more than half a century. This task, creating the third largest Cabinet agency with the missions of protecting the country against another terrorist attack, responding to threats and hazards, ensuring safe and secure borders, welcoming lawful immigrants and visitors, and promoting the free flow of commerce, has presented many challenges to its managers and employees. While DHS has made progress, it still has much to do to establish a cohesive, efficient, and effective organization.

The major management challenges that we identify facing DHS represent risk areas that we use in setting our priorities for audits, inspections, and evaluations of DHS programs and operations. These challenges are included in the department's *Performance and Accountability Report*, which was issued on November 15, 2006. 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. In total, we identified nine categories of challenges including Catastrophic Disaster Response and Recovery, Acquisition and Contract Management, Grants Management, Financial Management, Information Technology Management, Infrastructure Protection, Border Security, Transportation Security, and Trade Operations and Security. A copy of that report is provided for the record. I believe the department recognizes the significance of these challenges and understands that addressing them will take a sustained and focused effort.

Today, I would like to highlight four specific management challenges facing the department:

- Financial management,
- Information technology management,
- Acquisition management, and
- Grants management.

These areas are the backbone of the department and provide the structure and information to support the accomplishment of DHS' mission. Some aspects of these challenges were inherited by the department from their legacy agencies. However, the complexity and urgency of DHS' mission have exacerbated the challenge in many areas.

These management challenges significantly affect the department's ability to carry out its operational programs and provide the services necessary to protect the homeland. The department's senior officials are well aware of these issues and are making progress in resolving them. Our oversight in these areas is intended to facilitate solutions. For example, our audits in the area of acquisition management have identified past trends and future risk areas. In November, we issued an SBInet Risk Advisory report with recommendations for better managing the risks associated with this major procurement. Also, during the past year, we issued a series of audits assessing the department's corrective action plans related to financial management improvements. We will continue our intense oversight of these man-

agement areas to ensure that solutions and corrective measures are identified and acted upon.

FINANCIAL MANAGEMENT

Financial management has been a major challenge for DHS since its creation in 2003. In 2006, DHS was again unable to obtain an opinion on its financial statements, and numerous material internal control weaknesses continued to be reported. KPMG, LLP, under contract with the Office of Inspector General (OIG), has consistently issued a disclaimer of opinion on DHS' financial statements.

DHS' material internal control weaknesses ranged from financial management oversight and reporting at the department level to controls surrounding the recording of individual account balances within DHS bureaus. These control weaknesses, due to their materiality, are impediments to obtaining a clean opinion and providing positive assurance over internal controls at the department level. Achieving these departmental goals is highly dependent upon internal control improvements at the United States Coast Guard (USCG), Immigration and Customs Enforcement (ICE), the Transportation Security Administration (TSA), and the Office of the Chief Financial Officer.

To move forward, DHS must develop a comprehensive financial management strategy that addresses organizational resources and capabilities, inconsistent and flawed business processes, and unreliable financial systems. An initial step in this process is to prepare well-developed and comprehensive corrective action plans to address known internal control weaknesses. During this past year, the department has taken a thoughtful approach to developing such a plan and has begun to implement corrective actions.

Concurrent with the department's efforts, we initiated a series of performance audits to assess the effectiveness of DHS' corrective action plans to address internal control weaknesses. Our objective in conducting these performance audits was to determine the thoroughness and completeness of both the overall corrective action plan process and individual component plans developed to address specific financial control weaknesses. These performance audits are intended to provide ongoing feedback to DHS as it is developing and implementing corrective action plans.

During fiscal year 2006, we anticipated progress in addressing internal control deficiencies. DHS identified four areas for improvement during the year. However, in our corrective action plan audits, we reported that a coordinated, department-wide effort to develop corrective action plans did not begin until the third quarter of 2006 and is now in the process of being finalized. At the component level, we identified well-developed corrective action plans at ICE, but significant work remains ahead for the Coast Guard. During 2006, ICE began its corrective action plan process early and our audit results showed internal control improvements during the fiscal year.

In addition, the Federal Emergency Management Agency (FEMA) issued approximately 2,700 mission assignments totaling about \$8.7 billion to federal agencies to help with the response to Hurricane Katrina. FEMA historically has had significant problems issuing, tracking, monitoring, and closing mission assignments. FEMA guidance on mission assignments is often vague, and agencies' accounting practices vary significantly, causing problems with reconciling agencies' records to FEMA records. FEMA has developed a number of new, predefined mission assignments to streamline some of the initial recurring response activities. In addition, FEMA's Disaster Finance Center is working to find a consensus among other federal agencies on appropriate supporting documentation for billings. We are conducting a review of mission assignments to DHS agencies and other Inspectors General are reviewing mission assignments to their respective agencies.

INFORMATION TECHNOLOGY MANAGEMENT

Integrating the information technology (IT) systems, networks, and capabilities of the various legacy agencies to form a single infrastructure for effective communications and information exchange remains one of DHS' biggest challenges. There are multiple aspects to achieving such an IT infrastructure, as outlined below.

Security of Information Technology Infrastructure

The security of the IT infrastructure is another major management challenge. As we reported in September 2006, based upon its annual Federal Information Security Management Act evaluation, excluding its intelligence systems, DHS achieved a significant milestone toward strengthening its information security program by implementing a department-wide remediation plan to certify and accredit all operational systems by the end of fiscal year 2006. Further, some of the means to assist DHS and its components in the implementation of its information assurance program, which we identified in our fiscal year 2005 Federal Information Security Manage-

ment Act report, also have been addressed, such as developing a process to maintain a comprehensive inventory.

However, additional information security audits we conducted this past year showed challenges remain in controlling and addressing a number of IT risks and vulnerabilities. These audits involved DHS networks, databases, laptops, and Radio Frequency Identification systems, as well as of major programs such as the Transportation Workers Identification Credential and United States Visitor and Immigrant Status Indicator Technology.

Specifically, DHS organizational components, through their Information Systems Security Managers, have not completely aligned their respective information security programs with DHS' overall policies, procedures, and practices. Further, while DHS has issued substantial guidance designed to create and maintain secure systems, there exist areas where agency-wide information security procedures require strengthening:

- Certification and accreditation;
- Vulnerability testing and remediation;
- Contingency plan testing;
- Incident detection, analysis, and reporting;
- Security configurations; and
- Specialized security training.

To address these issues, the Chief Information Officer must identify ways to improve the review process and increase the accountability of DHS component organizations. The department also must establish a comprehensive management authority to ensure the confidentiality, integrity, and availability of its vital intelligence information.

Department-wide IT Infrastructure

Creating an adequate capability for relocating mission-critical information systems to an alternate disaster recovery site in the event of extended service disruptions or emergencies is one concern. The department's IT infrastructure remains a collection of legacy networks, systems, and data centers. Several elements of this IT infrastructure do not have the ability to relocate to an alternate site that can be used if their primary facility suffers an extended outage or becomes inaccessible. However, due to a lack of sufficient funding and an operational program to support an enterprise-wide disaster recovery solution, DHS has been hindered in its efforts to provide an alternate processing facility. This inability to restore the functionality of DHS' critical IT systems following a service disruption or disaster could negatively affect accomplishment of a number of essential DHS missions, including passenger screening, grants processing, and controlling the flow of goods across U.S. borders.

Similarly, significant resources and oversight are also needed to accomplish the major undertakings of upgrading the DHS data communications infrastructure and consolidating the various organizations that provide data communications support. Currently, the department is in the process of eliminating redundant firewalls, replacing hardware encryption devices, and combining operations centers—activities that are essential to supporting the efficient, effective, and secure exchange of mission-critical information both within DHS and with outside stakeholders.

DHS Component IT Management

IT management at the subcomponent level remains a major challenge, as demonstrated by our audits and subsequent reports on the IT programs and initiatives of selected DHS directorates and organizations. Our November 2006 followup assessment reports that the United States Citizenship and Immigration Services (USCIS) has made some progress by placing priority on business transformation, taking steps to centralize authority for IT personnel, initiating business process re-engineering activities, and upgrading desktops and servers at key field locations. However, USCIS remains entrenched in a cycle of continual planning, with limited progress toward achieving its long-term transformation goals. Until USCIS addresses this issue, the bureau will not be in a position to manage existing workloads or handle the potentially dramatic increase in immigration benefits processing workloads that could result from proposed immigration reform legislation. Similarly, our December 2006 followup assessment of FEMA's efforts to upgrade its principal disaster management system shows that the agency has made progress in meeting short-term systems needs; however, more remains to be done to address long-term planning and systems integration.

Our reviews of major IT programs and initiatives of the various components also indicate program management problems. For example, in September 2005, we reported that FEMA could benefit from improvements to its 6-year, \$1.5 billion program to digitize the maps used to identify flood zones and determine insurance re-

quirements. Although FEMA is making progress in the flood map modernization program, FEMA can better ensure program success by:

- Reviewing and revising its mapping plan,
- Enhancing program guidance,
- Increasing contractor oversight,
- Improving coordination with stakeholders,
- Clearly defining requirements and contractor expectations, and
- Maintaining standard methodologies for mapping system development.

Similarly, in August 2006, we reported on improvements USCG could make in its efforts to design and implement command, control, communications, computers, intelligence, surveillance, and reconnaissance (C4ISR) systems as part of its estimated \$24 billion Integrated Deepwater System (Deepwater) program. Although the USCG has made progress in the program, problems with contract oversight, requirements management, systems certification and accreditation, and IT testing place the Deepwater IT acquisition and C4ISR operations at risk. Insufficient C4ISR funding has restricted accomplishing the “system-of-systems” objectives that are fundamental to ensuring interoperability of Deepwater assets, such as ships and aircraft. Meeting the training and IT support needs of Deepwater C4ISR users also is key.

Information Sharing

The Homeland Security Act of 2002 makes coordination of homeland security communication with state and local government authorities, the private sector, and the public a key DHS responsibility. However, due to time pressures, DHS did not complete a number of the steps essential to effective planning and implementation of the Homeland Security Information Network (HSIN)—the sensitive, but unclassified system it instituted to help carry out this mission. As such, effective sharing of the counter-terrorist and emergency management information critical to ensuring homeland security remains an ongoing challenge for the department. Resources, legislative constraints, privacy, and cultural challenges—often beyond the control of HSIN program management—pose obstacles to HSIN’s success.

On a broader scale, DHS is challenged with incorporating data mining into its overall strategy for sharing information to help detect and prevent terrorism. Data mining aids agents, investigators, and analysts in the discovery of patterns and relationships from vast quantities of data. The Homeland Security Act authorizes DHS to use data mining and tools to access, receive, and analyze information. Our August 2006 report on DHS data mining activities identified various stove-piped activities that use limited data mining features. For example, Customs and Border Protection performs matching to target high-risk cargo. The United States Secret Service automates the evaluation of counterfeit documents. TSA collects tactical information on suspicious activities. ICE detects and links anomalies indicative of criminal activity to discover relationships. However, without department-wide planning, coordination, and direction, the potential for integrating advanced data mining functionality and capabilities to address homeland security issues remains untapped.

Hurricane Katrina also highlighted the need for data sharing among federal agencies following a catastrophic disaster. We see a need for data sharing in three areas:

- Real-time data exchange among agencies would help verify eligibility of applicants for disaster assistance and simplify the application process for victims.
- Direct access to FEMA data by law enforcement agencies would help identify and track convicted sex offenders and suspected felons, and help locate missing children.
- Computer data matching would help to prevent duplicative payments and identify fraud.

FEMA is moving in the right directions on these issues. For example, FEMA has granted direct access to its data to the Hurricane Katrina Fraud Task Force for the purpose of investigating fraud. However, progress is slow and much remains to be done. FEMA and the federal community are not ready to meet the data sharing demands of the next catastrophic disaster.

Another example of vital information sharing is the National Asset Database. The National Infrastructure Protection Plan envisions a comprehensive, national inventory of assets, known as the National Asset Database, to help DHS coordinate the effort to protect the nation’s critical infrastructure and key resources. DHS is responsible for integrating efforts to protect the chemical industry; commercial facilities; dams; emergency services; commercial nuclear reactors, materials, and waste; information technology; telecommunications; postal and shipping; transportation systems; and government facilities. A maturing National Asset Database is essential to developing a comprehensive picture of the nation’s critical infrastructure and key resources. Management and risk-based resource allocation decisions depend on hav-

ing this comprehensive picture. As we reported in fiscal year 2006, DHS is improving the development and quality of the National Asset Database. We will continue to monitor and review how DHS uses the National Asset Database to support its risk management framework, how it coordinates infrastructure protection with other sectors, and how its pursuit of basic vulnerability assessment standards can help develop overarching departmental priorities.

ACQUISITION AND CONTRACT MANAGEMENT

Acquisition management is not just awarding a contract, but fulfilling a mission need through a thoughtful, balanced approach that considers cost, schedule, and performance. The urgency and complexity of DHS' mission will continue to demand rapid pursuit of major investment programs. In 2006, DHS spent about 40% of its budget through contracts.

DHS must have an infrastructure in place that enables it to oversee effectively the complex and large dollar procurements critically important to achieving the DHS mission. While DHS continues to build its acquisition management capabilities in the component agencies and on the department-wide level, the business of DHS goes on and major procurements continue to move. We identified significant risks and vulnerabilities that might threaten the integrity of DHS' acquisition management program. In general, DHS needs to improve its major acquisitions planning, operational requirements definition, and implementation oversight.

The prerequisite for effective acquisitions, that is, obtaining the right, cost-effective systems and equipment to accomplish DHS' missions, is program management. Complex and high-dollar contracts require multiple program managers, often with varying types of expertise. Several DHS procurements have encountered problems because contract technical and performance requirements were not well defined. DHS needs:

- More certified program managers;
- Comprehensive department-wide standards for program management;
- A strengthened investment review board process to provide greater independent analysis and review;
- Better defined technical requirements; and
- More balance among schedule, cost, and performance when expediting contracts.

The Office of the Chief Procurement Officer recently established a program management advisory board, established standards for certifying program managers, and promoted program management training opportunities. The Office of the Chief Procurement Officer is assisting program offices with acquisition planning, including templates and one-on-one assistance.

In their transition into DHS, seven agencies retained their procurement functions, including USCG, FEMA, and TSA. The expertise and capability of the seven procurement offices mirrored the expertise and capability they had before creation of DHS, with staff size that ranged from 21 to 346 procurement personnel. DHS established an eighth acquisition office, the Office of Procurement Operations, under the direct supervision of the Chief Procurement Officer, to service the other DHS components and manage department-wide procurements. Many DHS procurement offices reported that their lack of staffing prevents proper procurement planning and severely limits their ability to monitor contractor performance and conduct effective contract administration. The fiscal year 2007 DHS Appropriations Act provides over 400 additional contract specialist positions to alleviate part of the shortfall. Moreover, DHS is planning a contracting fellows program with up to 100 entry-level positions to begin in fiscal year 2008.

In addition to awarding contracts, the Office of the Chief Procurement Officer helps DHS components adhere to standards of conduct and federal acquisition regulations in awarding and administering contracts. This oversight role involves developing department-wide policies and procedures, and enforcing those policies and procedures.

Both our office and the Government Accountability Office have reported that the Office of the Chief Procurement Officer needs more staff and authority to carry out its general oversight responsibilities. The Government Accountability Office recommended that DHS provide Office of the Chief Procurement Officer sufficient resources and enforcement authority to enable effective, department-wide oversight of acquisition policies and procedures. We made a similar recommendation. The DHS, in response to our December 2006 report, *Major Management Challenges Facing the Department of Homeland Security*, said that it disseminated the Acquisition Professional Management Directive to identify and certify appropriately trained and experienced program managers, contracting officer's technical representatives, and au-

thorized buying agents. It also has certified 348 program managers since 2004, and continues to focus on qualifications and placement.

During fiscal year 2006, the Under Secretary for Management established policies for acquisition oversight and directed each of the eight heads of contracting activities to measure and manage their acquisition organizations. Also, the number of oversight specialists in the Acquisition Oversight Division is authorized to expand to nine during fiscal year 2007. The Office of the Chief Procurement Office has undertaken an outreach program to involve DHS component staff to manage effectively and assist in acquisition oversight.

Common Themes in Our Audits of DHS Contracts

In prior years, we conducted audits and reviews of individual DHS contracts, such as TSA's screener recruiting and TSA's information technology services. More recently, we have completed audits relating to the SBInet program, the Coast Guard's Deepwater program, and FEMA contracting. Common themes and risks emerged from these audits, primarily the dominant influence of expediency, poorly defined requirements, and inadequate oversight that contributed to ineffective or inefficient results and increased costs.

The department continues to pursue high-risk, complex, system-of-systems acquisitions programs, such as SBInet and Deepwater. A performance-based acquisition strategy to address the challenges of these programs is, in our opinion, a good one. Partnering with the private sector adds fresh perspective, insight, creative energy, and innovation. It shifts the focus from traditional acquisition models, i.e., strict contract compliance, into one of collaborative, performance-oriented teamwork with a focus on performance, improvement, and innovation. Nevertheless, using this type of approach does not come without risks. To ensure that this partnership is successful, the department must lay the foundation to oversee and assess contractor performance, and control costs and schedules. This requires more effort and smarter processes to administer and oversee the contractors' work.

Customs and Border Protection SBInet Program

On November 2, 2005, DHS announced a multiyear strategy to secure America's borders and reduce illegal immigration, called the Secure Border Initiative (SBI). A critical element of the SBI initiative is the acquisition of technology, infrastructure, and personnel to gain operational control of the nation's border—SBInet. The SBInet procurement presents a considerable acquisition risk because of its size and scope. We see risks and vulnerabilities similar to those identified in previous OIG audits and reviews.

Customs and Border Protection awarded a multiple-year systems integration contract in September 2006 to begin the SBInet multibillion dollar initiative. We have monitored the initiation of the SBInet program and provided a risk advisory with recommendations to address observed weaknesses in the program. The department was fully responsive during our SBInet review, agreed to our recommendations, and is planning and pursuing corrective actions. However, the SBInet procurement continues to present a considerable acquisition risk because of its size and scope.

Our main concern about SBInet is that DHS is embarking on this multibillion dollar acquisition project without having laid the foundation to oversee and assess contractor performance and effectively control cost and schedule. DHS has not properly defined, validated, and stabilized operational requirements and needs to do so quickly to avoid rework of the contractor's systems engineering and the attendant waste of resources and delay in implementation. Moreover, until the operational and contract requirements are firm, effective performance management, and cost and schedule control, are precluded. As acknowledged in our report, the department took actions to mitigate risk during the course of our review and is planning further actions to establish an effective performance management system for SBInet.

We also reported that the department does not have the capacity needed to effectively plan, oversee, and execute the SBInet program; administer its contracts; and control costs and schedule. The department's acquisition management function lacks the appropriate work force, business processes, and management controls for planning and executing a major acquisition program such as SBInet. Without a pre-existing professional acquisition workforce, Customs and Border Protection has had to create staffing plans, locate workspace, and establish business processes, while simultaneously initiating one of the largest acquisition programs in the department. DHS needs to move quickly to establish the organizational capacity to properly oversee, manage, and execute the program.

Coast Guard's Deepwater Program

USCG has also encountered a number of challenges in executing its Deepwater Acquisition program despite the expenditure of more than \$3 billion over 4 years.

This is particularly true within the Deepwater surface and air domains. Most recently, we identified management deficiencies and inadequate technical oversight related to the acquisition of the National Security Cutter. In this case, the Coast Guard did not exercise sufficient oversight authority of the contract with Integrated Coast Guard Systems to address design deficiencies. Consequently, the National Security Cutter acquisition is expected to cost more than originally planned and the cutters may be subject to operational limitations that affect the ability of the Coast Guard to execute its Deepwater mission.

Similar issues were previously identified related to the 110-foot patrol boat conversion project. This project was curtailed at eight cutters due to design, construction, performance, and cost concerns. In December, the Coast Guard decided to take the eight converted cutters out of service due to structural design deficiencies. In response to these challenges, USCG accelerated plans to design, construct, and deploy the composite Fast Response Cutter by more than 10 years as a replacement for the 110-foot patrol boat. However, an independent analysis has confirmed that the Fast Response Cutter design is outside patrol boat design parameters, i.e., too heavy, too overpowered, and not streamlined enough to reduce resistance. These concerns led to the USCG's April 2006 decision to suspend work on the Fast Response Cutter until these issues could be resolved or an alternative commercial off-the-shelf design identified.

In the Deepwater air domain, the HH-65C helicopter and unmanned aerial vehicle acquisitions have encountered schedule delays and cost increases. These Deepwater design, construction, performance, scheduling, and cost issues are expected to continue to present significant challenges to USCG's Deepwater Program in the future.

The Coast Guard recognizes these challenges and is taking aggressive actions to strengthen program management and oversight—such as technical authority designation; use of independent, third party assessments; consolidation of acquisition activities under one directorate; and redefinition of the contract terms and conditions, including award fee criteria. Furthermore, and most importantly, the Coast Guard is increasing its staffing for the Deepwater program, and reinvigorating its acquisition training and certification processes to ensure that staff have the requisite skills and education needed to manage the program. These steps should go a long way in improving the management and oversight of the Deepwater program as it moves forward.

FEMA Procurements

We have also focused substantial work on FEMA contracting and have identified numerous problems. FEMA is not well prepared to provide the kind of acquisition support needed for a catastrophic disaster. FEMA's overall response efforts suffer from:

- Inadequate acquisition planning and preparation for many crucial needs;
- Lack of clearly communicated acquisition responsibilities among FEMA, other federal agencies, and state and local governments; and
- Insufficient numbers of acquisition personnel to manage and oversee contracts.

In February 2006, we reported that FEMA purchased mobile homes without having a plan for how the homes would be used. As a result, FEMA now has thousands of surplus mobile homes. In September 2006, we reported that FEMA spent \$7 million renovating a facility to shelter evacuees. Because there was inadequate planning, the facility was never needed. As a result, the facility was underused and the monies spent to renovate were wasted.

FEMA has already made improvements, such as increasing the number of stand-by contracts in place and ready to be executed when disaster strikes. Also, DHS created a Disaster Response/Recovery Internal Control Oversight Board to address many of the problems. We will soon conduct a review of FEMA's overall acquisition management structure to identify additional improvements that FEMA can make to be prepared better for the next catastrophic disaster. We will review organizational alignments and leadership, policies and procedures, FEMA's acquisition workforce, and its information management. We are also reviewing FEMA's system for accounting for property it has purchased for disasters.

The urgency and complexity of DHS' mission will continue to demand rapid pursuit of major investment programs. While DHS continues to build its acquisition management capabilities in the component agencies and on the department-wide level, the business of DHS goes on and major procurements continue to move. Acquisition management will continue to be an intense area of oversight for our office and an ongoing focus of our audit efforts.

Providing Accurate and Timely Procurement Reporting

In July 2006, we reported on the challenges that DHS faces in planning, monitoring, and funding efforts to ensure the accurate and timely reporting of procurement actions to interested stakeholders. The Executive Branch, the Congress, and the public rely upon such procurement information to determine the level of effort related to specific projects and also to identify the proportion of government contracts that are awarded to small businesses. Currently, however, DHS has several different contract-writing systems that do not automatically interface with its Federal Procurement Data Systems—Next Generation (FPDS-NG)—a government-wide procurement reporting system that is accessible by the public. Some of the systems may need to be replaced. Additionally, not all DHS procurements are entered into FPDS-NG. For example, grants, mission assignments, and purchase card data may not be entered into FPDS-NG, resulting in an understatement of DHS' procurement activities.

DHS has undertaken a number of initiatives to improve its reporting on procurement actions. These initiatives include interfacing the various DHS contract-writing systems with FPDS-NG and ensuring that all procurement information is entered into FPDS-NG immediately following contract award. Such initiatives will not only enable real-time reporting of DHS procurement actions, they also will allow DHS to rely on General Services Administration databases to help eliminate contract awards to ineligible vendors. The Office of the Chief Procurement Officer has worked with each of the DHS components to improve the accuracy, completeness, and timeliness of FPDS-NG data entry. DHS' planned deployment of a single, contract-writing software system should reduce duplicate data entry for each contract action. DHS is developing routine reporting for non-FPDS-NG instruments.

GRANTS MANAGEMENT

Managing the multitude of grant programs within DHS poses a significant challenge. Further, the grant programs of other federal agencies that assist states and local governments in improving their abilities to prepare for, respond to, and recover from acts of terrorism or natural disasters compound this challenge. Congress continues to authorize and appropriate funding for individual grant programs within and outside of DHS for similar, if not identical, purposes. In total, DHS manages more than 80 disaster and nondisaster grant programs. For disaster response and recovery efforts, we have identified 36 federal assistance programs that have the potential for duplicating DHS grant programs. DHS must do more to coordinate and manage grants that are stove-piped for specific, but often related purposes, to ensure that they are contributing to our highest national preparedness and disaster recovery goals, rather than duplicating one another and being wasted on low-priority capabilities.

Disaster grant awards will be substantially larger than usual with the more than \$60 billion that Congress appropriated in late fiscal year 2005 for disaster response and recovery efforts related to Hurricanes Katrina, Wilma, and Rita. In the Gulf Coast states affected by these hurricanes, numerous federal grants from different agencies and components of DHS are going to state and local governments, private organizations, and individuals for response and recovery from the recent hurricanes, as well as for the next disaster or terrorist attack. We are currently reviewing disaster grant activities throughout the Gulf Coast and will continue to give special emphasis to Gulf Coast disaster response and recovery grant spending.

In fiscal year 2007, DHS is expected to award about \$3.4 billion in state and local preparedness grants. We are reviewing individual states' management of first responder grants and the effectiveness of DHS' system for collecting data on state and local governments' risk, vulnerability, and needs assessments. Our audits have reported on the states' inability to manage effectively and monitor these funds, and to demonstrate and measure improvements in domestic security. Our reports also pointed out the need for DHS to monitor the preparedness of state and local governments, grant expenditures, and grantee adherence to the financial terms and conditions of the awards.

DHS faces a challenge in addressing its responsibility to become an efficient and effective grants manager. For example, while the Office of Grants and Training is tasked with financial and programmatic monitoring and oversight for first responder grants, the Office of Justice Programs with the Department of Justice does the accounting for these grants. Given the billions of dollars appropriated annually for disaster and nondisaster grant programs, DHS needs to ensure that internal controls are in place and adhered to, and grants are sufficiently monitored to achieve successful outcomes.

DHS needs to ensure that, to the maximum extent possible, disaster and homeland security assistance go to those states, local governments, private organizations, or individuals eligible to receive such assistance and that grantees adhere to the

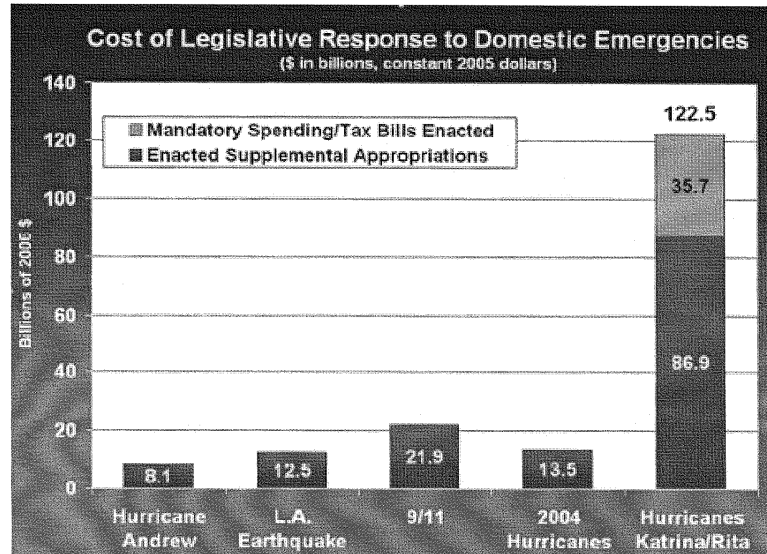
terms and conditions of the grant awards. DHS needs to continue refining its risk-based approach to awarding first responder grants to ensure that areas and assets that represent the greatest vulnerability to the public are as secure as possible. It must incorporate sound risk management principles and methodologies to successfully prepare for, respond to, recover from, and mitigate acts of terrorism and natural disasters.

DHS management recognizes these challenges. DHS is planning a study to provide a single grants management system for all nondisaster-related grants. In addition, a risk-based grant allocation process was completed in fiscal year 2006. DHS risk analysis was a critical component of the process by which allocations were determined for such programs as the Homeland Security Grant Program, Transit Security Grant Program, Port Security Grant Program, and the Buffer Zone Protection Program.

However, the support for the Gulf Coast hurricanes had a major impact on DHS OIG's nondisaster work, resulting in some delays of audits underway and planned, including the area of grants management. This negative impact was reduced as temporary staff were hired and trained, and employees detailed to Gulf Coast Hurricane Recovery returned to the Office of Audits.

CATASTROPHIC DISASTER RESPONSE AND RECOVERY

In the wake of Hurricane Katrina, Congress responded quickly with funds for immediate relief and recovery efforts. To date, emergency appropriations totaling over \$85 billion have been made available. Additionally, Congress enacted over \$35 billion in mandatory spending/tax bills, bringing total relief dollars to more than \$122 billion.



[Source: Senate Budget Committee, August 22, 2006]

[Source: Senate Budget Committee, August 22, 2006]

Recognizing the need to protect taxpayers' dollars, the Office of Management and Budget, in early September 2005, mandated that the federal agencies involved in the disaster response and recovery efforts develop a stewardship plan. The plan sets the framework for mitigating risks associated with crisis procurement, managing the broad scope of oversight work, and overseeing contracts awarded.

On the heels of the Office of Management and Budget/Department of Homeland Security plan, the Inspectors General (IGs) involved in oversight of disaster relief efforts developed a hurricane audit coordination model. The model helped determine which recovery activities each of the OIGs would audit and review.

Moreover, the OIG community was well poised to address the need for oversight, as coordination of activities had already been established. Prior to Hurricane Katrina, the President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE) established a Homeland Security Roundtable, based on their collective experience after the 9/11 attacks. The Round-

table was a natural focal point around which hurricane recovery oversight revolved. And, as Chairman of the PCIE's Homeland Security Roundtable, I was tasked with coordinating its activities. Needless to say, Hurricane Katrina oversight was our number one priority last year.

Through the Roundtable, the OIG community has been successful in addressing issues of waste, fraud, and abuse. As of September 30, 2006, through our coordinated activities we have:

- Conducted audits or reviews of 835 contracts, including 348 completed and 487 ongoing audits. These 835 contracts had a total contract value of \$8.5 billion. Of this amount, auditors reported questioned costs of \$53.6 million, of which \$33.3 million was determined to be unsupported.
- Reviewed contracts resulting in \$80.9 million in taxpayer funds that could have been put to better use.
- Opened 1,756 cases, which resulted in 439 indictments, 407 arrests, and 255 convictions.

Additionally, in September 2005, I established the Office of Gulf Coast Hurricane Recovery to take the lead in coordinating disaster-related activities. I also appointed a separate Special Inspector General for Gulf Coast Recovery. This action allowed us to stay current on all disaster relief operations, and provide on-the-spot advice on internal controls and precedent-setting decisions.

In turn, the lesson we learned from our experiences in Katrina oversight is that the presence of an office directly responsible for disaster assistance is essential. Therefore, in October 2006, we established the Office of Disaster Assistance Oversight (DAO) to take over, on a permanent basis, the work of the Office of Gulf Coast Hurricane Recovery. I also appointed a permanent Deputy Inspector General for Disaster Assistance Oversight.

The creation of the DAO has strengthened our ability to react quickly and efficiently to a variety of disasters, and further advance our collaborative efforts with other federal IGs. DAO also coordinates the work of the 23 other federal IGs involved in the PCIE Roundtable; actively participates on the Department of Justice's Hurricane Katrina Fraud Task Force; and works closely with state and local auditors and inspectors general, as well as the Government Accountability Office.

The DAO organizational structure to a great extent mirrors FEMA's structure with offices addressing Response, Recovery, Mitigation, and Acquisition. We have three field offices located in Oakland, California, Denton, Texas, and Atlanta, Georgia. Additionally, we have four suboffices co-located or near FEMA's Transitional Recovery Offices, which allow us to work closely with state and local auditors and inspectors general, as well as FEMA regional staff, in order to take a hands-on approach to our oversight efforts. With a total staff of 120 personnel exclusively dedicated to disaster oversight, our structure allows us to be efficient and effective, and to give counsel to address immediate oversight needs. As we continue into the recovery phase of the disaster, we are changing our oversight focus from immediate recovery to acquisition and contract management.

Overall, the work completed by the Gulf Coast Hurricane Office and the DAO has been successful. However, in order to conduct the needed oversight of FEMA's readiness, preparation, response, and recovery related to Hurricane Katrina, we have had to substantially reallocate our inspectors, auditors, and evaluation resources.

Mr. Chairman, this concludes my prepared statement. I have highlighted four specific management challenges facing the department—financial management, information technology management, acquisition management, and grants management—that are the backbone of the department and provide the structure and information to support the accomplishment of DHS' mission. While some aspects of these challenges were inherited by the department from their legacy agencies, the complexity and urgency of DHS' mission has exacerbated the challenge in many areas.

While the department's senior officials are well aware of these problems and are making progress in resolving these issues, we must continue to keep the department focused on these challenges. Our continued oversight in these areas is intended to facilitate solutions in order to significantly improve the department's ability to carry out its operational programs.

I will be pleased to answer any questions you or the Members may have.

Chairman THOMPSON. Thank you very much.

I thank all the witnesses for their testimony.

I will remind each member that he or she will have 5 minutes to question the panel.

I will now recognize myself for the beginning of the questions.

Again, thank you very much for your very thoughtful testimony. I guess the first point for both of you gentlemen, Mr. Walker and Mr. Skinner, is: Do you presently have the resources necessary to do your job effectively?

Mr. Walker, will you respond?

Mr. WALKER. I wouldn't say anything to you I haven't told the appropriators. I do not believe that we have been treated fairly in recent years.

GAO generated a \$105 return for every \$1 invested in the agency, number one in the world. Second place is \$10 to \$1. And we haven't kept pace with inflation for the last 4 years. That is not in the interest of the Congress or the country. And I am hopeful that we can rectify that in our fiscal 2008 budget.

Chairman THOMPSON. Thank you.

Mr. Skinner?

Mr. SKINNER. Chairman Thompson, just like everyone else in government and everyone else in DHS, we could always use additional resources. We are stretched very, very, very thin. And as a result of the Katrina and the Gulf Coast disasters, which those expenditures are going to exceed probably when it is all over with well over \$200 billion.

We had to focus a lot of resources to provide oversight audits, inspections and investigations of activities that are occurring as a result of that very unfortunate event. That has really hurt us because we have had to take over 75 people out of our audit shop, investigation shop and reassign them to Gulf Coast operations, which is really having a real major effect on our ability to provide oversight in other parts of the department.

Where we are really lacking, if anyone takes a close look at our performance plans and the results of our work, is that we are not providing the oversight of the billions of dollars that are spent each year in the grant arena, for example. It is just simply we don't have the resources to do it.

Chairman THOMPSON. Thank you.

Mr. Walker, you talked a little bit about interference with investigations and what have you. I am concerned about that, but I want both of you gentlemen to kind of give the committee an example of the kind of interference your staff ran into in trying to get information from the department.

Mr. WALKER. Well, thank you, Mr. Chairman.

First, I don't believe I have ever used the word "interference." And that is an example of how there was misreporting of what we said yesterday.

Here is the problem. The problem is, it is my understanding from my staff that every document that is to be provided to GAO for review has to be reviewed by the chief counsel's office. There is no reason for that. We have broad-based statutory rights to documents. And I don't understand why these documents, every document, has to be reviewed by a lawyer.

Second, it is also my understanding that on a selective basis, not on an across-the-board basis, that members of the chief counsel's office—and there are many members of the chief counsel's office—want to sit in on interviews with regard to selected officials. That

has a chilling effect on the ability of people to speak candidly with us.

My understanding is Rick has had similar problems. But again, this is a systemic problem. It is not a particular person. It is something that is systemic.

Mr. SKINNER. Thank you. Yes, we have had similar problems. But they are not the types of problems that GAO is experiencing. And ours have been primarily within the area of the Coast Guard. And there, because of draft guidelines that have been published, it has created a shroud on our interaction.

If you ask the Coast Guard, if you ask anyone in the Department of Homeland Security, they will tell you they cooperate with us. Generally speaking, they do cooperate with us. With regards to Phil Perry and his office, they have always been supportive of our operations. And the news media yesterday really did a disservice in the way they interpreted the comments we made yesterday.

Our problem, for example, at the Coast Guard presumes that anytime we want to do an interview, that the supervisor must sit in. Anytime we make contact with an individual within the Coast Guard, they must report that to their supervisor. Anytime we want a document, we must go through the audit liaison officer to get that document where it is vetted and reviewed.

That is very cumbersome. It expends a lot of time, slows down our ability to do our job in a timely manner. And it also, like Mr. Walker said, it sends a chilling effect among those that we are trying to interact with.

If they say they want to meet with us privately, which the Coast Guard says they can, that also sends a message that we may not be a—we, a member of the Coast Guard—is not a team player. So therefore, there is a resistance. There is an attitude there that it is not wise to meet with the IG privately.

And then when they do meet with us with their supervisors, they are constrained. They are not as open. As a result, we generally have to do two interviews, one with the individual with their supervisor and a second interview at night over the telephone back-channel.

Chairman THOMPSON. One point of reference, is that customary, to your knowledge, with other departments within government?

Mr. WALKER. Well, we deal with every department in government. And, no, it is highly unusual. It is one thing for the general counsel's office to be involved on an exception basis in unusual circumstances. And that is fine, and that is understandable. But to be involved with every document is highly unusual. In fact, I think it is the only one that I know of in government.

Chairman THOMPSON. Thank you very much.

I now yield to the ranking member of the committee for his questions.

Mr. KING. Thank you, Mr. Chairman.

My first question would be to Inspector General Skinner. It is somewhat parochial, but I think it has an overriding arch to it.

Back in October of 2005, New York City received credible threats about an attack on its subway system. And the police commissioner and the mayor increased security on the subways at the time. Simultaneously with that, officials in the Department of Homeland

Security were downgrading the threat and were trying to minimize it, and they were very critical of the mayor and the police commissioner.

At the same time as that, it turns out that officials within the Department of Homeland Security were actually advising their relatives to stay off the subways. This was actually before the threat was even announced, which to me, certainly, violated some very important procedures as far as leaking classified information.

I know you conducted an investigation of that. Can you tell us what the status of the investigation is, what action was taken against those individuals and more importantly than that, what actions has the department taken to ensure that employees of the department realize the absolute necessity of not leaking secret information? And has that been impressed upon the employees in the department?

Mr. SKINNER. Thank you.

Yes, indeed, we did do an investigation of that incident. And it is complete. And we had referred our findings back to the program offices with recommendations for disciplinary action. I will have to get back to you, Congressman King, on exactly what those actions were. I know there were actions under way. I just don't know what they were at this point in time.

Mr. KING. Is there any way of telling now whether or not this was an unusually long period of time that the department has taken? Or it is just that you are not aware of it at the time?

Mr. SKINNER. I am just not aware of the actions on that particular case.

Mr. KING. Okay, okay. If you could get back to me on that, I would certainly appreciate it.

Mr. SKINNER. I will.

Mr. KING. Comptroller General Walker, the department has undergone several transformations or reorganizations in the past several years. There was Secretary Chertoff's second stage review. Then last year there was the FEMA reformation and restructuring. What impact have those reorganizations had on the department, positive and negative?

And is it early enough yet to determine how effective the FEMA reorganization has been, especially in view of how it conducted itself, which I believe was in a positive way in the recent tornado incident in Florida?

Mr. WALKER. Well, I think it is too early to tell whether or not the reorganization is going to be effective. And obviously, that tornado was a tragic incident in Florida.

But the scale of that as compared to the scale of a Katrina or something is obviously very, very different.

And frankly, I think we should have expected that people would have been overwhelmed with Katrina. But I would have hoped they would have done better, and I am sure you do, too.

Secondly, so with regard to that—I apologize. The first part of your question, Mr. King, again, was?

Mr. KING. Yes, the impact of these reorganizations have on a new department. Are there any lessons learned from that?

Mr. WALKER. Thank you.

Mr. KING. And do you believe that we should consider more reorganization or let this try to work its way through?

Mr. WALKER. Any organization, whether you are in the public sector, the private sector or the not-for-profit sector, reorganizations are very disruptive. They have an adverse impact on morale. It is very important that one step back, look strategically, decide how best to align the organization to achieve the objectives, implement it and leave it alone for a period of time.

The morale at the Department of Homeland Security, based upon the latest employee feedback survey, is, I believe, dead-last of all the major departments and agencies.

Now, you can't say it is because of all these reorganizations. But I can tell you, based upon my public-and private-sector experience, including running a global operation in the private sector and heading three federal agencies, you know, reorganizations may be necessary at times but they should be minimized and they are disruptive.

Mr. KING. Do you believe the department is working effectively to further this reorganization now? Or do you feel it has become stalemated or stagnant?

Mr. WALKER. My understanding is we are doing some related work. And I would rather wait until that work is done before I end up saying anything.

Mr. KING. My time is running out. Mr. Chairman, I yield back.

Chairman THOMPSON. Thank you very much.

We will now hear from the gentlewoman from California, Ms. Sanchez.

Ms. SANCHEZ. Thank you, Mr. Chairman.

And thank you, both of you gentlemen, for your service to our country and for the information you are giving us.

You know, my background is in strategic management. I used to work for Booz-Allen. I was an investment banker. I have international experience. I did a lot of M&A work, more importantly, performance audits after M&A work.

Quite frankly, I voted against creating the Homeland Security Department because I know how terrible it can be to get two cultures together, let alone 22, and maybe not the right 22, in an area and then not put them together really and take away collective bargaining rights from its employees and leaving the situation cost-neutral, as you alluded to, where they picked up additional responsibilities but weren't allowed to spend any more.

And, of course, I think one of the biggest problems we have seen is that those who were smart enough or who had been there long enough knew they had to get out of those departments. That created voids. And you people came in. They didn't know how it had been run before. Now we hire back contractors in order to come in and tell the new people how the job is done.

We look at the situation of the staffing over at this department, and we see that—and we still haven't gotten back the numbers completely. But the fact of the matter is slots are not filled. Lots of contracting slots are sitting there. So just the whole issue of people is a big problem.

But I want to ask a couple of questions with respect to the budget that just came out from the president and the fact that DHS had

been pushing to get the old hospital in D.C.—I wish Ms. Norton was here—to sort of situate its employees in one place and stop leasing wherever it is that they all are. And, of course, then you do the cost savings analysis that saves over \$1 billion a year the sooner you get them out of those leased offices.

But, you know, the drawback is it is up-front money that you have to spend in order to get this old hospital refurbished. And, of course, I hate to say it without Ms. Norton here because, of course, she is very anxious to fill that place up.

But my question to you is, do you think it would make a difference if we did put these people together in one place and gave them the secure lines some of them need and the access some of them need? Or do you think that is not going to make any difference, that they are just—and I have said this over and over—chaotic and a confused department, which it has been for the last—and I have sat on the committee since the inception of that. Or do you think it might help?

Because in the president's budget, this issue of putting everybody in one place has been zeroed out.

Mr. SKINNER. I really wouldn't want to speculate that it would make things better. But I could say that it would be more efficient if we were all together because we spend an inordinate amount of time commuting cross-town to meet with one another because we are scattered all over town, at the Ronald Reagan Building, up on 4th and High Street, down on Vermont Avenue and places in Virginia. And it is very inconvenient. And you lose hours a day just commuting back and forth for meetings.

But I wouldn't want to speculate would it make us a more cohesive, better managed. I don't think location drives management. I think management drives management.

Ms. SANCHEZ. Okay, that is fair enough. Thank you.

Do you have a comment on that?

Mr. WALKER. I think it could help, but I don't think it is a panacea. I think clearly it could help to improve economy and efficiency.

Ms. SANCHEZ. Maybe communications?

Mr. WALKER. Possibly, yes. But it clearly comes down to leadership and performance measurement rewards systems and a variety of other things irrespective of where you are. As you know, sometimes you can have everybody in one building but psychologically there can be a difference between which floor you are on plus which unit you are part of.

But it wouldn't hurt. And I think it would help.

Ms. SANCHEZ. Thank you, Mr. Chairman. I will yield back at this point.

Chairman THOMPSON. Thank you very much.

The chair will now recognize other members for questions that they may wish to ask the witnesses. In accordance with our rules, I will recognize members who were present at the start of the hearing based on seniority on the committee alternating between majority and minority. Those members coming in later will be recognized in the order of their arrival.

I now recognize the gentleman from Alabama, Mr. Rogers.

Mr. ROGERS. Thank you, Mr. Chairman.

I want to thank the witnesses for being here. I would like to address my questions to Mr. Skinner.

In the 109th Congress the subcommittee that I chaired held three hearings on ISIS. For those who aren't familiar, that is the Integrated Surveillance and Intelligence System. And, it was a real disaster. We talked about ways that we could make sure that didn't happen in the future, particularly as we went into this new technology era. And then last September, SBInet was announced.

And you released a report in November, a management advisory report, that raised a lot of concerns about SBInet. I would like to ask you, has DHS done much to address the concerns in that management advisory? And if so, what have they done?

Mr. SKINNER. That is interesting because, as we speak today, we are meeting with the SBInet folks to obtain an update exactly where they are with regards to implementing the recommendations we made there.

I can say that just from—because we are embedded there. We are going to continue to work there because of the major—because of the investment that we are putting in this initiative. And I can say that we still have significant problems.

The staffing, the project management team is still not where it should be. And our major concern right now is, while they can manage the one or two taskings that are out there, we are in the process to issue several more taskings between now and this summer. And that is going to stretch them very, very thin to be able to manage the taskings that they currently have then be involved in the process of initiating new taskings and providing oversight of these additional taskings.

So it is something we need to watch very, very, very closely. It is certainly not a best practices, the way we proceeded with SBInet. But they did, in fact, take certain safeguards this time, based on lessons learned from Deep Water, for example, and they are moving at a slow pace, which is a wise thing to do.

It is a short-ended contract with exit ramps in case things don't go well. So in their pilot, the Tucson area, as I am sure you are aware, before we go spread our wings into other areas. But it is something that needs to be watched very, very carefully.

Mr. ROGERS. I get the impression from the way you described that that you see staffing shortage problems.

Mr. SKINNER. There is. There is.

Mr. ROGERS. Not just with you, but with DHS.

Mr. SKINNER. Yes.

Mr. ROGERS. Okay.

Mr. SKINNER. I might add very quickly we have got a report coming out on SBInet next week. I would commend it to you.

And secondly, just a note for the record that I come from Alabama as well.

Mr. ROGERS. All right. War Eagle.

[Laughter.]

I wanted to ask about procurement. As you know, we talked in the past about—and you made reference to it in your management advisory acquisition and procurement staff shortages. Have you seen any relief in this area?

Mr. SKINNER. I know there is some very aggressive initiatives both in our 2007—in the department's 2007 budget. And you will see that as well in the 2008 budget.

Keep in mind that we inherited a budget in 2003. In 2004, the president's budget was already up on the Hill. So the first time the department was able to submit a budget was in 2005. Unfortunately, it was focusing on operational issues in the standup of things like the science and technology division.

In 2006 was the very first time, I believe, or 2007, that we recognize that we have dug a hole for ourselves and we are trying now to work our way out of that. It is going to be a long-term effort.

The department, particularly under the leadership of Elaine Duke, is taking some very innovative approaches to do stop gap solutions until we can get fully staffed. And that is trying to recruit in-house, doing certification, doing training.

And it goes beyond just procurement and acquisitions, procurement officers. It is really a program management capability. And we need additional training there. You can have the best procurement shop in the world, but if you don't have good program managers and they are well trained and they are working hand in hand with your acquisition officer, a lot of things can go wrong.

Mr. ROGERS. Right. And a piece of good news, from the chairman's standpoint. I met with Ms. Duke yesterday, and talked at length about what they have been doing. I know the department has gotten a black eye for morale. But apparently in procurement there is a real good attitude, and they have got a lot of people trying to join that department. But that is a good thing.

I would ask that after this meeting you are going to have this afternoon, if you could give us a report to my staff or to the committee staff about what you learned from DHS's response to that management advisory.

And last question, how much do you think SBInet is going to cost?

Mr. SKINNER. I don't know.

Mr. ROGERS. That is what I thought.

Thank you, Mr. Chairman.

Chairman THOMPSON. Good question.

We will now have questions from the gentlelady from California, Ms. Harman.

Ms. HARMAN. Thank you, Mr. Chairman. And thank you and thank the ranking member for holding this hearing. These are two witnesses who really know what they are talking about and can be very helpful as we try to make our homeland security program more effective.

Unlike Ms. Sanchez, I did support the legislation. And I guess I am one of its godmothers, for better or worse. But the goal was not to rearrange the deck chairs, but to create one deck, one national, integrated strategy for homeland security, which obviously has to include risk management, since, as you point out and everyone here understands, we can't protect against everything at all times.

It is disappointing to hear that, notwithstanding a huge effort by many at DHS, we are still slow in reaching success. So my first question is, do you think we will ever get there?

Mr. WALKER. I think ultimately you can. I think from an intellectual standpoint you can say that clearly by pulling the people all together under one department with ultimately one chain of command with the ability to hopefully interface more effectively, I think you can get there.

And frankly, let me go back to the Department of Defense—60 years—

Ms. HARMAN. Yes.

Mr. WALKER. And it is a D on economy, efficiency, transparency and accountability.

Ms. HARMAN. But, Mr. Walker, we don't have 60 years, as you well know.

Mr. WALKER. No, no, we are ahead of the Department of Defense. I mean, you were only 4 years, right.

I mean, and so, can we be successful? Yes, I believe we can.

Mr. SKINNER. And I agree with Mr. Walker. Absolutely we can be successful. But it is going to require transparency, accountability, oversight, and a focused leadership.

But if we maintain that leadership and maintain our discipline, yes, we can be successful. It is not going to be easy, and it is not going to be done in a short period of time.

Ms. HARMAN. On that point, let me just ask a couple of questions in combination so that I don't run out of time. I don't want to abuse the time of other members.

Number one is whether you can put a timeframe or an approximately timeframe short to long on when we can achieve success.

Number two is a request, Mr. Chairman. I would like to request more specific information on the role of contractors in the Department of Homeland Security. I think it is a staggering statistic that 40 percent of the budget, \$16 billion, if I heard you right, goes to outside contractors. And I would like to know what it is that they do there so that we can hold them accountable as we are trying to hold everyone else accountable.

Chairman THOMPSON. I agree.

Mr. SKINNER. Yes, and I will provide you a breakdown of where those funds are going.

Ms. HARMAN. Right. And my other question is, to piggyback on the last one, about SBInet. I want to ask about the homeland security information network and how we are doing with that. And specifically, are we reinventing the wheel?

I mean, there are other information-sharing systems that law enforcement, for example, is comfortable with, like RISNET and LEO and LINX, a system I have learned about recently, which is a naval criminal investigative services network.

And I am wondering whether those pre-existing systems were researched before HSIN was developed and would an assessment of those networks be useful now in trying to achieve in the shortest possible timeframe real full integration so we can share information.

Mr. SKINNER. I am not sure if they were explored or not. But I can say that as a result of our recent work in that area that the department, in particular, Charlie Allen, who is running our intelligence analysis shop now, is stepping back and taking a broader view of what our options are, reaching out to our partners such as

the FBI for LEO and the Navy and other areas to see if maybe we should just piggyback or work with them hand in hand to ensure that communications between the feds and the states and the locals.

Ms. HARMAN. As chairman of the relevant subcommittee here, that is a high priority for us, because you can't share information if you don't have the sharing mechanism, even if you have the will.

How about an answer on timeframe for achieving a successful integration in this department?

Mr. SKINNER. Well, again, I don't know if I want to speculate when you talk about integration of the entire department. I can give you some timeframes for, for example, in financial management.

We hope to have the ability to provide the Congress and the public with reliable and timely financial statements that are unqualified, audited opinions no later than 2009. And that would be 3 years.

In the IT arena, we are plodding along. But we are looking at 2008 to build a department-wide platform that is what their out-goal is. Will they reach that? That is a very ambitious goal, to have a department-wide network that will support everyone.

In the area of grants management, I think we are very weak. I don't think we are paying enough attention to what is going on in our grants management arena. I think we might be doing a good job of developing risk assessments as to how we are going to award those funds. But we are doing that in a very stovepipe manner. And I think maybe we need to slow up and take a look at what we are doing.

Ms. HARMAN. Right. My time has expired.

I just, Mr. Chairman, would ask that Mr. Walker answer the question about timeframe.

Mr. WALKER. I can very quickly. Five to 10 years on a consolidated basis, hopefully closer to 5. I am talking about full integration and transformation.

And quite frankly, as I said before, it is 5 to 7-plus even in the private sector. And this is a lot more complicated than that. But it is not guaranteed unless they take certain steps.

Last thing, contractors: We have a major challenge government-wide with contractors. We are using contractors more than prudently appropriate. There are a lot of circumstances in which we clearly should use contractors, and they do a good job for us, and it may be necessary. But there are major issues here beyond DHS.

Chairman THOMPSON. Thank you very much.

I now recognize the gentleman from Texas, Mr. McCaul.

Mr. MCCAUL. Thank you, Mr. Chairman.

Mr. Skinner, I want to direct my questions to you. Last Congress we worked very well on the issues related to FEMA fraud, waste and abuse issues. However, there was another oversight issue regarding an investigation conducted by your office that did not go quite as well.

As you are aware, last September when I was chairman of the Investigations Subcommittee, I requested a briefing from your office on the case involving Border Patrol agents Ramos and Compean. I requested that meeting because we were hearing a lot

of allegations about the innocence, potential innocence. My sole goal is to get to the truth of this case.

Now, I sent you the letter after that meeting requesting a report of investigation that I was told that substantiate the assertions that were made by members of your staff to several members of Congress and committee staff.

In January of this year, I contacted your office for that document again as I had not received it. And I was told by you that, as I was no longer chairman, that this request would no longer be honored and that I would have to submit my request through the Freedom of Information Act. I have to say I think that defies, to some extent, the authority of this committee.

Be that as it may, as of yesterday I received a production pursuant to the Freedom of Information Act, and I have had a chance to review that report. Many of the assertions that your office made indeed turned out to be correct.

However, there are several that I want to entertain that did not, in my view, add up. And I want to know specifically what you are going to do about this.

One had to do with the allegation, very inflammatory, by a member of your office that these agents stated on the day of the shooting that they wanted to shoot a Mexican.

Mr. Skinner, I looked through this entire production, this entire report, and nowhere is that statement found in this report. I don't know if it exists in another report. If it does, I would like to see that report.

In addition, we were told that the individuals, the agents, knew the drug dealer was unarmed and did not fear for their life at the time of shooting. However, as I read the memorandum of activity, which is attached to your production, it clearly states that Compean said that he began to shoot at Aldrete because of the shiny object he thought he saw in his left hand and because Aldrete continued to look back toward his direction.

Compean explained that he thought the shiny object might be a gun and that Aldrete was going to shoot at him because he kept looking back at him as he ran away from him. It was then that he began to shoot. That is according to Compean. That is his statement.

Obviously, the jury believed differently in the outcome of this trial. But the point remains that we were given various representations from your office that we believed in. We certainly believed in the good faith of your office. And I believe that these representations became misrepresentations, if not outright false statements to members of Congress.

So specifically, I wanted to hear from you what you intend to do to hold your office accountable for these statements that were made to members of Congress and to this committee.

Mr. SKINNER. I would like to make, first, two points.

Those, say, misrepresentations were made to me as well.

Secondly, those misrepresentations were not deliberate. Our policy is generally not to brief until an ROI has been prepared. And we will only brief if requested by a chair of a committee for the official business of that committee.

In this case, we agreed to brief on the two individuals that had been convicted and sentenced, although our ROI had not been completed. In fact, our report of investigation was not completed until late November.

In preparation for the meeting with you and other members of Congress, the individuals that briefed you were briefed telephonically by members of the investigative team. And the characterizations that they received they passed on to you. And they were mischaracterizations.

For example, the briefer from, I believe, Texas told us that—not me personally, but to our assistant IG for investigations who subsequently briefed you—that they were out to shoot the Mexican. The actual quote was they were out to shoot the alien. It was not a Mexican. But that was the characterization that was passed on to them. Unfortunately, they repeated that to me, and they repeated that to you.

So far as being in fear of their life, that was a summation of all of the evidence that they had gathered from other witnesses. Keep in mind we did not investigate two agents, Border Patrol agents here that were convicted or that were prosecuted. We conducted an investigation of an incident. It was a shooting incident. It involved 11 Customs and Border Patrol agents.

When we initiated that investigation, we developed facts surrounding the case. We brought that to the prosecutor. The prosecutor then chose to prosecute two individuals. There were three other individuals that are implicated as well. But the prosecutor chose not to file charges against them. However, we referred that to CBP to the management for administrative action.

Those three people now have been disciplined; that is, been given their notice to terminate employment with CBP. One has already resigned. The other two I don't know what their current status is.

But it is an unfortunate mischaracterization. I apologize on behalf of our staff for that mischaracterization. But I just wanted to make it perfectly clear it was not intentional. They were not trying to suggest that this was greater or something more than what it was to impress upon you that the conviction was a justified conviction. They were just simply repeating characterizations that were passed on to them.

Ms. SANCHEZ. [Presiding.] The gentleman's time has expired.

Mr. Etheridge for 5 minutes, of North Carolina.

Mr. ETHERIDGE. Thank you, Madam Chairman.

Let me thank both of you for being here today.

Let me ask a question because in the ongoing response to Hurricane Katrina—and I ask this question because it may just be January and it is cold as blazes outside right now. For those of us who live in North Carolina and in coastal communities, we aren't too far from hurricane season again. I know that may sound strange, but we live in that fear.

And in the ongoing response to Hurricane Katrina and Rita, the GAO has identified significant fraud, waste and abuse in the control weaknesses in FEMA's individual and household programs and in the Department of Homeland Security's purchase card account.

Can you share with us if FEMA has taken action on the recommendations to address these weaknesses?

Mr. WALKER. It is my understanding they have taken action on some, but not all of those. And I would be happy to provide some more information to your office, Mr. Etheridge.

Mr. ETHERIDGE. Would you, please? Thank you.

Mr. WALKER. I would be happy to do that.

Mr. ETHERIDGE. I think that would be helpful.

Secondly, are efforts being made to determine whether the systems will work in an actual disaster? You know, even though we have taken action, have there been any dry runs, so to speak? Because I think that is critical if we are going to—you know, we could face another one in the very near future.

Mr. WALKER. I understand. If I can provide that for the record, I would appreciate that.

Mr. ETHERIDGE. Okay, I appreciate that.

Mr. WALKER. Because I don't know the answer.

Mr. ETHERIDGE. Thank you.

Several OIG reports have identified problems with TSA screeners and TSA airport procedures, as you well know. And I have heard from many of my constituents about the inconsistencies that have been applied to rules and other issues with passenger screening, and, I guess, more particularly and probably more specifically, dealing with the hastily applied rule of liquids.

So in that regard, can you share with us the progress that has been made in implementing the provisions of OIG's regulations and what is being done to further ensure consistency and clarity regarding the rules and procedures on these airport screenings?

I think, you know, that is where the traveling public faces it more readily. And we get feedback real quick.

Mr. SKINNER. I am sure you do. And I travel a lot as well as part of my job, and I do personally observe and see these inconsistencies. There is a whole variety of reports that we have issued with regard to TSA where they need to tighten up not only their internal controls, but their business processes and the way they do business.

We are doing a series of audits with regards to TSA right now to follow up on the recommendations that we have made over the last 2 to 3 years with regards to not only their recruitment, but their processes at airports, not only for passengers, but also for cargo, checked luggage, that type of thing.

And if I may, if I can get back, we are looking right now, probably sometime this summer, before we will have a report on two or three of these areas that will be?

Mr. ETHERIDGE. If you would get that back to us, I would appreciate it.

Mr. SKINNER. I would be happy to.

Mr. ETHERIDGE. All right. Thank you.

The final question I have, Madam Chair, is my state of North Carolina is a participate in the regional information sharing system or RISS program. Given the problems you mention in your report on I.T. infrastructure and the data system, what is the prognosis for linking the homeland security information network to RISS? And are procedures being developed to avoid duplication and confusion should this linkage be taking place?

Did you understand the question?

Mr. SKINNER. Are you referring to—

Mr. ETHERIDGE. It is the regional information sharing system, okay, the regional information sharing system. And you indicated a lot of problems you mentioned in the report in the I.T. information and data system.

And my question is, what is the prognosis for linking the homeland security network to RISS? And are procedures being developed to avoid duplication and confusion when that linkage takes place?

Mr. SKINNER. Thank you. And may I get back to you on that?

Mr. ETHERIDGE. You sure may. That would be fine.

Mr. SKINNER. I am not real familiar—well, familiar with the subject, but not the response or status.

Mr. ETHERIDGE. That will be fine. Thank you, sir.

Thank you.

Ms. SANCHEZ. The gentleman's time has expired.

Mr. ETHERIDGE. I yield back.

Ms. SANCHEZ. Before we go to Mr. Souder for 5 minutes, we have, I believe, what is three votes on the floor, the last votes of the day, 15-minute votes. So we will do his 5 minutes and then we will break. We will go into the votes, and then we will return.

That is, if our two gentlemen—how long do you all have? We will probably be gone for about half an hour at least.

Mr. WALKER. I have got a meeting on the Senate side at 3:30, which I need to do. So I can leave at about 3:20. I can stay here until about 3:20.

Ms. SANCHEZ. Okay.

And Mr. Skinner?

Mr. SKINNER. The same. I can stay at your convenience.

Ms. SANCHEZ. Okay. So we will take the gentleman from Indiana, and then we will break for votes and we will return.

Mr. SOUDER. Mr. Skinner, I don't know how to adequately say I found your answer to Mr. McCaul completely unsatisfactory, that I think this is something that is going to get increasingly embarrassing to the government in all aspects.

As somebody who initially was fairly calm about this matter and the more I read and the more I see the documents and the more I see the policies behind the documents, the American people are going to question whether we have any commitment whatsoever to the border based on the type of spin we have been receiving.

And I find one of the most amazing things listening at the beginning of the hearing the criticism from both of you about the Coast Guard and thinking, you know, there is some truth to this. If you have people who can't talk to the people who are investigating and they always want to have their person up higher that want to give a report, how are you, as auditors, supposed to do this? Well, how are we, as congressmen, supposed to do this?

If you want to, in effect, say we can't give you documents, we have to have our staff screen with us until we can talk to you, the very thing you were complaining about the agencies about you do to us. And I am just appalled and embarrassed for you.

Now, I have some particular questions regarding SBI net. Over in government reform we are doing some Iraq investigations. And we are all going to be talking with you over the period of time. And

one of the classic tradeoff challenges is here because as a businessperson myself, I understand to get corruption, to get tracking, you have to have information. And too often the agencies are getting stonewalled. We don't have enough staff.

We were yesterday talking about Iraq where they really needed 800 accountants, and they had four to 10, and a third of them got shot up. How do you do tracking? Because the classic thing here on the border on SBInet, which is a huge challenge right now, and I know we will be talking more about this over time. And I read your statements with it.

As a practical matter, any effort in any section of this border is going to be successful because they are just going to move to another part. And at the same time, by the time we make sure that every piece of fence works, every piece of technology works and we do all this research and do the accounting with it and make sure we have a plan, it is sometimes one of the tradeoffs here. And this is what I would like you to address structurally is we shouldn't rush because if we rush, we might make a mistake.

So we have got a million illegals coming across. We have no idea whether terrorists are coming through. We have contraband coming every day and narcotics. We have potential other types of contraband all the time coming across. How do you balance the auditing challenge you have with the need for speed?

Because to some degree, any fence works temporarily. Anything we do works temporarily. That if we sit back and wait and do an immigration bill but don't have any border strategy, we don't really have an immigration bill. Could you talk about that tradeoff that you see constantly when you do oversight?

Mr. SKINNER. That is an extreme challenge. And that is one of the things I commented on earlier, is the urgency of our mission and balancing that against our infrastructure and our ability to support that mission.

With regards to the SBI and the SBInet initiative, SBInet is only one part of a larger initiative. And we have to bring it all together. To secure our entire borders nationwide north and south is something that therein lies one of the problems we have right now with SBInet, is that we don't have operational requirements. What do we need?

Like you said, if we secure Tucson, they are going to come in through Del Rio. If we secure Del Rio, they are going to come in at El Paso. So we have to have an operational plan that is put in place with measures and performance matrix that will show us when we are going to do it, how much it is going to cost to do it.

We also have to take into consideration the cost benefit of doing all this. Do we want to spend billions of dollars and it is not going to work? So it is just a major challenge.

But when I say proceed with caution, I am talking about proceeding with caution. Find short-term solutions to ensure that if we are going to invest \$1 billion next year, which the president is asking for in 2008, that we know at the end of the year those monies were spent wisely, not necessarily—we still need to proceed, but at the same time, we can take some steps to ensure that we have oversight. I can assure you our office will continue to provide oversight to the extent we can.

Mr. WALKER. Mr. Souder, acquisitions and contracting is a high-risk area across government. And it is particularly acute in certain departments and agencies. The fact is we are relying on contractors in new and unprecedented ways.

We are also entering into some contracting arrangements such as the one with SBInet where we are employing an integrator approach, which means we are providing more flexibility to the contractors. With more flexibility, it means you need to be that much more careful about conflicts. You have to be very, very careful to define your objectives and to nail down your requirements.

You have to make sure that you have appropriate interaction and oversight as you go along because with more flexibility means more risk. There are 15 systemic problems with our acquisition and contracting system in the entire government, which I will be happy to provide for the record.

We need to focus on those because, yes, you need to move expeditiously, but you need to get it right. And all too many cases we have gotten it wrong in some cases because we moved too fast.

Ms. SANCHEZ. Thank you. The gentleman's time is expired.

Mr. SOUDER. Thank you. And would you provide the 15 for the record?

Mr. WALKER. I will be happy to do so.

Ms. SANCHEZ. We will recess.

Gentlemen, we will probably be gone about 30 minutes or a little bit more, depending on the votes. So go grab a Coke or something, and we will be back.

Thank you. We stand in recess.

[Recess.]

Mr. DICKS. [Presiding.] You know, in your opening remarks, you talked a lot about DHS contractors and that 60 percent—was it 40 percent or 60 percent of the DHS budget is spent on contractors?

Mr. SKINNER. Approximately 40 percent in 2006. In prior years it has been building. In 2005 I think it was around 25 percent. In 2004 I believe it was around 25 percent.

Mr. DICKS. And you are concerned that we don't have good oversight of these contracts? Or is there competition for these contracts?

Mr. SKINNER. Not all of them. My primary concern is that we don't have the capacity to provide the oversight that is needed to ensure that we are getting what we are paying for.

Mr. DICKS. Have you investigated any of these contracts, any of them specifically?

Mr. SKINNER. When you say investigate, yes, we have many ongoing investigations on contracts that were let as a result of Hurricane Katrina, Rita and Wilma a couple years ago. We have done a lot of work in audits of various contracts to determine whether—for example, the contract with Pearson to hire the TSA screeners. We have done reviews of the Boeing contract to install electronic detection or explosive detection equipment at the airports, those type of things.

Yes, we are actively engaged in reviewing many of the major contracts—

Mr. DICKS. Do you have enough staff to do your work?

Mr. SKINNER. We can always use more staff, of course, as I think everyone—

Mr. DICKS. What is your staff? How big is your staff?

Mr. SKINNER. Currently right now we have approximately, including those resources that are dedicated down in the Gulf Coast, somewhere around 550.

Mr. DICKS. Now, are these all government? Or are some of these contractors?

Mr. SKINNER. Of those, no, those are not contractors. These are all government employees. Some of those, approximately 60-plus, I believe, are hired on a temporary basis to provide us the coverage we need in the Gulf Coast.

Mr. DICKS. Okay. Now, one of the other issues that you mentioned was there is the concern that you have the DHS on a list of—and want to talk about that, Mr. Walker, on the list. And they have not done a good job in coming back to you with trying to show you that they are working to get off the list.

There is a number of things that you mentioned in your testimony that the DHS hasn't done. And you mentioned that some of the agencies were on this financial audit list prior to DHS being created. Could you tell us which ones and kind of give us a little overview on this problem?

Mr. WALKER. In 2003, we put the DHS integration and transformation effort on our high-risk list. And it has remained on it through the two updates in 2005 and 2007. The latest update being announced on January 31st.

We did that because of a number of reasons. One, there were a number of major management challenges that existed in a variety of these 22 agencies before they were put together. And secondly, just the mere undertaking of trying to integrate 22 different agencies with different systems, with different cultures, et cetera, is a massive undertaking.

What I mentioned before was that while they had made some progress, they have got a long way to go and that one of the frustrations that we have been having is that we have not been getting timely access to records and to individuals. It is one thing to understand that there can be delays.

But it is becoming a systemic problem. And part of which is because how they go about trying to clear the records and different safeguards that they have in place that other departments and agencies do not.

Mr. DICKS. Have you talked directly to Mr. Chertoff about this, Secretary Chertoff?

Mr. WALKER. I have spoken with Michael Jackson about it. I have not spoken with Secretary Chertoff directly about it.

Mr. DICKS. Who have Chertoff and Jackson put in charge of coming up with a plan and an approach so they get off this list? Who is in charge of that? Is there somebody in charge? Do they have a CFO? Obviously, it is Chertoff obviously. But—

Mr. WALKER. Well, ultimately he is in charge. One would say that Deputy Secretary Jackson is really focused more on internal matters, more on operational matters. I know that OMB has worked with DHS as well as all 27 of the high-risk areas to come up with an action plan to get off the list. Some will be able to get

off a lot quicker than others. It is going to take, I think, a number of years for DHS to get off.

Mr. DICKS. Well, give us for the record a list of the ones that were in trouble financially and on your list prior to DHS being created. And if any of them have gotten—well, of course, they couldn't get off because the whole agency now is being evaluated.

Mr. WALKER. I will be happy to provide it for the record.

Let me just say this, that there is one area that relates directly to the Department of Homeland Security. And that is the overall integration transformation effort. There are other areas that relate to the Department of Homeland Security indirectly, for example, information sharing. They are obviously part of the intelligence community. And there are major challenges associated there.

Mr. DICKS. Ms. Blackburn, please, is recognized for 5 minutes.

Mrs. BLACKBURN. Thank you, Mr. Chairman.

Mr. Walker, always good to see you.

Mr. WALKER. Good to see you.

Mrs. BLACKBURN. As I read your testimony and prepared for today, I noticed that some of the themes that seem to come your direction or come up in our conversations are still there. We have systemic problems. We lack a comprehensive strategy. They lack a comprehensive team.

There is too much bureaucracy. There are too many lawyers involved in the process. And I thought how amazing it is that we hear this from you. We hear it from the inspector general. And we are hearing it from our constituents that are trying to deal with federal agencies.

So, therefore, it should tell us that we really have a problem in how the federal government is organized. And I appreciate the wisdom that each of you bring to the discussion and hopefully guidance that will help us to reduce some of the bureaucracy and the repetitive nature of process that we find.

Mr. Walker, I have got several questions. I know I am not going to get through them. I have actually got eight for you and 16 for the inspector general, so I am going to submit some. But I want to begin by talking about CIS. And the GAO report mentions that CIS has improved their ability to deal with the backlog of immigrant applications.

But I have read some instances in some reports where federal contractors have thousands of applications that are stored and where some of them have shredded tens of thousands of applications and some of the paperwork in order to reduce or give the appearance of reducing that backlog. And I would like to have from you an awareness of what you have or how you see that situation.

Mr. WALKER. Well, first, we have done some related work and noted some progress there. Candidly, at this hearing I heard for the first time assertions that there may have been some destruction in order to reduce the backlog. That is news to me.

And I think what we need to do is I will go back with our people and find out what, if anything, we have heard of that and also try to coordinate with Rick Skinner to see whether one of us might want to follow up on that without duplicating efforts.

Mrs. BLACKBURN. I thank you. What are they currently showing as their backlog?

Mr. WALKER. I don't have the numbers in front of me. I would be happy to provide it for the record.

Mrs. BLACKBURN. You do not? That would be great.

The other thing that I would like to know about that backlog is if they are including the applications that are pending for security background clearance and checks or if those have been moved on to another agency and figure out how that has fit into that evaluation. Anyway, if we can quantify that number, that would be helpful.

And then the other thing, if you feel like they have sufficient resources to deal with that—it is a process, more immigration applications if we were to have a temporary guest worker program.

Mr. WALKER. Right.

Mrs. BLACKBURN. To talk about a looking forward. One of the things we do not ever do is look forward and say in 3 years, 5 years, 10 years how will we meet these needs and then plan accordingly. And I think that we become so focused on an annual budget.

I have some GIPRA questions, but I will submit those to you.

Mr. Skinner, the SBInet program, I wanted to see if you see that as a high-risk program. And also the timeline that DHS—if they are making progress in finalizing their metrics and targets and their goals for each of their task orders in that SBInet timeline.

Mr. SKINNER. Yes, we most certainly do see it as a high-risk project.

Mrs. BLACKBURN. Okay.

Mr. SKINNER. And each year we publish a document we refer to as the 10 management challenges facing the department. And that is included in that document as well and will continue to be included in that document so long as the department does not have—I mean, until they obtain the capacity to, one, manage an initiative like this, a system-to-system type of initiative; two, until they clearly define what their operational requirements are; three, until they can put a price tag on those operational requirements so that we can monitor how we are spending those funds: Do we have cost underruns, overruns?

Mrs. BLACKBURN. Okay. Let me ask you then should they postpone this program until they can address those problem areas, major problem areas and establish those metrics.

Mr. SKINNER. No, I think the approach—

Mrs. BLACKBURN. They should not? Okay.

Mr. SKINNER. —that they are taking is a wise one, and that is, let's pilot some of the initiatives we want to do and take lessons learned from that before we expand. That will carry us out until June.

They have an aggressive one. They have developed a personnel plan. They claim they know what the mix of resources they need to manage a project like this. It is approximately somewhere between 290 and 300.

And, of course, that includes everything from the engineers, I.T. types, contractor representatives, contractors themselves and contractor support to help them to help the project integration team to provide that oversight. If they cannot build up to that capacity, then we will caution them you need to slow down until you can

build up to that capacity. But right now, no, I would not recommend that we kill a project at this point in time.

Mrs. BLACKBURN. Thank you. I yield back.

Mr. SKINNER. Very quickly, we have a report coming out next week, Ms. Blackburn, on SBInet next week. So you may want to keep your eyes open for that.

Mrs. BLACKBURN. Okay. Thank you.

Mrs. CHRISTENSEN. [Presiding.] Thank you. The gentlelady's time is expired.

We next recognize Mr. Langevin for 5 minutes.

Mr. LANGEVIN. Thank you, Madam Chair.

And, gentlemen, thank you for your testimony today.

Before I get to my questions, I want to comment just on Mr. Skinner's answer. You mentioned Charlie Allen, the work that he is doing on information sharing with local law enforcement and how they are relooking at that whole information sharing network. I think that is so important.

And I have raised that issue a number of times. I think it is a problem with homeland security. It probably made a mistake in the way it was trying to create a whole new network. I have met with people from, for example, RISNET, the Regional Information Sharing Network, in New England. And that is a tool that law enforcement is already very comfortable with, familiar with.

And to me it seemed counterintuitive at best, nonsensical at worst, to not build on that system, something that law enforcement is already working with. So I am glad to hear your answer to Ms. Harman's question with respect to RISNET and just the Regional Information Sharing Networks that already exist and how Homeland Security is going to relook at that system.

But respect to my questions, starting with Mr. Walker, if I could. The Bioshield program has experienced varying levels of success since its inception 3 years. The program, as you know, though was however recently dealt a major blow with the cancellation of the contract for next generation anthrax vaccine, which at the time was the only major procurement contract under Bioshield.

Now, this program is obviously too important to fail. And yet as it currently operates has not been operating very successfully at all. Now, as chairman of the Subcommittee on Emerging Threats, Cybersecurity and Science and Technology, I plan to hold several hearings to explore how to fix the major problems with Bioshield's operations.

And, in fact, in order to get the full understanding of the program's failures, we are probably going to need to do joint hearings with other committees tasked with oversight of health and human services. And I am fully prepared to do so.

My question is what do you see are Bioshield's biggest weaknesses. And do you think the Department of Homeland Security and the Department of Health and Human Services are equally responsible for the program's failures? And what key steps would you advise DHS in particular to take to ensure the program's success?

Mr. WALKER. Well, we have done some work on this in the past. I am familiar with some of it, but not all of it. Clearly, I believe that there is a shared responsibility here between DHS, HHS and possibly others with regard to this program. We know that we have

had circumstances in the past where we have relied solely on a particular provider in some circumstances.

I think one of the things that we have to do is we have to define what our needs are, and we have to see what we can do in order to identify multiple providers hopefully, ideally, domestically, but if not, internationally. And I would be happy to find out what else we have done and make that available to you.

Mr. LANGEVIN. Yes, I would like you to do that and paying particularly close attention to Bioshield and maybe some of the successes. I would like to know what progress they are making from your perspective, but what we need to do to fix the program. It is too important. The results could be in terms of an attack and not being able to respond to one adequately would be catastrophic. And Bioshield was meant to obviously prevent that from happening.

Mr. WALKER. I understand.

Mr. LANGEVIN. Mr. Skinner, last year Congress cut a significant portion of the president's requested budget for the science and technology directorate. And these cuts came largely because of congressional dissatisfaction with the directorate, in part, because of the concerns that S&T was nothing more than a hobby shop for program managers rather than a directorate actually serving its customers.

Now, at the same time, Congress was also concerned about a lack of transparent strategic planning at the directorate, inadequate detail in its budget justifications and the directorate's failure to more rapidly develop and adopt technologies for homeland security purposes. Now, Undersecretary Cohen took over the organization August 2006. And since then he has been working to quickly try to right the ship, if you will.

And this committee has held several hearings where the undersecretary has been invited to testify. And by and large, we are pleased with his progress. And knowing him from my other work on the Armed Services Committee and my work in R&D, I know that Secretary Cohen did an outstanding job as head of Office of Naval Research. He comes to the table with a lot of credibility.

But in spite of the changes at the top, serious problems still exist within the directorate. So my question to you, Mr. Skinner, is what is your office doing to ensure that the problems that existed prior to Undersecretary Cohen's appointment are being addressed.

And specifically, what is your office doing to oversee S&T's efforts to develop a mature business model and prudent project management practices? And also, what is your office doing to ensure that the undersecretary develops a plan to strengthen workforce recruitment and retention and improve institutional knowledge base as well as create a culture of responsibility within the directorate?

Mr. SKINNER. Thank you. Historically we did not provide the oversight of S&T that we should have. And that is because of resource constraints. And I agree with you that historically the S&T, I think, has lost its way, so to speak. It took on operational issues when it shouldn't have. It did not reach out to its customers. And as a result, it was meandering in the department.

Since Undersecretary Cohen has come onboard, I have met with him on multiple occasions, been briefed on his reorganizational structure, his new plan of business, the way he intends to utilize

the S&T resources and service the department in the states and the locals in a research and development environment.

This year for the very first time we are getting involved in S&T activities. Currently we are first going to learn more about how S&T is run. So we are serving the S&T operations, working with Mr. Cohen to get an understanding what his organizational chart is, what his staffing requirements are and where he is going to place his priorities and use the monies that are allocated to him.

From there, we intend to develop a series of audits over the next 3 years that will focus on those areas that both Mr. Cohen, Secretary Chertoff and our office mutually—and Congress, because we always solicit the input from the Congress as well—as to those areas that we think would be everyone's benefit that we provide more intense oversight.

If you look at our 2007 performance plan, which, in essence, is an outline of the types of projects we intend to take, we do now have a chapter dealing just with S&T activities.

Mr. LANGEVIN. Okay. Well, I see my time is expired. I look forward to talking to you more about this. It is going to be a theme that I am going to question you on when you come before us again. I plan to exercise extensive oversight over the S&T Directorate in particular because it has problems. So I look forward to further discussions.

Mr. SKINNER. We look forward to working with you.

Mr. LANGEVIN. Thank you.

Mrs. CHRISTENSEN. Thank you. The gentleman's time is expired. And the chair recognizes for 5 minutes Mr. Lungren.

Mr. LUNGREN. I thank the Madam Chairman.

I would like to yield my first minute to Mr. McCaul. He had some follow-up on his questions earlier.

Mr. McCAUL. I want to thank the gentleman for yielding his time to me.

Mr. Skinner, let me first say that I appreciate your honesty in response to my question. But the fact remains that members of Congress were misled by your office, and members of this committee were misled by your office. Your office is charged with the responsibility of holding the Department of Homeland Security accountable.

My question to you is, what are you going to do to hold your own office accountable?

Mr. SKINNER. The first thing we are going to do is I am now asking my office to go back and reconstruct the series of events that led to the misrepresentation at the meeting that those members of my staff had with your staff. That is the first thing I want to do.

The second thing I want to do is look at what processes and internal controls we could put in place to ensure that we don't repeat this mistake again. One of the lessons learned—and because this was the first time that we—we generally don't provide briefings prior to the production of a report from which we can read and relate to and provide assurances of its accuracy.

And one of the things we may have to do is tighten our internal controls and our policies with regards to briefing of congressional members or for that matter, even departmental staff and leaders until our products are finished and we have assurances up the

chain that the internal controls, checks and balances are in place and I have some level of assurances that what we are going to be said or responses to questions that we are going to be asked are, in fact, accurate and reliable.

Mr. McCAUL. Well, let me say we certainly intend to follow-up with your office.

And I would ask that Madam Chair consider holding a hearing on this issue. I yield the balance of my time.

Mr. LUNGREN. Yield back the balance of your time. I appreciate that.

Let me just ask two things, one to Mr. Skinner. And that is you have talked about the difficulty with the national security cutter program with the Coast Guard. And that is the first major acquisition under the Deep Water Program.

The Deep Water Program, in my estimation, is absolutely essential for the responsibilities of the Coast Guard going forward. What do we need to do to make sure that we don't fall behind on the Deep Water Program, but at the same time, ensure that it is being managed properly? What internal changes needed to be made?

Mr. SKINNER. Yes, and I agree. The Deep Water Program is very important, not only to the Coast Guard, but to this country. Because if you look at the status of our Coast Guard fleet, it is in dire need of upgrading to meet the missions that lay ahead, particularly now after 9/11 and our terrorist mission associated with the Coast Guard.

There is a lot going on now as a result of our report. And Thad Allen—I have met with him, and I am sure that he will be providing briefings as time goes on up here in front of this committee. But he, in fact, is, one, reorganizing—has reorganized the Coast Guard in its acquisition shop so that now we have a place that someone can go to—we can go to, one place that someone can be held accountable for the program, which did not exist. It was diffused throughout the Coast Guard. Now we have one place to go.

Secondly, he has provided technical authority to the assistant commandant for systems who now can't override any decisions made by the integrator who initially under the original contract had that authority. Three, they are rewriting the contract to ensure that the Coast Guard now can exercise its authority over the contractor instead of entirely relying totally on the contractor's specifications or designs. So there is a lot going on there.

Mr. LUNGREN. Let me ask this question. We have criticized in the past the Department of Defense for being too big and so forth. But obviously they have enough people to manage programs like this. Criticism of the Coast Guard was that they haven't been in this business for 50 years.

Here we give them a major program. They don't have the capability of doing it because they don't have the manpower to do it and they don't have the experience to do it. What do you say to that?

Mr. SKINNER. That is absolutely true.

Mr. LUNGREN. How do we repair that?

Mr. SKINNER. That is an initiative now that the Coast Guard has under way to identify what those resources are. As early as 2002 when the contract was awarded, the IG from the Department of Transportation did a survey of their capability to manage some-

thing this large, a system-to-system performance-based contract. At that time, they were saying you do not have the capacity to manage something like this.

The Coast Guard disagreed. It is now 4 to 5 years later. The Coast Guard recognizes now it does not have that capability. There is an aggressive training program—or not necessarily training program, but there is training as well. But there is an aggressive hiring program right now to bring the mix of resources.

They have also reached out to the chief procurement officer—that would be Elaine Duke—to get their input as to how they can organize and put together a meaningful integration, an integrative project team. They hope to have something done and reach their resource capability this year. It is not something they are talking about doing in the outyears. But it is this year they want to have those capabilities.

Mr. LUNGREN. You used the word “hope.” I was hoping that you would use the word “confidence.”

Mr. SKINNER. Well, you know, one of the things—and this is something that we are experiencing as well, is it is very difficult to get the right people in there. We are competing with the private sector.

And when we say we need to go out and hire 1,000 procurement officers, it sounds easy enough until you go out and try to hire them. Then when you only get two applications and you are trying to hire 1,000, you know you have a problem. We have to be able to—and so that is why I say hope. If we can't hire those types of people, then we need to train them in-house.

Mrs. CHRISTENSEN. The gentleman's time is expired.

Mr. LUNGREN. Thank you.

Mrs. CHRISTENSEN. And I know that the comptroller, Mr. Walker, has to leave shortly. I would like to try to get in at least another member.

The chair recognizes Ms. Lofgren for 5 minutes.

Ms. LOFGREN. Thank you, Madam Chairman. And I will make my first question to Mr. Walker since I know he has to leave.

Mr. WALKER. Thank you.

Ms. LOFGREN. The report reviews the progress of the US-VISIT Program, something I am very interested in. And I am concerned or interested in whether the additional funds in the proposed 2008 budget will provide hiring sufficient staff with the necessary skills and abilities to implement this program, which hasn't been as effective as I had hoped so far.

And I am particularly interested in not only whether the technological deficiencies that have been identified can be addressed with what is budgeted and also the exit portion of the system, which the secretary has indicated may not be implemented at all. Can you advise us on that?

Mr. WALKER. Yes, we have done work in this area. We are continuing to do work in this area. The exit portion is a challenge. There is no question about that. I think the other thing we have to keep in mind is the US-VISIT Program works to the extent that you have got people going through normal ports of entry who are trying to do things above board.

And I think we have to recognize we have two types of immigration problems and two types of border security problems, one of which is where people are coming through official borders where we have capabilities, and one of which is where they are not.

Ms. LOFGREN. Well, we know that.

Mr. WALKER. And they are very different.

Ms. LOFGREN. But, for example, we are looking at the visa waiver program, the administration has proposed expanding the visa waiver program. The trigger for visa waiver is what is the overstay rate. Well, how are you going to know that if you don't have the exit system in place?

Mr. WALKER. And we clearly need to do something in order to keep track of people who are in the country and who have overstayed their visas. That is a major problem. And so, the question would be is if this approach isn't going to work, then what is the alternative to this that is being proposed.

Ms. LOFGREN. Are the funds sufficient to bring up the exit phase?

Mr. WALKER. I haven't had a chance to look at what funds are being proposed by the president in the 2008 budget. We can take a look at that.

Ms. LOFGREN. I would appreciate that. That would be very helpful to me.

Mr. WALKER. Thank you.

Ms. LOFGREN. Thank you very much.

Mr. Skinner, you reported that DHS needs to strengthen its partnerships with other governmental agencies, but also the private sector in terms of IT. To what extent has the department reached out to the technology industry to integrate their concerns, particularly as it relates to protections and controls of our IT infrastructure?

Mr. SKINNER. It is something that we haven't done a study on, but I tell you that historically we have done a poor job there. And the reason—

Ms. LOFGREN. That is what I hear from the private sector.

Mr. SKINNER. Yes, I feel comfortable saying that because we do talk to the private sector. Cybersecurity is an area that is also of interest to us, and it is something that we plan to do. We now have now someone that is—after months and months of that job being vacant and as a result, we were just meandering.

Now we have some leadership in there. I think we need to give the individual some time to get his feet grounded. And then it is time then to evaluate as to what his plans will be. And quite frankly, right now I don't know what they are.

Ms. LOFGREN. Well, in addition to his plans—and I haven't had a chance to talk to Greg yet, but hopefully we will soon. I mean, I have known him for many years. There is the plan that the administration and Congress have adopted that was drafted years ago.

We might want to revisit whether it is still enough or even if it ever was enough. But whether we have implemented what has already been the marching orders in addition to the legislation passed and signed by the president in the 108th Congress. Apparently you haven't looked at that yet.

Mr. SKINNER. No, we have not.

Ms. LOFGREN. I don't know what your workload is, but I would find it very useful to have some information on those points.

Mr. SKINNER. Okay, thank you. And I will try to get that information to you. I have our I.T. guru with me today in anticipation of the cybersecurity question.

Ms. LOFGREN. Very good.

I yield back. Thank you, Madam Chairman.

Mr. WALKER. Madam Chair, with your permission, I am more than willing to have our managing director for homeland security and justice, Norm Rabkin, take my place. I have got a meeting with the Senate chair, Joe Lieberman, that I have already pushed back an hour, if that is all right.

Mrs. CHRISTENSEN. Without objection, we would be happy to have that—

Mr. WALKER. He is manager of the Directorate of Homeland Security and Justice. He is very familiar with these issues. Thank you very much.

Mrs. CHRISTENSEN. Thank you. And thank you for your testimony and for staying so long with us.

And, Mr. Skinner, we hope that you will be able to continue. We just have a few more members to ask some questions.

Mr. SKINNER. Sure, I will be pleased to.

Mrs. CHRISTENSEN. And so, the chair now recognizes Mr. Dent for 5 minutes.

Mr. DENT. Thank you, Madam Chairman.

Mr. Skinner, my question is directed to you. Eight Great Lake states have pooled their DHS grant funds to obtain the Project Athena technology, which utilizes existing technology to perform a complete maritime domain awareness, which helps secure the northern border. This project has been tested successfully, as I understand it. However, DHS has rejected it.

Why is DHS rejecting technologies that are already available to address pressing security issues in favor of waiting for SIB net technologies, which are untested and expensive? And I guess my main question is is this an efficient use of resources? And do you feel that this is a proper way to proceed?

Mr. SKINNER. I am not familiar with the project, nor am I familiar with DHS's objections. But I am certainly concerned if the DHS is not taking these types of initiatives into consideration when they do their overall assessment of what our border control needs are. I will be happy to take a closer look at this, if you suggest. And I could have our people meet with your staff to get more background on this. And we can incorporate this into our SBI ongoing review.

Mrs. CHRISTENSEN. Excuse me. Could you just for a minute—would the gentleman from GAO restate his name and title for the record, please, before we go ahead?

Mr. RABKIN. My name is Norman Rabkin, R-A-B-K-I-N. I am the managing director for homeland security and justice issues at GAO.

Mrs. CHRISTENSEN. Thanks.

You may continue, Mr. Dent. Sorry for the interruption.

Mr. DENT. I am just a bit perplexed as to why this project has been rejected. And so, we really would appreciate some follow-up

from you and the other folks at DHS to help us understand the reasoning behind the rejection.

Mr. SKINNER. Sure. We will be pleased to, sir.

Mr. DENT. I yield back.

Mrs. CHRISTENSEN. Thank you.

The chair now recognizes Mr. Carney for 5 minutes.

Mr. CARNEY. Thank you, Madam Chair. I appreciate it.

And, gentlemen, thank you for staying and waiting for the recess to end so we can get back from voting. I just have a couple of questions.

The first deals with the business transformation office. I and I think many in the committee have had a difficult time figuring out what the Business Transformation Office does. Can you tell me what it does? And more importantly, can you tell me what you think it ought to be doing?

Mr. SKINNER. No, I cannot tell you what it does.

Mr. CARNEY. Why is that?

Mr. SKINNER. It is just not on my radar screen, quite frankly, at this point in time. We are spread so thin that I am trying to focus our resources on the big dollar acquisitions, Katrina and some major I.T. initiatives that I haven't taken a look at that part of the department.

Mr. CARNEY. Okay. What was it intended to do? Do you recall?

Mr. SKINNER. I beg your pardon?

Mr. CARNEY. What was it intended to do?

Mr. SKINNER. No, I don't know.

Mr. CARNEY. You don't? Okay.

Mr. SKINNER. Yes.

Mr. CARNEY. The second question is—perhaps do you?

Mr. RABKIN. GAO has done a little bit of work at this. We have looked at the extent to which the department has been planning and trying to integrate the agencies into a cohesive department. The Business Transformation Office had a role in that area. And I will be glad to provide more specifics about the results of our work.

Among other things we found, however, that it did not have enough authority to carry out any of its plans. And my understanding that it has since been disbanded.

Mr. CARNEY. Yet it still appears on the organization chart? Is that correct?

Mr. SKINNER. I don't believe it does.

Mr. CARNEY. Okay. That the office does not exist any more. Is that correct?

Mr. SKINNER. It doesn't appear on the organizational chart. That is for certain. It may be buried in one of the organizations or in the undersecretary of management's office.

Mr. CARNEY. Okay, thanks.

One quick one. As you both know, the department didn't score very well on the last OPM survey. And, you know, we are very familiar with this now. The departments have had similar rankings a couple of years ago as well.

Can you explain why it didn't improve over 2 years, these rankings, you know, and what are we doing to help it improve, especially the morale of the employees?

Mr. SKINNER. I really don't want to speculate without knowing some real work and doing some follow-up work. But any time you have a reorganization like we have just gone through at DHS and where we have these very, very different cultures coming together, it inherently will create some morale problems as to who is going to have primacy or who is going to—the CBP, for example.

Now, who is going to run the office, someone from Customs or someone from INS? Same scenario you have over at ICE. Who is going to run the field office, someone from INS or someone from Customs?

And that in turn can, in fact, create some morale problems. We have done some work in that area and have observed that in those two offices. Throughout the rest of the department, it is hard to say without doing some follow-up work and delving into and looking behind the scenes for the questions.

Mr. CARNEY. Do you know if they looked behind the scenes after the 2004 survey?

Mr. SKINNER. I do not know if they have not. But I do know that Secretary Chertoff and Deputy Secretary Michael Jackson and Undersecretary Schneider are all very disturbed by the results of this and are going to try to do their best to address this issue because it is something that I think they were shocked at when they heard it was as low as it was. Incidentally, when you break it out organizationally, the OIG came out pretty high.

Mr. CARNEY. Okay.

Mr. Rabkin, any insight into this?

Mr. RABKIN. One of the limitations of the survey is that there is not much of a feedback loop from the people filling out the survey, the employees, to the head of the agency. GAO is a smaller agency. We weren't included in the executive branch's survey. We conduct our own survey.

And we had an 80 percent response rate. And 60 percent of the people responding wrote comments directly and confidentially to the comptroller general that only he saw. And it enabled him to get a good sense as to what the real issues were, both positive and negative.

And I think that that is important to get. It is hard to do in an agency the size of DHS for a hundred and some thousand people to write comments to Secretary Chertoff.

Mr. CARNEY. Sure.

Mr. RABKIN. It is probably got to be broken up by components. But I think it is an important loop.

Mr. CARNEY. Have redactive results at least been shared with the department to give them some indication of strengths and weaknesses?

Mr. RABKIN. Well, I don't think there was any—I think when the survey was done, the people that responded just marked off how satisfied they were with various issues, how much they agreed with the issues. I don't think there was an opportunity for them to provide narrative comments.

Mr. CARNEY. Is that a possibility in the future?

Mr. RABKIN. That is up to OPM. They run the survey.

Mr. CARNEY. Thank you.

Madam?

Mrs. CHRISTENSEN. Yield back?

Mr. CARNEY. Yes.

Mrs. CHRISTENSEN. The chair now recognizes Mr. Green for 5 minutes.

Mr. GREEN. Thank you, Madam Chair.

And I compliment you on the outstanding job that you are doing. Because time is of the essence and Mr. Walker is not here, I believe Mr. Rabkin, you are the person that I might address my comments to.

If you will kindly turn to page 16 of the report titled, "Management and Programmatic Challenges Facing the Department of Homeland Security." On page 16—and I will give you an opportunity to get there. We are in the first paragraph, actually the first complete sentence.

In addition, TSA has not developed a strategy as required for securing the various modes of transportation. That sentence causes a great deal of consternation—as required for securing the various modes of transportation.

Who required that the strategy be developed, sir?

Mr. RABKIN. My recollection is that there is a congressional mandate that TSA provide the strategies for not just the transportation security generally, but for the various modes, aviation, commercial vehicles, rail, et cetera.

Mr. GREEN. And the indication is that the strategy, not the implementation, but just the strategy itself has not been developed. Can you explain why we don't have a strategy developed, please?

Mr. RABKIN. I really can't. We have been waiting for them to provide it to us also. You know, I think that is an appropriate question to ask the secretary or the assistant secretary for transportation security.

I think it is important for them to identify, as they have for aviation, what the federal role is going to be, what the private sector role is going to be, what role technology is going to play in each of these various modes of transportation security, how that we are going to balance the movement of passengers and commerce with the need to provide additional security. Very important policy questions that are being dealt with on an ad hoc basis now. And that is why we are looking for the strategy, to lay these things out more specifically.

Mr. GREEN. And is there some timeline that has been at least addressed or talked about with reference to developing this strategy?

Mr. RABKIN. There was a timeline that—Congress asked for this information in a specific time. That has passed. And I am not sure what the current expectations are.

Mr. GREEN. Let me go quickly to one other point. Early on there was talk of persons having to have supervisors present when you were quizzing witnesses and having to have the general counsel to peruse documents before these documents could be accorded you. Is this correct?

Mr. RABKIN. That is right. And with the documents, it is a routine matter that we ask for documents. They are gathered by DHS program officials. They flow through their liaisons to their lawyers before they are provided to us. In selected cases where we have

asked to interview agency officials, the office of general counsel has had its representatives at those meetings.

Mr. GREEN. My concern is with getting all of these things done. So my question to you is what can we do to assist you in getting these done. Obviously not timely, because we have already gone beyond the timeline originally accorded. What can we do? Or is there something you would have us do?

Mr. RABKIN. In the case of the transportation security strategies for the modes of transportation, I think that that is an issue that, you know, the Congress and this committee can take up with the department to explore just what the problem is, whether there is a difference of opinion within the administration, whether the administration is trying to work out issues with the private sector that plays a significant role in implementing these strategies. There could be a number of reasons for that.

In terms of the access issues, I think that continued support of the committee in terms of communications with the department and, you know, support of our work is important. And, you know, in the end, we are trying to deal with the department as best we can balancing, you know, our needs to satisfy you as our client with their needs to maintain some control over what they give us. But in the end, I think it is—

Mr. GREEN. Because my time is almost up—I have about 10 seconds—let me just say this. In this post-9/11 era, not having a strategy, if something should happen, God forbid that it does. No one wants it to happen, but people think that things may happen.

I think that the American population, the citizenry will find that we have not done all that we should do. The people are not going to be pleased knowing that a strategy has not been developed, not the implementation, just the mere development of the strategy. This causes a lot of concern.

Thank you. I yield back.

Mrs. CHRISTENSEN. Was that a statement or a question? Thank you. Your time is expired.

The chair next recognizes Congresswoman Sheila Jackson Lee for 5 minutes.

Ms. JACKSON LEE. Might I thank the chair very much for her leadership and thank Mr. Skinner and the representative from GAO for your presence here today.

Let me suggest that anguish is bipartisan. And I want to pose some questions that have been offered by my colleagues on the other side of the aisle. I have lived with this Border Patrol debacle as well. This is the incident occurring in the state of Texas about two Border Patrol agents. I think our record is clear in this committee.

Last year we offered an amendment over and over again to provide resources, power boats, computers, night goggles for our Border Patrol. There is no questioning of our commitment to the Border Patrol agency. Many of us on this committee, Chairman Thompson and others, have walked along the border, Arizona, California, Texas, and we have seen the hard work and the difficult work that they have done.

Here is my frustration. My frustration is that we have erred on the side of lacking in giving the agency the kind of professional

level it needs in terms of funding, in terms of professional development, in terms of promotion.

And, Inspector Skinner, I would appreciate you speaking to that issue. And then I would ask—we know there is now a copy that has been made public of this incident. I believe that we have not had as full an investigation as we should.

I believe the Department of Justice should be engaged in that investigation. And maybe this report has a combination of such. But before we begin to say what was covered or not, we do know that individuals in the line of duty have now been charged criminally.

That sets a very bad tone for others on the front line. And so, it is important that we make sure that every stone needing to be turned has been turned to assure the full briefing and the full fairness of the particular individuals involved.

I happen to be a trained lawyer and served as a municipal court judge and understand probable cause. And so, when I hear the representation that prosecutorial discretion, we all know that that is not a perfect system. And so, I don't know whether that was the best direction to take. But I do know that our Border Patrol agents are suffering from lack of training and let me say lack of professional development and lack of growth.

My second question is—and I am sorry, you do not have a name in front of you, so please excuse me. I know that I didn't write it down. But I want to know whether or not the general counsel and the Homeland Security is blocking to the extent of obstruction of justice when the comptroller's office is asking for documents to help us understand what is occurring in DHS with respect to contracts, with respect to the fraudulent utilization of money or the lack of oversight over the huge dollars that have gone out on Katrina.

And my last point is is that we still have the victims of Katrina and Rita suffering. And it seems to appall me that we are now going to burden college students and others asking them for reimbursement for mistakes that FEMA has made.

And I yield to you, Mr. Skinner, on those three points.

PREPARED STATEMENT OF THE HONORABLE SHEILA JACKSON LEE, A REPRESENTATIVE
IN CONGRESS FROM THE STATE OF TEXAS

Mr. Chairman, I thank you for holding this hearing today regarding the enormous internal challenges facing the Department of Homeland Security. I would also like to welcome the individuals testifying today, Mr. David Walker and the Honorable Richard Skinner, to help enlighten us on this important issue.

Of greatest concern to me is the department's designation as "high risk" by the Government Accountability Office since 2003, and the seemingly minimal progress made to correct that ever since. Incredible structural problems exist on every level, from financial statements to the management strategy to the integration of personnel. While it appears that some progress may have been made in the establishment of technology standards and the implementation of its human capital system, the DHS has not demonstrated sufficient efforts to correct its problems as a whole.

First and foremost, the DHS has not submitted a comprehensive corrective action plan to the GAO—the first and most basic step toward being removed from the GAO's high risk list. In addition, the Department's operations lack transparency and are generally unreceptive to the GAO's attempts at oversight. This is entirely unacceptable and must be corrected.

Especially after FEMA's embarrassing failures to handle the crises of Hurricanes Katrina and Rita, we must see an increase in efforts to correct departmental problems for the future. As the representative of a district providing tens of thousands of housing units to Katrina refugees, I am interested in learning about what more must be done to correct the continued shortcomings.

As a Whole, issues regarding the control, coordination, and management of finances are of great concern to me. Department-wide efforts to address these deficiencies began much later last year than anticipated by the Office of the Inspector General. Financial oversight should be a top priority for the DHS. We must ensure that the American people's tax dollars are used appropriately and efficiently.

As chair of the Subcommittee on Transportation Security and Infrastructure Protection, I am most interested in hearing the witnesses' testimony on these topics. I am pleased that the TSA has been successful in implementing the Aviation and Transportation Security Act, but further improvements in luggage screening are needed. In addition, the management of security in rail and mass transit still requires a great deal of work, and I look forward to hearing the witnesses' recommendations on this issue.

Thank you Mr. Chairman, and I yield the balance of my time.

Mr. SKINNER. Thank you. The first part of your question dealt with the equipping our Border Patrol agents so that they can get the job done.

Ms. JACKSON LEE. And the incident that has now found two convicted. Isn't it more on our side of lack of training, more professional development and a more full investigation?

Mr. SKINNER. I would welcome any other investigation to look at how we conducted our review. I would like to make it perfectly clear that we are just an investigative arm. We did not prosecute, nor did we influence or were involved in the verdict.

Ms. JACKSON LEE. That is true. Yes.

Mr. SKINNER. To set the record straight, we did not investigate Compean and Ramos. We investigated like a shooting incident. We investigate all shooting incidents.

Ms. JACKSON LEE. Whether the procedures were correct.

Mr. SKINNER. Those are the procedures. Those are the requirements. So when we investigated, we investigated this shooting incident. We learned through that investigation that there were 11 Border Patrol agents involved in this shooting incident.

We pulled together all the evidence that we had to the best of our ability. We brought that to the U.S. attorney. The U.S. attorney reviewed the evidence that we brought to him and made a decision to prosecute two individuals.

Actually, our investigation demonstrated there were five people that were involved in some wrongdoing. The prosecutor opted to investigate two of those based on the evidence we brought to him. In the other three cases, we referred that to the department for their disciplinary action. Those people have received notices of removal.

Ms. JACKSON LEE. And you would welcome any other investigation that might put this right, if you will, or might add some more light on the subject?

Mr. SKINNER. Yes, I would welcome anyone to come in and investigate.

Ms. JACKSON LEE. Well, that is a very positive step forward because I am going to be asking for expanded investigations on this issue.

Mr. SKINNER. Because I am very confident in the work of our agents.

Ms. JACKSON LEE. I had two other questions. I know the chairwoman is indulging me, but if you would.

Mr. SKINNER. The other dealt with do they need training.

Ms. JACKSON LEE. Is the general counsel of DHS obstructing justice by denying various agencies information that they need to in-

investigate fraud, abuse in terms of the process and the issues that we in Congress are concerned about, contractual, if you will, failure in our contractual contracts that are being made?

Mr. SKINNER. Our concern is not with the denying us information. It is the delays that are caused by the general counsel having to review the documents before they are released to us. And I realize that in certain situations delay becomes denial.

And we are trying to be aggressive with the department and our clients in keeping them posted here—our clients on the Hill—keeping them posted on the developments. So we are not at the point yet to say that we are being denied access.

We have various methods of legal recourse and a few administrative steps before we get to use them. And we haven't gotten that far yet. It is just getting to the point of being very frustrating. We have been dealing with the department on this and haven't made very much progress, which is why we just wanted to bring it to your attention.

Ms. JACKSON LEE. I thank the chair.

Mrs. CHRISTENSEN. The gentlelady's time is expired.

If I have some time left over, I will yield back to you.

Ms. JACKSON LEE. Thank you.

Mrs. CHRISTENSEN. My questions are very brief. I am going to use up my 5 minutes at this point.

And I want to thank both agencies for the work that they do and the great service that you provide to this committee and I am sure other committees so that we are better prepared to provide the oversight with which we are charged.

I will ask Mr. Rabkin first. In Comptroller General Walker's statement, he said that DHS continues to face challenges balancing its homeland security mission with its disaster preparedness and response mission. And as someone who comes from an area of the country that is prone to hurricanes—although most parts of the country seem to be these days—because of past experiences we have come to rely on FEMA, not only to help us recover, but to prepare for those disaster events.

Given the experience of the department responding to Hurricane Katrina and even Rita, are you familiar with any corrective planning under way in the department that would allow them to more effectively balance the security of terrorist prevention mission with the disaster preparedness and response mission?

Mr. RABKIN. I think it is getting to the point where the department—I think most people recognize that to be prepared to respond to any kind of hazard requires the same kinds of capabilities and capacities in the first responders locally, the state level and the federal level. There is very little difference whether a disaster was caused by nature or caused by humans. And people who respond to that, as I say, need basically the same capabilities.

And I think FEMA and DHS recognize that, are trying to identify, you know, what level is needed, how people can in regional response can help each other so everybody doesn't need to have duplicate capabilities that might be inefficient. So I think they are moving in the right direction. I think they have learned a lot of lessons.

Mrs. CHRISTENSEN. Somewhere in one of the statements—I believe it was still in Mr. Walker's statement—it spoke to clarifying

the scope of an authority between certain titles in FEMA in particular, I think. And I remember when I met with the federal coordinated officer and the other person for my region, it was still confusing to me and to them. Do you know if they have made any progress in clarifying the authority and the responsibility of each of those offices, who reports to who and how that is coordinated?

Mr. RABKIN. Yes, they have. I think that is another one of the lessons that FEMA has learned. And they have clarified the responsibilities, both based on the Stafford Act, what is required in the Stafford Act in terms of responding to disasters as well as the interactions among the federal agencies. You know, whether it is going to work or not is another story. But I think at least on paper they have recognized the differences.

Mrs. CHRISTENSEN. Mr. Skinner, just one brief question. Is there one financial management system for the entire department?

Mr. SKINNER. No.

Mrs. CHRISTENSEN. And why?

Mr. SKINNER. I believe we have at least seven.

Mrs. CHRISTENSEN. Is that a goal, to have it all be under one—you talked about the difficulty in monitoring their finances.

Mr. SKINNER. Yes, there was discussions earlier on. And I think when they were exploring with e-merge and e-merge II they were looking to the feasibility of developing one financial management system that can accommodate everyone. I don't think, quite frankly, it is necessary or needed to invest in the development of one financial system that will cover everyone in the department.

We have some very good financial systems out there. CBP has an excellent financial system that they use. And as a matter of fact, they got an unqualified opinion. ICE, the platform on which—their financial system is very good. It needs to be tweaked. People need to be trained.

TSA has just transitioned over to the—to use the platform over at the Coast Guard. I think with some tweaking we can use that system, minimal investment.

The important thing is to have the capability when these individual components prepare their financial statements that we have a capability within the office of the CFO to be able to bring that information in and prepare consolidated financial management statements and also to prepare financial management data that can be used to make informed decisions. That is where we are really lacking right now, is not the need to create one system, it is the need to provide the resources to bring it together.

Mrs. CHRISTENSEN. Thank you.

At this point, I believe that Congresswoman Jackson Lee had one more question.

Ms. JACKSON LEE. Yes.

Mrs. CHRISTENSEN. I would recognize you for a second round.

Ms. JACKSON LEE. I thank the distinguished chairwoman for her kindness. And I am just going to pursue the line of questioning that I had before because, Mr. Skinner, I had to cut you off, Inspector General, and I had to cut the distinguished gentleman off because of the time.

I want to make it very clear that this issue of the Border Patrol agents is a bipartisan issue. The majority worked very hard to, I

think, answer the professional development questions in the last Congress. And we intend to do it again, which is provide all the needs of training, professional development and growth. And that is part of what DHS is responsible for. And I would appreciate it if you delve into that just a little bit.

On the other hand, I am going to officially ask that the Department of Justice, which you are not the inspector general for—I am going to take your leeway, if you will, certainly not your instruction, but your leeway that we have an additional investigation. And the issue, of course, is because you made it very clear. And I am glad you put it on the record.

You did not prosecute. You did not indict. You did an investigation, provided information. And the others who were engaged or involved you decided to handle it administratively, or as I understand it, they will be handled administratively, firing or suspension.

That was not—the actions that you had were not prosecutorial actions. And I think that should be made clear, that DHS was not. And so, DOJ has to give us an explanation of why the prosecuting attorney moved so quickly on this and did not have either some of the relief. For those who are not familiar, it is difficult to understand why this drastic action was taken when there was so much hearsay involved in this matter.

I am going to leave that question. And then I do want to raise the question again. And you made the very appropriate civil rights phenomena, which is justice delayed is justice denied. I would appreciate the comptroller general and your office getting back to the committee to let us know—and you indicated—but quickly when it becomes justice denied.

I am very concerned about that. And I believe with this huge mounting bill of fraud and the frustration of the American people and their tax dollars being unaccounted for that we really need to move quickly to get to the bottom of the massive contracts and as well. Because I don't know why we are so contracted out. I believe there are talented public servants who can work for DHS.

And my last point—and this is a repeat, but I would like you to expand on it. There is the desire—because I sound like I may be duplicitous in my remarks—to ensure the protection of American tax dollars. But there are victims in Hurricane Katrina.

So rather than going after the big contractual abuses, we are now going to try to ask college students to pay back for some misstep or mistake that we have made. I would like some explanation as to who are we going after. We have made paper mistakes, as I understand, out of FEMA and DHS. And I understand there is some effort to go back and get individual \$25 and \$500, which to me sounds outrageous when we have massive concerns about large contractors who are spending huge amounts of money.

I understand one contractor has \$19 million in travel expenses. That is ridiculous. One of the programs that needs to be investigated is the road home. But let me just end so that you can answer on making sure that we focus on professional development and training for our Border Patrol agents and then to understand this situation about trying to get reimbursement from people who are already victims.

And you might be the quickest answer. Will you please advise us when it becomes justice denied on this refusal of giving you documents?

Mr. RABKIN. We certainly will.

Ms. JACKSON LEE. All right. Thank you.

Mr. Skinner?

Mr. SKINNER. The concerns you are raising about the hiring, the training—

Ms. JACKSON LEE. Yes, that is what we should be focused on.

Mr. SKINNER. That is something that we are also very sensitive to. The reason being last year, this year, and next year we will be doing tremendous amount of hiring to beef up our capabilities along the border with Border Patrol agencies. And therefore, in order to ensure that we are doing it right, that we are bringing the right types of people to the job, that we are adequately training these people to do the job, and that we are adequately equipping them to do their job, that is a job that we currently have ongoing.

And it will be something that will be a continuing process. We will probably end up issuing a series of reports over the next 1 to 2 to 3 years as we build up our capability along the border in addition to the work we are doing with SBI net.

With regards to the—

Ms. JACKSON LEE. Alleging that individuals got money fraudulently and seeking to get it reimbursed. Many of these are victims. All of this was paperwork, mistakes on behalf of the agency and not these individuals.

Mr. SKINNER. Yes, I agree wholeheartedly. We should not be going after victims. And I don't care whether it is \$200 or \$2,000. If they are, in fact, eligible for that assistance, there is no reason that we should be changing the rules after they receive the money and asking for it back.

I am not aware that FEMA or anyone else is suggesting that we go back and seek refunds from those that received it properly, or at least thought they were receiving it properly.

Ms. JACKSON LEE. I think that is the key, thought they were receiving it properly is really where we find some of these victims.

Mr. SKINNER. Because the process does allow for appeals and allows you to present your case. You are right. We have major procurement fraud out there that needs our attention.

Ms. JACKSON LEE. Absolutely.

Mr. SKINNER. I cannot be spending all of our resources, very, very limited resources, following up on \$2,000 cases for the next 2 or 3 years.

Ms. JACKSON LEE. I appreciate that.

Mr. SKINNER. And we will be focusing on those large public procurement, public corruption type cases, procurement cases where there is large dollar value. We will be looking at the actions that FEMA has taken to identify those people that may have received funds improperly and what procedures they have in place to try to obtain refunds for those victims.

The important thing is that is in the past. And we could spend hundreds and hundreds of thousands of dollars trying to recover \$2,000 or \$3,000. What we really need to focus our attention and our resources and our finances on are the internal controls to en-

sure that this does not happen again and that when we give someone a check, we know we are giving it to an eligible recipient.

Ms. JACKSON LEE. I want to thank the chairwoman for her and I want to thank the witnesses for their kind indulgence. I want to thank the chairwoman for her indulgence and might offer that we have a full committee hearing on these questions of procurement and also this whole issue dealing with the Border Patrol agents. I thank the gentlelady for her kindness.

Mrs. CHRISTENSEN. You are very welcome, Congresswoman Jackson Lee.

Mr. Green, did you have a further question?

Mr. GREEN. Actually, I will since the offer has been extended.

Mr. Skinner, with reference to the Border Patrol agents, who were the witnesses, if you know, that testified in that case other than perhaps the person who was shot?

Mr. SKINNER. Like I said, when we investigated the incident, we identified at least 11 people that were involved, directly, indirectly or aware of or should have been involved in that shooting. Those individuals, I believe, all became witnesses. Three of those individuals were granted immunity from prosecution—these were CBP agents—for their testimony. There may have been others. I don't have a recollection exactly of all the people that provided testimony and evidence in that particular trial.

Mr. GREEN. And you said CEP agents?

Mr. SKINNER. CBP. I am sorry. Customs and Border. I have been cautioned not to use acronyms before. Customs and Border Patrol agents.

Mr. GREEN. And is it your testimony that these witnesses testified on behalf of the defense or the state?

Mr. SKINNER. I believe these individuals testified for the state for the prosecutor.

Mr. GREEN. Thank you.

I yield back.

Mrs. CHRISTENSEN. Thank you.

I want to take this opportunity to thank the witnesses for their valuable testimony and the members for their questions.

The members of the committee may have additional questions for the witnesses in writing. And we ask you to respond expeditiously in writing to those questions.

Hearing no further business, the committee stands adjourned.

[Whereupon, at 3:55 p.m., the committee was adjourned.]

APPENDIX: RESPONSE TO SUPPLEMENTAL QUESTIONS FROM THE COMMITTEE ON HOMELAND SECURITY

RESPONSES FROM THE HONORABLE RICHARD L. SKINNER, INSPECTOR GENERAL

Question 1.: Please explain why DHS has been unable to produce a clean financial statement for the entire Department?

Response: DHS management is unable to assert that the consolidated financial statements are reliable, primarily because they are unable to reconcile their inter-governmental accounts, such as Fund Balance with Treasury, or their assets (property, plant and equipment). The American Institute of Certified Public Accountants and Government Auditing Standards refer to this situation as a restriction on the scope of the audit, and therefore the auditors are unable to render an opinion. In addition, the financial statement audit report for 2006 lists several other reasons why the department cannot get a clean opinion:

- DHS' Office of Financial Management is unable to reconcile legal liability
- Transportation Security Administration (TSA) is unable to prepare financial statements.
- Federal Emergency Management Agency (FEMA) and the Bureau of Immigration & Customs Enforcement (ICE) are unable to adequately and accurately support obligations and accounts payable.

Question 2.: In addition to the Department's problems in carrying out its responsibilities in implementing SBInet and the National Security Cutter programs, are there any particular programs you would like to bring to our attention as likely to present special challenges for DHS?

Response: Our body of work to date has not identified programs similar to CBP's SBInet and Coast Guard's Deepwater programs. As our work progresses and similar challenges are identified within the department, we will bring those programs to your attention.

Question 3.: Please explain how personnel and morale problems such as those highlighted in the recent Office of Personnel Management report, which highlighted the morale problems among employees at DHS, have affected DHS's ability to accomplish its mission.

Response: In a January 31, 2007, message to all DHS employees, the Deputy Secretary wrote to assure all employees that, starting at the top, the leadership team across DHS is committed to address the underlying reasons for DHS employee dissatisfaction and suggestions for improvement. The Deputy Secretary stated that the Under Secretary for Management, Paul Schneider, will join the Secretary and Deputy Secretary in evaluating carefully the details of the OPM survey. The first steps will be to analyze thoroughly the survey data, including specific attention to those government organizations that are recognized for their high performance in these areas, and determine the specific steps to improvement. According to the Deputy Secretary, this process will include the leadership team in each operating component and every headquarters unit to discuss details of the survey with our workforce. The Deputy Secretary committed to these tasks with a sense of urgency and seriousness.

DHS OIG has not conducted any work in this area, and cannot report directly on the effect that personnel and morale problems have on DHS' ability to accomplish its mission.

Question 4.: Please provide information regarding investigations of DHS's failure to build internal capacity while outsourcing many of its responsibilities. In particular, please explain the extent to which DHS over-relies on contractors to fill employee vacancies.

Response: We have several ongoing reviews that are looking at DHS' internal contract oversight capacity, and will report on those projects as work is completed. We have not conducted any work in the areas of contractors filling employee vacancies, and cannot report directly on the extent that DHS over-relies on contractors to fill employee vacancies.

Question 5: Please explain any and all concerns regarding DHS's failure to set sufficient requirements for "solutions based" procurement contracts. Also, please explain whether there is sufficient monitoring for the contractors who win these awards.

Response: The common term is a "performance-based contract," wherein the government describes its needs in terms of what is to be achieved, not how it is to be done. One appeal of performance-based contracting is that it allows the government to focus on identifying needs, objectives, and constraints and allows private sector to focus on developing a business proposal to meet the needs and objectives. The contracting approach shifts from looking for the low cost, technically acceptable solution to looking for the best-value solution, which is often more innovative than the traditional approach. To determine best value, the government must measure performance trade offs and the cost-effectiveness of the various proposed solutions.

Oversight in specifications-based (traditional) contracting is a matter of determining whether or not the contractor complies with the explicit terms of the contract. In performance-based contracting, oversight is a matter of determining whether the contractor's solution, when complete, will meet the mission needs specified in the contract. Oversight focuses on program performance and improvement from a defined baseline, not contract compliance.

Performance-based approaches, such as Statements of Objectives, require the government to have stronger management and control capabilities than traditional contracting. Before the government selects a contractor and agrees on compensation, the government must be able to articulate program needs. The government must be able to evaluate each proposal's likelihood of achieving the program needs, on time, and at a reasonable cost. It is in this area that we have raised concerns regarding two major acquisition activities currently underway, Deepwater and SBInet. In these cases the projects were initiated without adequate project management capabilities in place. In both cases, management now appears to be moving towards improving their project management capabilities.

Question 6: Please provide procedures and studies regarding the adequacy of safeguards DHS has in place to enable small, minority and disadvantaged businesses to have a fair chance in the procurement process.

Response: We have not conducted any work in the area of small, minority, and disadvantaged businesses, and therefore cannot report directly on the safeguards DHS has in place to ensure fairness in the procurement process for these businesses.

Question 7: How many vacancies does DHS have and does it have sufficient funding to hire the staff it needs?

Response: We have not conducted reviews of DHS staffing, vacancies, or hiring practices. Therefore we cannot report directly on DHS' funding to fill its vacancies.

Question 8: Please provide information regarding any studies that indicate that continuity of employees is an important factor in organizational function and institutional memory? Also, please explain the extent to which the widespread use of contractors cause continuity problems within DHS?

Response: We have not conducted any work in the area of continuity of employees, institutional memory, or the effect that the use of contractors has on continuity problems, and therefore cannot report directly on the importance of these factors on organizational function.

Question 9: Please provide information regarding the extent to which the Directorate of Management needs to be reorganized or even eliminated.

Response: We have not conducted a review of the Management Directorate, and therefore cannot report directly on any reorganization or realignment issues.

Question 10: Please provide us with the current functions of the Business Transformation office. Provide examples of models that would be suitable to further DHS's migration.

Response: We have not conducted a review of the Business Transformation Office, nor on any models for organization transformation or migration. Therefore, we cannot report directly on the suitability of the Business Transformation Office or any alternative.

Question 11.: Why do you think DHS ranked at the bottom of the just-released OPM survey of job satisfaction among federal employees and made so little progress in two years since OPM's previous survey? What does DHS need to be doing now so that it improves two years from now?

Response: Some aspects of the challenges facing DHS were inherited by the department from its legacy agencies. However, the complexity and urgency of DHS' mission have exacerbated the challenge in many areas. These management challenges significantly affect the department's ability to carry out its operational programs and provide the services necessary to protect the homeland. The department's senior officials have indicated the importance of addressing these challenges and have identified plans to address them.

Question 12.: What steps have FEMA and DHS taken to resolve the problems in FEMA's automated payment system, which uses out-dated technology and, thus, had limited expansion capability to support catastrophic disaster like Katrina?

Response: We understand that FEMA has contracted for an independent analysis of its financial management system to address the system's limitations. FEMA recently solicited proposals to perform a requirements analysis of the functions and associated components of its financial management system and to determine the best solution for replacement. The analysis should determine whether one of the DHS designated 'Centers of Excellence' (Coast Guard, FLETC, Secret Service, or CBP) is the best fit, or whether FEMA should have an independent system to support the unique and surge requirements for the disaster assistance missions. The contract was awarded the first week of December 2006 and a final recommendation should be provided in April 2007. We will monitor FEMA's progress.

Question 13.: Please explain the extent to which FEMA has acted on the numerous GAO recommendations for addressing significant fraud, waste, and abuse in FEMA's Individuals and Households Program (IHP) and in Department of Homeland Security's purchase card program.

Response: IHP: FEMA officials agree that more stringent controls are preferable on the front end, but contend that the sheer magnitude of the event dictated proceeding in the manner the agency did because there was no time to develop and test additional front end controls. FEMA has taken steps to implement new controls to limit fraud, waste, and abuse. They have implemented an automated identity and occupancy verification system to confirm identity and residency of applicants registering for assistance. They continue to evaluate and strengthen controls pertaining to identity, residence type, and cross-disaster applicant checking.

Other controls implemented include:

- Internet registration application that disallows duplicate registrations was implemented in October 2005.
- Identity proofing added to call center registration application in February 2006.
- Amended automated scripts ensuring no scripted payments sent to applicants who fail identity proofing.
- All applications taken through call centers from August 2005 until February 2006 have been sent to contractor for identity proofing to detect potentially fraudulent applications and route for recoupment processing.
- Real-time interaction between FEMA Service Representative and applicant during registration to ensure any failed identity check is correct before accepting application.
- In June 2006, will add verification of occupancy and ownership to registration process.
- Flagging at-risk social security numbers to identify potential fraud.
- Developing state-of-the-art software to maintain data on applicants in mobile homes and communicate real-time to caseworkers and auto-determination system to prevent potential overpayments.
- System no longer accepts a Post Office Box as address of damaged dwelling.

Purchase Cards: In July 2006, our office in conjunction with GAO conducted a review of control weaknesses regarding purchase cards. We reported a weak control environment and breakdowns in key controls exposed DHS to fraud and abuse in its use of the purchase cards and recommended that DHS improve the processes and internal controls over its purchase card program. We will continue to monitor progress in respect to Purchase Cards.

Question 14.: Has DHS begun to address any of GAO's seven recommendations for improving DHS's oversight of cash advance funding for first responder grants and associated interest liabilities? If so, please explain how

DHS is addressing these, including the recommendation that urges the Department to identify the significant issues that have resulted in delays in the drawdown and disbursement of DHS grant funds?

Response: The Office of Grants and Training is preparing an action plan to respond to the to the GAO recommendations, however, the response is not yet final. While the office is already working on implementing some of the recommendations, the pending reorganization may affect the offices assigned responsibility for the recommendations and issues.

Question 15.: As a result of the creation of Homeland Security in 2003, legacy INS and legacy Customs Special Agents were merged to create the U.S. Immigration and Customs Enforcement agency. Customs agents previously enforced over 400 federal laws and immigration agents enforced laws pursuant to the Immigration and Nationality Act (Title 8). It appears that ICE agents are heavily focused on immigration investigations such as worksite enforcement. **What measures are being taken to insure a continuity of enforcement from both legacy missions?**

Response: We have not specifically reviewed what measures are being taken to insure continuity of enforcement from both legacy missions. However, in our report, *An Assessment of the Proposal to Merge Customs and Border Protection with Immigration and Customs Enforcement*, OIG-06-04, November 2005, we addressed several coordination challenges confronting Customs and Border Protection (CBP) and Immigration and Customs Enforcement (ICE). We made 14 recommendations to overcome interagency coordination and integration challenges confronting both components. Those recommendations covered four areas, including:

1. Defining and communicating roles and responsibilities with respect to policy and operational coordination between the Department of Homeland Security (DHS) headquarters, CBP, and ICE;
2. Conducting integrated planning and coordination of policies and resources;
3. Reviewing, developing, and implementing policies and procedures to improve and enhance operational coordination between CBP and ICE; and
4. Providing oversight and implementing metrics and performance measures to ensure that the actions and initiatives taken or proposed achieve intended results.

In April 2006, the DHS Deputy Secretary responded by outlining the activities and programs the department intends to implement to address the 14 recommendations we made to improve coordination between CBP and ICE and enhance interoperability at the field level.

In June 2006, we began a follow-up review of DHS' progress in addressing coordination challenges between CBP and ICE. DHS has made significant progress toward improving coordination and interoperability between the two components. For example, DHS made organizational changes with the department, including creating the Offices of Policy, Operations Coordination, and Intelligence and Analysis. Senior officials of CBP and ICE created the ICE-CBP Coordination Council to provide a forum to address CBP and ICE policy and operational coordination issues. In addition, the department established the Secure Border Initiative and Border Enforcement Task Forces.

However, additional work is necessary. Most notably, CBP and ICE can address the remaining challenges by placing increased emphasis on (1) improving communication between CBP and ICE headquarters elements and all levels of field personnel; (2) improving intelligence and information sharing; (3) strengthening performance measures; and, (4) addressing ongoing relational issues among some elements of the two components. We anticipate releasing a final report by April 2007.

Question 16.: What hurdles exist in getting the Transportation Sector Specific Plan that was due over two years ago finalized and published?

Response: We have not conducted any work in the area of the Transportation Sector Specific Plan, and therefore cannot report directly on any hurdles to finalizing and publishing the plan.

Question 17.: In October of last year GAO sent a letter titled *Combating Nuclear Smuggling: DHS's Cost-Benefit Analysis to Support the Purchase of New Radiation Detection Portal Monitors Was Not Based on Available Performance Data and Did Not Fully Evaluate All the Monitors' Costs and Benefits* to the chairmen of both the House and Senate appropriations committees. **Has there been any activity in the Inspector General's office to look at DNDO's cost-benefit analysis and if so what are you finding?**

Response: We met with Government Accountability Office (GAO) officials in November 2006 to leverage information obtained on previously conducted Domestic

Nuclear Detection Office (DNDO) work, such as the letter you referenced, and have mitigated our review efforts of DNDO for potential overlap with current and future GAO engagements. GAO officials said they would be conducting additional work on DNDO's cost-benefit analysis to determine whether it provides a reliable basis for making major procurement decisions, such as whether to invest heavily in deploying a new portal monitor technology.

On December 20, 2006, we initiated a review assessing the DNDO's progress in integrating detection and response capabilities. We are examining DNDO programs and initiatives to support the integration of domestic nuclear and radiological detection, notification, and response systems, including DNDO's coordination efforts with other federal agencies and state governments. In addition, we will evaluate whether DNDO's programs overlap or duplicate those of other federal agencies with nuclear/radiological detection responsibilities. An evaluation of other governmental and non-governmental entities with nuclear detection and response responsibilities is not within the scope of this review. We anticipate releasing a final report by July 2007.

Question 18.: As the government agency charged with securing the nation's critical cyber infrastructure, how is DHS supposed to provide adequate leadership to the nation's critical infrastructure owners when the Department itself continues to receive failing grades on securing its own critical infrastructure?

Response: In September 2006, the first Assistant Secretary for Cyber Security and Telecommunications (CS&T) for DHS under the Preparedness Directorate was appointed. Under this leadership, the National Cyber Security Division is working collaboratively with public and private sector entities to secure the nation's cyber infrastructure. We are currently finalizing our second review of NCSD operations and will be issuing our report in May 2007. While CS&T is leading the movement in securing the nation's critical infrastructure, the DHS Chief Information Security Officer (CISO) continues to improve DHS' own critical infrastructure by ensuring that its components are complying with FISMA requirements. The CISO continually monitors and reports on the status of each component's FISMA scorecard to ensure that all aspects of the information security program are being achieved.

Question 19.: What steps have the Department taken to resolve flaws in the way that FISMA evaluations are performed and what steps remain?

Response: DHS is developing an information security program that standardizes the processes that its components must follow to ensure that all FISMA standards and requirements are being met. As illustration, the department first established its system inventory and the continued updating of that inventory. Subsequently the department undertook the goal to certify and accredit each of its systems. The department is now focusing on the quality of its plan of action and milestones and also of the systems certification and accreditations performed. The department continues to mature its security program and to review the quality of all of its FISMA processes.

The OIG has not conducted a complete evaluation of how the department performs its own evaluations of FISMA compliance at the department level and at each of its components. The OIG will review the quality of the department's FISMA processes during its annual FISMA evaluations.

Question 20.: What is your office doing to ensure that the problems that existed with regard to improving laptop computer security, prior to Jay Cohen's appointment as the Science and Technology Directorate Under-Secretary are addressed? Specifically, what is your office doing to oversee S&T's efforts to develop a mature business model and prudent project management practices?

Response: In June and September 2006, the OIG issued laptop security reports to S&T covering their unclassified and classified systems respectively. In those reports we made several recommendations designed to assist S&T in implementing adequate and effective security policies and procedures related to the physical security of and logical access to its government-issued laptop computers. S&T has taken steps or planned corrective action to address the weaknesses we identified. Through our compliance follow-up, we continue to monitor S&T's progress in implementing their open recommendations. We are currently reviewing the final DHS component included in our overall audit. A consolidated DHS laptop security report will be issued in July 2007 on the status of laptop security Department wide. The significance of laptop security and the need for possible follow-up audits to address this area of concern will be discussed during our March 2007 annual planning conference.

We have combined two reviews from our 2007 performance plan that we are conducting now. We are examining how S&T identifies, prioritizes and determines funding for its Research and Development efforts. To understand those processes, we are examining how the new organizational structure and business procedures guide the Research, Transition, Special Access Program, and HSARPA divisions. We are also addressing the allocation of funding between the programs and the rationale underlying the allocation. In addition, we are reviewing the procedures for managing HSARPA projects. We hope to provide useful recommendations to improve any S&T processes that appear to be deficient.

Question 21.: What is your office doing to ensure that Under Secretary Cohen develops a plan to strengthen workforce recruitment and retention; improve institutional knowledge base; and create a culture of responsibility within the Directorate?

Response: We intend to conduct a review later this year that will determine: (a) S&T's initiatives to attract and retain employees with the skills necessary to advance the Directorate's mission; (b) its processes for evaluating the effectiveness of its employees; and, (c) the rates at which employees leave the Directorate as compared to other research and development organizations. S&T's ability to retain its workforce will have a direct effect on improving its institutional knowledge base. In addition, our ongoing review of the Directorate's procedures for managing HSARPA projects will reflect the responsibility taken by the different layers of management for the success of those projects.

Question 22.: The IG's office released a report called DHS' *Management of BioWatch Program*, which mentioned a few problems, especially with the Laboratory Response Network that does the analysis of the material gathered in the environmental sensors used by BioWatch. The report stated, however, that DHS was alerted to the problems and that the IG was now satisfied that the labs are functioning properly. Can you please quickly outline the problems you found and how the problems were addressed?

Response: We included in our BioWatch report, a recommendation for DHS to address and rectify after-action and previous operation findings related to field and laboratory activities. DHS' actions taken and planned should help to reduce the number of repeat findings, but our report does not conclude, "the labs are functioning properly." DHS reported it developed and implemented a protocol to reduce deficiencies identified and to ensure that jurisdictions promptly correct identified deficiencies. As a result, we considered the recommendations resolved and closed.

Our recommendation was based on the need to enhance management controls for oversight of the field and laboratory operations, as identified in two DHS reviews of BioWatch field operations. The first conducted in the Spring 2004 and the second in the Fall 2005.

The summary report of the first site round of visits identified procedural deficiency issues in field collection, transport of filters, and laboratory operations that needed to be addressed to ensure the effectiveness of BioWatch. Examples of high error rates reported related specifically to laboratory operations included the following:

- Improper transfer of exposed filters.
- Improper decontamination of the Chain-of-Custody (CoC) bags, inner bags, and holders.
- Procedural errors made in the handoff from the field personnel to the laboratory personnel.
- Improper quality control of critical reagents, the substances used in detecting or measuring a component because of their chemical or biological activity.
- Improperly conducted Sample Management System (SMS) functions.

Several of the areas in laboratory operations reported as requiring improvement in the first round site visits were also reported in the second round. The summary report of the second round included the following suggestions from DHS for laboratory improvement:

- Establish separate areas for sample receipt, SMS functions (when performed at the laboratory), new filter holder assembly, and sample processing.
- Perform proper decontamination of CoC bags, inner bags, and holders prior to filter cutting and transfer, as well as scissors, cassette openers, and hood between samples.
- Decontaminate bags (containing holders, cassettes, CoC bags, and inner bags), DNA extract tubes, and any other materials with bleach prior to removing from the biological safety cabinet and hood.

- Implement quality assurance and quality control on reagents, including plates, strips, and verification panels, upon arrival; and analyze environmental laboratory swipes and swabs weekly.
- Separate new filter holders from exposed holders during sample collection by transporting them in separate coolers or containers that can be easily decontaminated.

Question 23.: Please explain what steps DHS has taken and still needs to take to address the findings from your office's summer 2006 report that criticized the Homeland Security Information Network's (HSIN) rushed deployment schedule for resulting in a system that does not support information sharing effectively, does not fully meet user needs, and consequently is not relied upon by State, local, and tribal law enforcement agencies.

Response: In September 2006, the department outlined several steps that it had taken to address our HSIN report recommendations. Specifically, the department's Office of Operations Coordination had held a series of meetings, training sessions, conferences, and briefings to clarify and communicate HSIN's mission and vision to users, its relations to other systems, and its integration with related federal systems. Through emergency management exercises, the department had identified gaps in HSIN procedures, guidance, and training. Addressing these gaps entailed providing users with over-the-shoulder instruction and technical support, and assigning a program manager within the newly established HSIN Joint Program Office responsibility for tracking training and guidance development activities.

To increase stakeholder involvement, an HSIN Work Group, comprised of a cross-section of DHS personnel, was taking steps to align business processes, coordinate requirements, and create cross-functional program governance. Further, an HSIN Advisory Committee, with intergovernmental and industry representation, was to provide guidance and recommendations to the HSIN program manager. In turn, the HSIN program manager would work to ensure that performance metrics were established and used to determine system and information sharing effectiveness. The department did not respond to our recommendation on defining the intelligence data flow model for HSIN and providing guidance to system users on what information is needed, what DHS does with the information, and what information DHS will provide.

Additionally, in December 2006, the Office of Operations Coordination requested that we provide initial comments and feedback on a strategic framework and implementation plan it had developed to outline the HSIN vision, mission, and desired outcomes. We found, however, that the draft documents focused primarily on components within DHS with no mention of state, local, tribal, or private industry stakeholders. As such, the documents did not address how all stakeholders, not just DHS components, would be involved in the system development lifecycle process. The Office of Operations Coordination did not provide us a copy of the final strategic framework and implementation plan.

Question 24.: In December 2005, your office issued an unclassified summary of a report on the Department's Security Program and Practices for its Intelligence Systems (OIG-06-3), in which you recommended that the Department establish a single, comprehensive, and inclusive information security program for its intelligence systems. Specifically, you recommended that the Department (1) provide adequate security for the information and information systems that support intelligence operations and assets; and (2) ensure the confidentiality, integrity, and availability of vital intelligence information. What progress can you report to date?

Response: In September 2005, DHS formally appointed the Assistant Secretary for Intelligence and Analysis as the Chief Intelligence Officer for DHS, responsible for overseeing the department's intelligence systems' security program. In October 2005, the Office of Intelligence and Analysis (OI&A) was created to assume full responsibility for the information assurance of DHS' Sensitive Compartmented Information (SCI) systems, excluding those of the United States Coast Guard (USCG). In March 2006, the Assistant Secretary for Intelligence and Analysis was appointed as the Designated Approval Authority (DAA) for DHS' intelligence systems. In April 2006, OI&A appointed a Chief Information Officer (CIO). In July 2006, OI&A drafted an Interim DHS Management Directive that delineates the responsibilities for the oversight and evaluation of DHS' IT security program for its intelligence systems. In August 2006, OI&A's CIO appointed an Information Systems Security Manager to oversee the department's intelligence activities. In October 2006, the Director for Information Sharing and Knowledge Management established an Intelligence Systems Board (ISB) to govern DHS' intelligence activities. Representatives

from each DHS component whose systems process intelligence information, including USCG, are members of the ISB.

More recently, based on our Fiscal Year 2006 review of DHS' information security program and practices for its intelligence systems, we reported that DHS established an IT security program for its intelligence systems. However, challenges remain regarding the full implementation and management of the information security program for the department's intelligence systems, especially at the component level. Our concerns focus on the coordination and management of the security program for the department's intelligence systems. DHS must address these concerns in order to provide adequate security for the information and the information systems that support its intelligence operations and assets and ensure the confidentiality, integrity, and availability of vital intelligence information. Specific DHS component information and issues related to the current state of DHS' intelligence systems security is classified

Question 25.: Have you met with Secretary Chertoff to discuss that you have encountered problems in gaining access to information and if so, what mitigating measures did he recommend to assist your in gaining access to the documents you need?

Response: As discussed in more detail in our audit, Acquisition of the National Security Cutter, OIG-07-23 (January 2007), we prepared, for the Secretary's signature, a one-page memorandum to all DHS personnel identifying our authorities and instructing personnel to cooperate with our office. We also prepared a four-page document providing "Frequently Asked Questions" regarding interactions with our auditors and inspectors. Both documents were provided to senior department officials in July 2006, and despite repeated requests and meetings, neither has been issued. In October 2006, the Secretary and Deputy Secretary were present at a meeting regarding our cutter audit during which the access issue was raised. At that time, we were told the access issue was being worked. While our working relationship with the Coast Guard has improved dramatically since the issuance of our audit, we believe a permanent, department-wide solution is needed.

The following questions were asked during the hearing, the Committee requests that responses be provided in writing.

Question 26.: What is the status of the investigation and what action was taken against those individuals responsible for leaking secret information after the recent leaks regarding an October 2005 subway threat in New York City?

Response: Our investigation is closed. The two department employees resigned, one effective December 31, 2006, the other effective June 8, 2006, prior to the initiation of any administrative action. Allegations against both individuals were declined criminally. While both had received a secret briefing, the investigation did not disclose that either actually leaked classified information to unauthorized persons.

Question 27.: What actions has the department taken to ensure that employees of the Department realize the absolute necessity of not leaking secret information after the recent leaks regarding an October 2005 subway threat in New York City?

Response: In accordance with Executive Order 12958, as amended, and 32 CFR Part 2001, the Department of Homeland Security (DHS) has established programs and safeguards for the identification and protection of classified information. Incidents involving the mishandling or compromise of classified information are promptly and thoroughly investigated to determine the cause, mitigate potential damage, and implement measures to prevent recurrence. The Department also has a security education, training and awareness program that requires all DHS personnel, including contractors and sub-contractors, receive a security orientation briefing upon initial assignment to the Department. For those personnel who have been granted a security clearance a separate security briefing is required prior to being granted access to classified information and thereafter refresher briefings are given each calendar year at approximately 12-month intervals. Included in these briefings are sections that cover an individual's obligation to protect classified information from unauthorized disclosure and the potential for sanctions should they fail to do so.

Question 28.: Please provide a report of what was learned from DHS's response to the management advisory meeting held on the afternoon of February 7, 2007.

Response: We are proceeding with our ongoing work regarding SBInet, and continue to meet with DHS staff. Our review of the SBInet Baseline is expected to be completed by the end of the year.

Question 29.: Please provide a detailed breakdown of how \$16 billion (40% of DHS budget) is spent and why it's better spent on contractors than in-house.

Response: We have not conducted a detailed analysis of DHS spending through contracts, and have not made any assessment of contracted work versus work performed in-house. We have several ongoing reviews that are looking at significant DHS programs that use contracted resources, such as CBP's SBInet and Coast Guard's Deepwater Program. In those reports, we questioned the offices' over-reliance on contractors to perform project oversight functions.

Question 30.: Several OIG reports have identified problems with TSA screeners and TSA airport procedures. What progress has been made in implementing OIG's recommendations and what is being done to further ensure consistency and clarity regarding the rules and procedures on airport screenings?

Response: As a result of two audits that our office has conducted to test screeners' ability to detect prohibited items on passengers' bodies, in their cabin-accessible property, and in their checked baggage, we made several recommendations to TSA to enhance this aspect of aviation security. We identified four broad areas in which TSA could take action to improve screener performance, as measured by detection rates: training; equipment and technology; policy and procedures; and supervision. TSA has implemented several changes that are responsive to our recommendations, and is incrementally working on taking additional actions. In addition, we will shortly be starting a new round of penetration testing to determine to what extent TSA's policies, procedures, training, equipment, and supervision ensure that Transportation Security Officers are able to prevent threat items from being introduced into the sterile areas and checked baggage systems of the nation's airports.

We also recently completed an audit that tested airport and air carrier employees' ability to prevent unauthorized access to secured areas of the airport. In our report we make 10 recommendations to improve access control, but because we have not yet issued our report, it is premature for us to discuss TSA's response.

Question 31.: What is the prognosis for linking the Homeland Security Network to RISS and are procedures being developed to avoid duplication and confusion when that linkage takes place?

Response: In June 2006, we reported that DHS had made some progress in establishing interoperability between HSIN and similar federal systems, such as the Regional Information Sharing Systems (RISS), which is used to facilitate the exchange of critical information across federal, state, and local law enforcement agencies. For example, DHS had begun to allow products to be posted and shared between HSIN and RISSNET, and was working with Department of Justice representatives to achieve complete interoperability in 2006. However, we have performed no follow-up work on this issue since the release of our report.

QUESTIONS FROM THE HONORABLE PETER T. KING, RANKING MINORITY MEMBER

Question 32.: With respect to financial management, your testimony discusses the Department's internal control weaknesses, specifically those at the Coast Guard, Immigration and Customs Enforcement, and the Transportation Security Administration.

- Your testimony notes that the Department has taken steps to address these issues. **What is the Department doing to resolve the weaknesses? What additional steps should the Department take in this area?**

Response: The Department is doing the following to resolve the weaknesses:

- The Department has developed a corrective action plan to remediate internal control weaknesses.
- The DHS Office of Financial Management, Coast Guard, and Immigration and Customs Enforcement have engaged outside contractors to assist in implementation of these corrective action plans.
- DHS Chief Financial Officer has implemented a rigorous timeline and monitoring of progress to identify problems that need to be addressed by the responsible party. DHS Chief Financial Officer reports this information to the Deputy Secretary.
- These corrective action plans and this process help the DHS Chief Financial Officer hold components accountable for meeting corrective action milestones in order to remediate internal control weaknesses.
- The Office of Inspector General initiated a series of performance audits to assess the effectiveness of DHS' corrective action plans to address internal control weaknesses and has provided recommendations for improvement.

- With regard to additional steps, the Department needs to continue to develop CAPS that identify the underlying root causes, develop effective remediation plan with measurable milestones, assign accountability for the CAP, and validate the successful implementation of the CAP.

Question 33.: You note that FEMA has developed new predefined mission assignments for disaster response and recovery, and you are conducting a review of these assignments.

- **What has your examination determined thus far?**
- **Will these predefined mission assignments help to prevent waste in future disasters?**

Response: FEMA issued approximately 2,700 mission assignments totaling approximately \$8.7 billion to Federal agencies to help respond to Hurricane Katrina. FEMA historically has had significant problems issuing, tracking, monitoring, and closing mission assignments. FEMA guidance on the assignments is often vague, and agencies' accounting practices vary significantly, causing problems with reconciling agencies' records to FEMA records. FEMA has developed a number of new pre-defined mission assignments to expedite some of the initial recurring response activities. In addition, FEMA's Disaster Finance Center is working to find a consensus among other Federal agencies on appropriate supporting documentation for billings.

According to FEMA officials, 44 predefined mission assignments have been in established with DOD, including 28 with USACE. In March 2007, FEMA will add 8—10 more mission assignments with USDA, EPA, DOT, HHS and HUD. The predefined mission assignments shorten the multi-tier MA approval process and identify the typical services assigned to each agency.

We are currently conducting a review of mission assignments to DHS agencies, and other Inspectors General are reviewing mission assignments to their respective agencies. As with pre-defined standby contracts, pre-defined mission assignments will help to mitigate waste.

Question 34.: Your testimony notes the importance of data mining in terrorism detection and prevention. However, you note that many of the data mining activities within the Department are stove-piped within each component.

- **What is the Department doing to ensure that this information is shared throughout the Department to maximize the effectiveness of this information?**

Response: This year, we plan to include in our review access and coordination for sharing of information critical in fighting terrorism as they relate to data mining activities within the Department.

About half of the data mining activities reviewed in the "Survey of DHS Data Mining Activities" were developed using custom-built systems or proprietary software without regard to technological compatibility and DHS-wide coordination with other programs, thereby impeding information sharing. Additionally, some of the data mining activities used the same commercial-off-the-shelf products, but did not share information.

Many activities that were reviewed only collected and analyzed small pieces of information for mission-restricted programs, such as screening foreign flight crews or ensuring that special interest aliens register with ICE. However, there may be a potential for coordinating data access and mining for cross-cutting functions, such as, reporting or analyzing suspicious or criminal activities, assessing risk, targeting cargo, and authenticating documents and people.

QUESTIONS FROM THE HONORABLE MARSHA BLACKBURN, A REPRESENTATIVE IN
CONGRESS FROM THE STATE OF TENNESSEE

Question 35.: You noted in your testimony that you believe more data sharing is needed between FEMA and law enforcement, especially with respect to identifying and tracking sex offenders and suspected felons.

- **How does FEMA currently collect data on sex offenders and missing children?**

Response: FEMA does not collect data specific to sex offenders. Rather, FEMA collects information from individuals applying for disaster assistance to facilitate the delivery of disaster assistance. The type of information collected by FEMA and contained in FEMA's disaster assistance recovery files includes the applicant's name, social security number, income information, address of damaged property, current address, etc. Law enforcement officials have told us that direct access to this infor-

mation following a disaster is needed to identify the whereabouts of registered sex offenders and to protect those residing in FEMA shelters and trailer parks.

In respect to missing children, FEMA collects the names of children living in the applicant's home at the time of the disaster. This information is often needed by law enforcement to locate missing children and to reunite them with their families. DHS and DOJ recently established an agreement that provides law enforcement direct access to FEMA disaster recovery assistance files for the purpose of locating missing children displaced due to disasters. However, DHS and DOJ have not established an arrangement that provides law enforcement direct access to FEMA disaster assistance recovery files to identify the whereabouts of sex offenders and fugitive felons following a disaster.

• **Where is this data stored and what do they usually do with this information?**

Response: Information collected from disaster assistance applicants is stored in the National Emergency Management System (NEMIS). The information collected from applicants is used to inspect damaged homes, to verify information provided by the applicant, to make eligibility determinations regarding the applicant's request for assistance, and to identify and implement measures to reduce future disaster damage, and for other purposes identified as routine uses, such as disclosing information to prevent duplication of benefits.

• **Is it regulatory or statutory authority that is preventing law enforcement access to this database?**

Response: FEMA disaster assistance recovery files are a System of Records protected by the Privacy Act of 1974 (5 U.S.C. 552a.). For law enforcement to have direct access to this information, a routine use needs to be established that allows the information to be disclosed and an agreement between DOJ and DHS executed to permit direct access. We have recently recommended to the FEMA Undersecretary for Federal Emergency Management: (1) Add specific routine uses to the System of Records Notice that authorizes the disclosure of FEMA disaster recovery assistance files for the purpose of locating registered sex offenders and fugitive felons in the aftermath of a disaster. (2) Develop and execute agreements with DOJ, the coordinator for *Public Safety and Security* under the National Response plan, to provide appropriate law enforcement entities direct access to FEMA disaster recovery assistance files for public safety and security efforts, including identifying the whereabouts of registered sex offenders and fugitive felons.

Question 36.: The Deepwater Program:

• **Who requested the modification of the original designs of the National Security Cutter (NSC)?**

Response: The Coast Guard requested the modification of the original designs of the National Security Cutter (NSC).

• **Why were the designs modified?**

Response: According to the Coast Guard, the events of September 11, 2001 forced them to reconsider the performance requirements for assets being acquired through the Deepwater Program, which included the NSC. As a result, the Coast Guard issued a Revised Deepwater Implementation Plan (the Plan) on 25 March 2005. Studies were also conducted by several independent organizations such as the Brookings Institution and RAND, which identified shortcomings in the original Deepwater solution and recommended the Coast Guard investigate how to correct them. As a result, during July 2003, the Commandant directed that an internal Coast Guard study be conducted to analyze operational capability and force structure gaps, and their impact on mission performance. The resulting review helped the Coast Guard revise the performance specifications for a wide array of Deepwater assets including the NSC. These revised performance specifications for the NSC included:

- A larger flight deck to accommodate all variants of DHS and DOD HH-60 helicopters;
- The installation of an anti-terrorism/Force protection Suite to include underwater sonar to allow the cutter to scan ports, approaches, facilities, and high value assets for underwater mines and swimmers;
- An updated weapons and command and control suite; and,
- Chemical, Biological, Radiological (CBR) capability to allow the NSC to remain on scene and operate in Weapons of Mass Destruction scenarios.

Changes to the original NSC designs began shortly after 9/11, and continue to this day.

- Although your office warned the Department not to begin the production of the new NSCs, the Department decided to begin production on 2 of them. **Who made the decision?**

Response: It was the Coast Guard's own subject matter experts and not the OIG that warned Coast Guard not to begin production of NSCs 1 and 2. In a memorandum dated on March 29, 2004 from the Coast Guard's Assistant Commandant for Systems (Admiral Erroll Brown) to the Deepwater Program Executive Officer (PEO) Admiral Patrick Stillman, where he expressed concern that there were significant structural problems with the design of the NSC which compromise the safety and the viability of the NSC's hull. Admiral Brown also requested "the impending Delivery Task Order (DTO) for the production and deployment of the NSC (003OBC), be held in abeyance until a solution to the NSC's structural design issues could be resolved. Despite the warning, the Coast Guard authorized \$140 million to commence the production and deployment of NSC1. By January 2005, the Deepwater PEO had authorized the issuance of DTOs valued at an additional \$201 million for long lead items and the construction and deployment of NSC2. It was not until March 2005, more than 27 months after first being advised of the NSC design deficiencies, did the Deepwater Program Office contract with the U.S. Navy's Surface Warfare center (Carderock Division) to conduct a fatigue assessment of the NSC.

Who was in charge to exercise technical and management oversight authority over the NSCs?

Response: For the Coast Guard the authority resided with the Deepwater Program Executive Officer (Rear Admiral Patrick Stillman). For the ICGS/Northrop Grumman, the authority resided with the Vice president and General Manager (ICGS) and the President, Northrop Grumman Ship Systems.

- **Who made the decision to modify the designs of the 123-foot patrol boat?**

Response: To our knowledge, the design of the 123-foot patrol boats was not modified.

- **Did any Coast Guard technical experts analyze these modifications for structural problems?**

Response: It is our understanding the Coast Guard's Engineering and Logistics Command (ELC) evaluated the 123-foot patrol boat design and (like the NSC) made recommendations to the Deepwater PEO. Our review of the construction issues with the 123' foot patrol boat did not include an evaluation of the 123-foot design. Therefore, we do not know the extent to which the ELC's recommendations were evaluated by the Deepwater program office and incorporated into the 123-foot patrol boat design.

- **In your opinion, has Commandant Thad Allen's efforts to overhaul internal operations will provide greater oversight of Deepwater acquisitions?**

Response: The Coast Guard recognizes these challenges and is taking aggressive action to strengthen program management and oversight—such as technical authority designation; use of independent, third party assessments; consolidation of acquisition activities under one directorate; and redefinition of the contract terms and conditions, including award fee criteria. Furthermore, and most importantly, the Coast Guard is increasing its staffing for the Deepwater program, and reinvigorating its acquisition training and certification processes to ensure that staff have the requisite skills and education needed to manage the program. The Coast Guard is also taking steps to improve the documentation of key Deepwater related decisions. If fully implemented, these steps should significantly increase the level of management oversight exercised over the air, surface, and C4ISR assets that are acquired or modernized under the Deepwater Program.

Question 37.: What type of cost and manpower are necessary to form a coherent IT infrastructure in DHS? Does DHS have competent personnel and adequate management plans to accomplish this?

Response: We have not conducted work in this area in order to answer these questions. We plan to address cost and manpower issues as part of a comprehensive review of IT management at DHS in fiscal year 2008.

Response to Supplemental Questions

for the

Committee on Homeland Security

House of Representatives

Hearing on

***Management and Programmatic Challenges Facing the Department of
Homeland Security***

February 7, 2007

RESPONSES FROM THE HONORABLE DAVID M. WALKER, JOINT WITH NORMAN RABKIN

Question 1.: Please explain why DHS has been unable to produce a clean financial statement for the entire Department.

Response: The Department of Homeland Security (DHS) has been unable to obtain a "clean" opinion on its financial statements because of existing financial management systems, controls and reporting problems. DHS management and auditors have attributed many of DHS's difficulties in financial management and reporting to the original stand-up of a large, new, and complex executive branch agency without adequate organizational expertise in financial management and accounting. GAO identified DHS's transformation as a high risk area in fiscal year 2003 because DHS had to transform 22 agencies into one department and inherited a number of operational and management challenges from legacy components. For fiscal year 2006, DHS only had its Balance Sheet and Statement of Custodial Activity subjected to audit. According to DHS's Inspector General, the Office of Financial Management, U.S. Coast Guard (USCG), Transportation Security Administration (TSA), Federal Emergency Management Agency (FEMA), Immigration and Customs Enforcement (ICE), and the Management Directorate were unable to provide sufficient evidence to support account balances presented in these financial statements and collectively contributed to the auditors' inability to render an opinion on them. Further, DHS management and three of its major components (USCG, TSA, and ICE) were unable to represent that the financial statements were presented in conformity with U.S. generally accepted accounting principles. The auditors identified 10 material weaknesses in internal control resulting in an adverse opinion rendered by DHS's Inspector General on controls over financial reporting and compliance as of September 30, 2006. The auditors attributed these conditions to a weak internal control environment and entity-level controls such as limited staffing resources and lack of integrated financial processes and systems.

Question 2.: In addition to the Department's problems in carrying out its responsibilities in implementing SBInet and the National Security Cutter programs, are there any particular programs you would like to bring to our attention as likely to present special challenges for DHS?

Response: Given the importance of major information technology (IT) investments to DHS's transformation efforts, we have recommended that the department adopt a strategic approach to managing these investments that is grounded in (1) rigorous and disciplined investment management and system acquisition processes and (2) a corporate enterprise architecture to ensure that these investments can interoperate and are not duplicative. Since making these recommendations, our work on individual programs, such as US-VISIT, Secure Flight, and the Automated Commercial Environment (ACE), has shown that the department has continued to be challenged in its ability to manage its IT investments in such a manner. We have ongoing work focusing on both DHS's corporate approach to IT investment management and its enterprise architecture.

Question 3.: Please explain how personnel and morale problems such as those highlighted in the recent Office of Personnel Management report, which highlighted the morale problems among employees at DHS, have affected DHS's ability to accomplish its mission.

Response: The Comptroller General convened a forum in September 2002 to identify useful practices from major private and public sector mergers, to help federal agencies like DHS merge its various originating components into a unified department. We found that the key to a successful merger and transformation is to

recognize the “people” element and implement strategies to help individuals maximize their full potential in the new organization, while simultaneously managing the risk of reduced productivity and effectiveness that often occurs as a result of the changes.¹ The challenge of implementing and transforming DHS’s 22 agencies into a fully functioning department remained as a high-risk area on our January 2007 update to our high-risk list.² In particular, we noted that DHS still has not developed a DHS-wide transformation strategy that includes a strategic plan that identifies specific budgetary, human capital, and other resources needed to achieve strategic goals. We currently have ongoing work that addresses a number of human capital issues at DHS. This work is being conducted at the request of the Committee and we expect to issue our report later this year.

Question 4: Please provide information regarding investigations of DHS’s failure to build internal capacity while outsourcing many of its responsibilities. In particular, please explain the extent to which DHS over-relies on contractors to fill employee vacancies.

Response: The work of the government is increasingly being performed by contractors, including emergency and large-scale logistics operations such as hurricane response and recovery and the war in Iraq. In making sourcing decisions, organizations need to determine whether internal capability or external expertise can more effectively meet their needs. The Commercial Activities Panel, chaired by Comptroller General Walker, noted in 2002 that determining whether the public or the private sector would be the most appropriate provider of the services the government needs is an important, and often highly charged, question.³ The report also stated that determining whether internal or external sources should be used has proved difficult for agencies because of systems and budgeting practices that (1) do not adequately account for total costs and (2) inhibit the government’s ability to manage its activities in the most effective manner possible.

In prior work examining the competitive sourcing initiatives of selected agencies which did not include DHS, we reported that several agencies had developed strategic and transparent sourcing approaches.⁴ The approaches included the comprehensive analysis of factors such as mission impact, potential savings, risks, current level of efficiency, market conditions, and current and projected workforce profiles. The Congress could continue to monitor DHS’s and other agencies’ reliance on contractors to carry out their basic missions. Our ongoing work on several human capital issues at DHS should provide some insight on the use of personal service contracts at the department.

Question 5: Please explain any and all concerns regarding DHS’s failure to set sufficient requirements for “solution based” procurement contracts. Also, please explain whether there is sufficient monitoring for the contractors who win these awards.

Response: The Deepwater program has been designated as a performance-based acquisition. If performance-based acquisitions are not appropriately planned and structured, there is an increased risk that the government may receive products or services that are over cost estimates, delivered late, and of unacceptable quality. We have found in our reviews of major systems that establishing clear requirements ahead of time is critical to mitigating risk.⁵ Program requirements are often set at unrealistic levels, then changed frequently as recognition sets in that they cannot be achieved. As a result, too much time passes, threats may change, and/or members of the user and acquisition communities may simply change their minds. The resulting program instability causes cost escalation, schedule delays, fewer quantities, and reduced contractor accountability. GAO is presently performing a review of how well DHS components are managing performance-based services acquisition.

In terms of monitoring contractor performance under the Deepwater program, in 2004, we found that the Coast Guard had not developed quantifiable metrics to hold the system integrator accountable for its ongoing performance and that the process

¹ GAO, *Highlights of a GAO Forum, Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002) and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

² GAO, *High-Risk Series: An Update*, GAO-07-310 (Washington, D.C.: January 2007).

³ Commercial Activities Panel, *Final Report: Improving the Sourcing Decisions of the Government* (Washington, D.C.: 2002).

⁴ GAO, *Competitive Sourcing: Greater Emphasis Needed on Increasing Efficiency and Improving Performance*, GAO-04-367 (Washington, D.C.: Feb. 27, 2004).

⁵ GAO, *Homeland Security: Observations on the Department of Homeland Security’s Acquisition Organization and on the Coast Guard’s Deepwater Program*, GAO-07-453T (Washington, D.C.: February 8, 2007).

by which the Coast Guard assessed performance after the first year of the contract lacked rigor.⁶ We also reported that the Coast Guard had not begun to measure the system integrator's performance on the three overarching goals of the Deepwater program—maximizing operational effectiveness, minimizing total ownership costs, and satisfying the customers. Coast Guard officials told us that metrics for measuring these objectives had not been finalized; therefore they could not accurately assess the contractor's performance against the goals. However, at the time, the Coast Guard had no time frame in which to accomplish this measurement. According to a Coast Guard official, the Coast Guard evaluated the contractor subjectively for the first award term period in May 2006, using operational effectiveness, total ownership costs, and customer satisfaction as the criteria. The result was a new award term period of 43 of possible 60 months.

Question 6.: Please provide procedures and studies regarding the adequacy of safeguards DHS has in place to enable small, minority and disadvantaged businesses to have a fair chance in the procurement process.

Response: We recently reported that, of the prime contracting dollars DHS awarded for Hurricane Katrina-related relief activities between August 2005 and June 30, 2006, 24 percent of these funds (about \$1.6 billion) went to small businesses.⁷ Of the \$1.6 billion DHS awarded directly to small businesses, disadvantaged businesses received \$409 million, women-owned businesses received \$243.7 million, businesses located in historically underutilized business zones ("HUBZones") received \$222.7 million, and veteran-owned businesses received about \$128 million.

Our March 2007 report found that subcontracting accomplishment information was not consistently available for the DHS prime contracts that were awarded to large businesses for activities related to Hurricane Katrina and which should have had subcontracting plans. These plans are supposed to identify the types of work and the percentage of subcontracting dollars prime contractors expect to award to certain categories of small businesses, such as those that are disadvantaged or owned by women or service-disabled veterans. We found that DHS's systems had no information on subcontracting plan requirements for 70 percent of the contracting dollars that appeared to meet the criteria for having subcontracting plans. Also, for 29 percent of the contracting dollars, DHS's systems showed that a subcontracting plan was not required. DHS officials indicated that \$545 million of these funds were miscoded, and should have been coded as having "no subcontracting possibilities." DHS officials were unable to explain why the remaining \$861 million were not required to have subcontracting plans. In response to recommendations in our report, DHS plans to issue guidance to all acquisition offices reinforcing previously issued guidance regarding the importance of awarding all appropriate contracts to small businesses and encouraging large businesses to subcontract all appropriate work to small businesses.

Question 7.: How many vacancies does DHS have and does it have sufficient funding to hire the staff it needs?

Response: According to DHS, it is difficult to quantify the number of vacancies in an agency because there is no statutory definition of the term. One measure of vacancies is the number of full time equivalents (FTEs) budgeted by an agency that are not currently filled. In each fiscal year, each agency allocates a certain number of FTEs to each of its components based on budgetary and workload factors. Based on data supplied by DHS, in fiscal year 2007 the department was allocated 186,743 FTEs and, as of January 20, 2007, had 181,089 on board personnel. According to DHS, the difference between the enacted FTE's and on board personnel (5,654) may be the best basic currently available indicator for the number of vacancies at DHS.

We lack sufficient information to judge the sufficiency of DHS' funding to fill vacancies and DHS reported that it could not respond to this question without first exploring the issue with each of its components. The costs associated with filling vacancies depend on variables such as the scarcity and source of skills needed. Previous GAO work has explored the need for increased staffing in various DHS components where DHS staffing shortfalls may affect its ability to fully accomplish its mission. As one example, DHS faces challenges in hiring experienced staff to oversee major procurements. The Secure Border Initiative (SBI) program, a comprehensive, multiyear, multibillion dollar program to secure U.S. borders and reduce illegal

⁶GAO, *Contract Management: Coast Guard's Deepwater Program Needs Increased Attention to Management and Contractor Oversight*, GAO-04-380 (Washington, D.C.: March 9, 2004).

⁷GAO, *Hurricane Katrina: Agency Contracting Data Should Be More Complete Regarding Subcontracting Opportunities for Small Businesses*, GAO-07-205 (Washington, D.C.: March 1, 2007).

immigration, proposed to hire 270 government and contractor personnel in 2007. As of February 2007, DHS had hired 124 of the 270. We reported in February of 2007 that SBI officials had expressed concerns about difficulties in finding an adequate number of staff with the required expertise to support the planned activities. As a second example, Customs and Border Patrol (CBP) has identified its need to increase the number of Border Patrol Agents by 6,000 by December 2008. For fiscal year 2007, CBP budgeted \$187,744—which included training costs, equipment, salary and overhead costs—for each new border patrol agent. DHS requested \$481.1 million for 3,000 new Border Patrol Agents in the fiscal year 2008 budget request. As the United States intensifies efforts to secure the nation from illegal entrants and terrorists, we can expect that both staffing and technological solutions will continue to be proposed and that DHS and Congress will have to consider the associated costs in an environment of competing priorities and resource constraints.

Question 8: Please provide information regarding any studies that indicate that continuity of employees is an important factor in organizational function and institutional memory. Also, please explain the extent to which the widespread use of contractors cause continuity problems within DHS.

Response: Our work on the private sector's experience with mergers and acquisitions suggests that over 40 percent of executives in acquired companies leave within the first year and 75 percent within the first 3 years. While some turnover is to be expected and is appropriate, the new organization must "re-recruit" its key talent to limit the loss of needed individuals because they do not see their place in the new organization. At the outset of any merger and transformation, new organizations also recognize the value in creating an employee knowledge and skills inventory, which would also help strengthen institutional memory. Valuable information resides in the originating organizational components, and when these components are combined, these intellectual assets are extremely powerful and beneficial to employees and stakeholders. Knowledge and skills inventories not only capture the intellectual assets of the new organization, but also signals to employees that their particular expertise is valued by the organization and foster a knowledge-sharing culture.

We have also discussed the importance of employee continuity in various other reports. For example, we have reported that, while workforce restructuring can have benefits for agencies, any downsizing that may occur could lead to such negative effects as the loss of corporate memory and expertise.⁸ We have also reported that the use of human capital flexibilities, such as monetary recruitment and retention incentives, can be highly effective in managing agency workforces to help ensure the continuity of employees.⁹ In addition, we have discussed the need for agencies to develop a more strategic approach to managing the succession of senior executives and other employees with critical skills. For example, we have highlighted instances where agencies' succession planning and management efforts (1) receive active support of top leadership; (2) link to the agencies' strategic planning; (3) identify talent from multiple organizational levels, early in their careers, or with critical skills; (4) emphasize developmental assignments for high-potential employees in addition to formal training; (5) address specific human capital challenges, such as diversity; and (6) facilitate broader transformation efforts.¹⁰

While we have not done work that addresses the impact of using contractors on continuity problems at DHS, GAO has on-going work on DHS's reliance on contractors and will be providing an update to committee staff in the near future.

Question 9: Please provide information regarding the extent to which the Directorate of Management needs to be reorganized or even eliminated.

Response: The Homeland Security Act of 2002¹¹ establishes that the Under Secretary for Management is responsible for the transition and reorganization process for the department and the Management Directorate is currently responsible for

⁸GAO, *Federal Downsizing: Better Workforce and Strategic Planning Could Have Made Buyouts More Effective*, GAO/GGD-96-62 (Washington, D.C.: Aug. 26, 1996).

⁹GAO, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, GAO-03-2 (Washington, D.C.: Dec. 6, 2002).

¹⁰GAO, *Human Capital: Insights for U.S. Agencies from Other Countries? Succession Planning and Management Initiatives*, GAO-03-914 (Washington, D.C.: Sept. 15, 2003) and *Human Capital: Selected Agencies Have Opportunities to Enhance Existing Succession Planning and Management Efforts*, GAO-05-585 (Washington, D.C.: June 30, 2005).

¹¹Pub. L. No. 107-296, § 701(a) (9). Also, The Homeland Security Act established five directorates within DHS for each of the following areas: (1) management, (2) science and technology, (3) information analysis and infrastructure protection, (4) border and transportation security, and (5) emergency preparedness and response. The U.S. Secret Service and the U.S. Coast Guard were also transferred to DHS, but are not within a directorate.

carrying out this function. As it may take several years, as in any merger, for the successful implementation of the department, it is critical that DHS have a dedicated team or leader in place to help manage its integration. As the Comptroller General has testified, GAO continues to designate the implementation and transformation of DHS as high risk because the department had to transform 22 agencies—several with major management challenges—into one department, and failure to effectively address its management challenges and program risks could have serious consequences for our national security. 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 management, procurement, and human capital—as well as in its administrative services. In our recent high-risk report, we reported that DHS has yet to implement a corrective action plan that includes a comprehensive transformation strategy and its management systems—especially related to financial, information, acquisition, and human capital management—are not yet integrated and wholly operational.¹²

In 2005, we reported that as it was currently structured, the roles and responsibilities of the DHS Under Secretary for Management contained some of the characteristics of a Chief Operating Officer (COO) or Chief Management Officer (CMO), but we suggested that the Congress should consider whether a revised organizational arrangement is needed to fully capture the roles and responsibilities of a COO/CMO position, including whether the position contained sufficient authority to elevate attention on management issues and transformational change.¹³

Question 10.: Please provide us with the current functions of the Business Transformation Office. Provide examples of models that would be suitable to further DHS migration.

Response: At this time, we understand that the DHS Business Transformation Office (BTO) has been eliminated. Because no two merger, acquisition, or transformation efforts are exactly alike, the “best” approach for any given effort depends upon a variety of factors specific to each context. Our prior work on mergers and transformations, undertaken before the creation of DHS, concluded that successful transformations of large organizations, even those faced with less strenuous reorganizations than DHS, can take years to achieve and certain key practices and implementation steps should be adopted to ensure successful transformations.¹⁴ In our 2005 review of the integration of DHS, we made recommendations based on these key practices to assist DHS in building the infrastructure needed to manage its merger or transformation and were particularly important to DHS at this juncture in its management integration efforts.

We recommended that DHS develop an overarching management integration strategy for the department that would look across the initiatives within each of the management functional units and clearly identify the critical links that must occur among these initiatives, among other things. The department should also use this strategy to clearly communicate a consistent set of goals and the progress achieved internally to all its employees, and externally to key stakeholders, such as the Congress. In addition, we recommended that DHS designate a dedicated implementation team, at the time that the BTO was just forming, for the department's management integration and provide it with the requisite authority and responsibility to help set priorities and make strategic decisions to drive the integration across all functions. The dedicated implementation team would also be responsible for working with the Undersecretary for Management to develop and implement the overarching management integration strategy. While the BTO has been eliminated, we believe that it would be helpful for DHS to have a dedicated team or coordinating body to help oversee and ensure its management integration and transformation. See questions 22 and 31 for a more detailed discussion of the BTO and COO/CMO, respectively.

Question 11.: Why do you think DHS ranked at the bottom of the just-released OPM survey of job satisfaction among federal employees and made so little progress in two years since OPM's previous survey? What does DHS need to be doing now so that it improves two years from now?

¹² GAO-07-310.

¹³ GAO, *Department of Homeland Security: A Comprehensive and Sustained Approach Needed to Achieve Management Integration*, GAO-05-139 (Washington, D.C.: Mar. 16, 2005).

¹⁴ GAO, *Highlights of a GAO Forum, Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002) and *Results-Oriented Cultures: Implementation Steps to Assist Mergers and Organizational Transformations*, GAO-03-669 (Washington, D.C.: July 2, 2003).

Response: Seeking and monitoring employee attitudes and taking appropriate follow-up actions, is one of the important implementation steps in our work on organizational mergers and transformations. Because people are drivers of any merger or transformation, it is vital to monitor their attitudes, through pulse surveys, focus groups, or confidential hotlines. While monitoring employee attitudes provides good information, it is most important for employees to see that top leadership not only listens to their concerns, but also takes actions and makes appropriate adjustments in a visible way. We have not been asked by the Congress, to date, to follow-up on the OPM survey results at DHS. However, our prior work has shown that if DHS does not take appropriate follow-up action on the survey results, negative attitudes may translate into actions, such as employee departures, among other things, that could have a detrimental effect on the continued implementation and transformation of the department.

Question 12.: What steps have FEMA and DHS taken to resolve the problems in FEMA's automated payment system, which uses out-dated technology and, thus, had limited expansion capability to support catastrophic disasters like Katrina?

Response: While GAO has not conducted additional work specifically addressing the current status of the Federal Emergency Management Agency's (FEMA) efforts to improve its automated payment system, the Department of Homeland Security's Office of Inspector General reviewed *FEMA's Progress in Addressing Information Technology Management Weaknesses in December 2006* (OIG-07-17) and reported that:

FEMA has made progress in several areas, particularly short-term adjustments to prepare for the 2006 hurricane season. These improvements primarily included increasing the National Emergency Management Information System (NEMIS) capacity and online system access and strengthening verification of registration data. In addition, FEMA and its program offices specifically addressed our recommendations by documenting training resources, developing a plan to implement its enterprise architecture (EA), gathering requirements for new business tools, and improving configuration management.

However, despite these positive steps, FEMA has not documented or communicated a strategic direction to guide long-term IT investment and system development efforts. FEMA also has not performed crosscutting requirements gathering to determine business needs, which would allow Information Technology Services Division (ITSD) personnel to analyze alternatives to continued development of the complex, custom NEMIS system. We note below several resource challenges for FEMA to accomplish these tasks, including personnel needs, time limitations, and funding constraints. For example, high-level officials acknowledged the need for personnel who can effectively and efficiently manage system development efforts, especially as key personnel are allocated to assist in disaster and emergency response activities. Further, FEMA officials told us that funding constraints also have prevented the creation of sufficient training and testing environments. Therefore, constrained by limited resources, FEMA has focused its efforts on preparing for the 2006 hurricane season and has made little progress in addressing long-term needs, such as updating strategic plans, defining cross-cutting requirements, and evaluating systems alternatives.

Question 13.: Please explain the extent to which FEMA has acted on the numerous GAO recommendations for addressing significant fraud, waste, and abuse in FEMA's Individuals and Households Program (IHP) and in Department of Homeland Security's purchase card program.

Response: As part of our audit of the FEMA's IHP and the DHS's purchase card program, to date we have made 25 recommendations designed to improve the management of these 2 programs. FEMA and DHS fully concurred with 19 recommendations, and substantially or partially concurred with the remaining 6 recommendations.

With respect to the purchase card program, DHS agreed with all our recommendations and reported taking actions to address them. For example, DHS stated that they had amended their purchase card manual in order to incorporate suggested changes from our recommendations. However, we have not performed testing to evaluate the effectiveness of these actions.

With respect to the IHP, FEMA and DHS concurred with 13 of our recommendations, and substantially or partially concurred with 6. DHS and FEMA also reported that they have taken actions, or plan to take actions, to implement many of our recommendations. These actions include implementing identity and address verification on all IHP registrations, implementing controls to prevent duplicate IHP registrations using the same social security numbers, and implementing a system change

to prevent individuals from registering for assistance using a Post Office box. However, we have not determined if these actions adequately address all our recommendations, nor have we performed audit or investigative work to test new controls. In addition, in written comments on several of our reports, FEMA has expressed concern and disagreement with some of our findings and statistical projections of overall rates of potentially fraudulent and improper payments. Until FEMA recognizes the significant weaknesses in their individual assistance programs, they will continue to risk losing billions of taxpayer dollars to fraud, waste, and abuse. We are also planning to issue a follow up report to our December 6, 2006 testimony which includes additional recommendations to DHS and FEMA on necessary improvements to IHP and the purchase card program.

Question 14.: Has DHS begun to address any of GAO's seven recommendations for improving DHS's oversight of cash advance funding for first responder grants and associated interest liabilities? If so, please explain how DHS is addressing these, including the recommendation that urges the Department to identify the significant issues that have resulted in delays in the drawdown and disbursement of DHS grant funds.

Response: We were recently informed by DHS's Office of the Chief Financial Officer that DHS's Preparedness Directorate's Office of Grants and Training, which has been responsible for implementing our recommendations, will be merged into FEMA and the recommendations will be addressed by appropriate parties under the new organizational structure. At this time, DHS plans to provide a response to our recommendations by the end of April 2007.

Question 15.: As a result of the creation of Homeland Security in 2003, legacy INS and legacy Customs Special Agents were merged to create the U.S. Immigration and Customs Enforcement agency. Customs agents previously enforced over 400 federal laws and immigration agents enforced laws pursuant to the Immigration and Nationality Act (Title 8). It appears that ICE agents are heavily focused on immigration investigations such as worksite enforcement. What measures are being taken to insure a continuity of enforcement from both legacy missions?

Response: When ICE was created, it retained responsibility for enforcing the customs and immigration laws that were the purview of its legacy agencies. These include criminal statutes addressing the illegal import and export of drugs, weapons, child pornography, stolen antiquities, and other contraband, as well as alien smuggling, human trafficking, and the international laundering and smuggling of criminal proceeds. In March 2006 we testified that ICE's Office of Investigations (OI) organizational structure and investigative activities reflected those of both its principal legacy agencies—the U.S. Customs Service and Immigration and Naturalization Service. To ensure continuity of enforcement, OI established 3 major investigative divisions—National Security, Finance and Trade, and Smuggling and Public Safety—that incorporated the core missions and functions of legacy immigration and customs investigations. In June 2006 we reported ICE uses a combination of factors to allocate its investigative resources, including whether an investigation indicates a potential threat to national security, the execution of special programs run out of headquarters divisions and units like Operation Community Shield, which targets violent street gang members, and carry-over legacy activities, such as support for implementation of the national drug control strategy. Consequently, ICE performs a combination of immigration—and customs-related investigations. Though we have not assessed ICE's allocation of investigative resources recently, we found that about half of ICE investigative resources were used for drug, financial, and general alien investigations in fiscal years 2004 and 2005. The resource use in the other case categories pertains to investigations of a variety of customs and immigration violations including commercial fraud, general smuggling, human smuggling and trafficking, identity fraud, document fraud, and worksite enforcement. None of the investigative categories that apply to these violations individually accounted for more than 8 percent of investigative resource use during the period under study. In most instances these other case categories accounted for 5 percent or less of resource use. In order to guide the allocation of its investigative resources, we recommended that DHS direct ICE to conduct a comprehensive risk assessment to identify those violations with the highest probability of occurrence and most significant consequences.¹⁵ DHS agreed with our recommendation.

¹⁵ GAO, *Homeland Security: Better Management Practices Could Enhance DHS's Ability to Allocate Investigative Resources*, GAO-06-462T (Washington, D.C.: March 28, 2006).

Question 16.: What hurdles exist in getting the Transportation Sector Specific Plan that was due over two years ago finalized and published?

Response: GAO did not assess whether any hurdles existed or the reasons for any delays in DHS' issuance of the Transportation Sector Specific Plan. We have testified that it is important for DHS to finalize and issue the plan and supporting plans as soon as possible so that transportation stakeholders understand the federal government's role with respect to security, as well as expectations for them. We also testified on the importance of the Transportation Sector Specific Plan and supporting plans being supported by relevant risk assessments conducted or overseen by department.

Question 17.: In October of last year GAO sent a letter titled, Combating Nuclear Smuggling: DHS's Cost-Benefit Analysis to Support the Purchase of New Radiation Detection Portal Monitors Was Not Based on Available Performance Data and Did Not Fully Evaluate All the Monitors' Costs and Benefits to the chairman of both House and Senate appropriations committees. Has there been any activity in the Inspector General's office to look at DNDO's cost-benefit analysis and if so what are you finding?

Response: We contacted the Director of Border and Transportation Security in the DHS Inspector General's (IG) Office and were told the DHS IG has not examined the Domestic Nuclear Detection Office's (DNDO) cost-benefit analysis, nor does the DHS IG have any plans to examine it.

Question 18.: As the government agency charged with securing the nation's critical cyber infrastructure, how is DHS supposed to provide adequate leadership to the nation's critical infrastructure owners when the Department itself continues to receive failing grades on securing its own critical infrastructure?

Response: DHS's continued shortfalls in fully implementing effective information security over its computer systems could limit its credibility in providing leadership to the nation's critical cyber infrastructure owners. DHS needs to lead by example and improve its information security. Also, in September 2006, DHS announced the appointment of an Assistant Secretary for Cyber Security and Telecommunications to better provide this leadership. While filling this leadership position is an important step to enhancing DHS's visibility to organizations that own and operate our nation's critical infrastructures, DHS needs to improve on its efforts to fulfill its key cybersecurity responsibilities. These responsibilities include developing and enhancing national cyber analysis and warning capabilities, providing and coordinating incident response and recovery planning efforts, and identifying and assessing cyber threats and vulnerabilities.

Question 19.: What steps have the Department taken to resolve flaws in the way that FISMA evaluations are performed and what steps remain?

Response: The Department has reportedly increased the percentage of systems for which controls had been tested and evaluated. In its Federal Information Security Management Act (FISMA) report for 2004, the department reported that 76 percent of its systems had been tested and evaluated. For 2006, it reported that 88 percent of systems had been evaluated, an increase of 12 percent. However, the department's Office of Inspector General (OIG) reported in 2006 that only 64 percent of the department's systems it reviewed had undergone such evaluations. In addition, the OIG reported weaknesses with the way the department documented control test results, residual risks, and contingency plan test results. Thus, DHS needs to take steps to test and evaluate the controls of all of its systems and adequately document the test results and residual risks.

Question 20.: What is your office doing to ensure that the problems that existed with regard to improving laptop computer security, prior to Jay Cohen's appointment as the Science and Technology Directorate Under-Secretary are addressed? Specifically, what is your office doing to oversee S&T's efforts to develop a mature business model and prudent project management practices?

Response: Although we have not been specifically requested to review this issue at DHS? Science and Technology Directorate, GAO has two on-going government-wide audits that will address agency controls related to laptop computer security. We are assessing federal policies and procedures for protecting personal information on one audit and are evaluating the use of encryption technologies at federal agencies on another audit. Both of these audits will address elements of laptop computer security and include the Department of Homeland Security.

Question 21.: What is your office doing to ensure that Under Secretary Cohen develops a plan to strengthen workforce recruitment and retention; improve institutional knowledge base; and create a culture of responsibility within the Directorate?

Response: GAO's work on strategic workforce planning shows that it addresses two critical needs, (1) aligning an organization's human capital program with its current and emerging mission and programmatic goals; and (2) developing long-term strategies for acquiring, developing and retaining staff to achieve programmatic goals.¹⁶ While we have not reviewed DHS's Science and Technology's Directorate's strategic workforce planning or results-oriented culture, in December 2005, we evaluated the Directorate's ethics-related management controls, particularly for its employees hired under the Intergovernmental Personnel Act (IPA), and concluded that these controls needed strengthening.¹⁷ Among other things, we recommended that the Undersecretary of the Science and Technology Directorate needed to finalize the Directorate's research and development process and define and standardize the role of the IPA portfolio managers in this process, and establish a monitoring and oversight program of ethic-related management controls. Our ongoing work on several human capital issues at DHS will also provide information on the use of IPA appointments at the department.

Question 22.: In GAO-05-139, the GAO recommended that the Department "provide its Business Transformation Office (BTO) with the authority and responsibility to serve as a dedicated integration team and help develop and implement the strategy."

- Do you believe the Department has done this, and if not what needs to be done?
- What form do you believe a successful BTO in the Department should take?
- In as much specificity as possible, how would you define the mission and goals of an effective BTO?
- We understand that the BTO is being shut down. Do you believe that the mission of the BTO can be performed effectively within other parts of the Department, or is the Department better served by having these functions centralized in one office?

Response: As discussed in our response to question 10, to our knowledge, DHS does not currently have a dedicated integration team nor is the BTO in place to help guide its overall implementation and transformation. In addition, while DHS has issued guidance and plans to assist its integration efforts, on a function-by-function basis (information technology and human capital, for example), it does not have a comprehensive strategy, with overall goals and a time line, to guide the management integration departmentwide.

GAO's research shows that it is important to dedicate a strong and stable implementation team for the day-to-day management of a merger or organizational transformation. Such a dedicated team should be vested with necessary authority and resources to help set priorities, make timely decisions, and move quickly to implement decisions for a successful transformation. In addition, the team ensures that various change initiatives are sequenced and implemented in a coherent and integrated way. Furthermore, the team monitors and reports on the progress of the integration to top leaders and across the organization, enabling those leaders to make any necessary adjustments. Other networks, including a senior executive council, functional teams, or cross-cutting teams, can be used to help the implementation team manage and coordinate the day-to-day activities of the merger or transformation. The role of an integration team is to help monitor the transformation and look for interdependencies among the individual functional integration efforts. The dedicated team should report to the highest levels of the organization and have the requisite responsibility and authority to set priorities and make strategic decisions for the integration, as well as implement the integration strategy.

DHS actions, such as management directives clarifying roles for the integration, can provide the Under Secretary for Management with additional support. However, in our 2005 report, we noted that it was still too early to tell whether the Under

¹⁶ GAO, *Human Capital: Key Principles for Effective Strategic Workforce Planning*, GAO-04-39 (Washington, D.C.: Dec. 11, 2003).

¹⁷ GAO, *Homeland Security: DHS Needs to Improve Ethics-Related Management Controls for the Science and Technology Directorate*, GAO-06-206 (Washington, D.C.: Dec. 22, 2005).

Secretary would have sufficient authority to direct, and make trade-off decisions for the integration, and institutionalize it departmentwide.¹⁸

In addition to our responses above, as part of our follow-up on recommendations made in our March 2005 report on DHS integration, DHS provided us with its Management Directorate Strategic Plan, and a draft plan on its high risk area of the implementation and transformation of the department, which contains some information relative to developing an agencywide management integration strategy, but there were no timelines and milestones that would allow the completion of this recommendation. To help ensure the completion of the transformation of the department, our research indicates that a dedicated team, such as the Business Transformation Office, can help ensure success.

Question 23.: It is our understanding that GAO has encountered significant problems obtaining documentation from the Department of Homeland Security. During the hearing, it was made clear the DHS is not “denying” the delivery of documentation, rather they are “delaying” the delivery of documentation. It is unclear to us what is meant by “delayed.” Please provide detailed examples of what GAO considers “delayed,” including examples of documents requested, dates the documents were requested, and the dates the documents were received.

Response: DHS’ process for handling documents and interviews requested by GAO has caused inordinate delays. At many federal agencies (and in some cases within DHS), we obtain what we need directly from the program officials, often on the spot or very quickly after making the request. The program staff keeps the agency liaisons informed of interviews and documents provided to us. In contrast, the process used in most of our interactions with DHS is overly layered and time-consuming. We are required to submit requests for documents and interviews to the component liaison staff, rather than directly to program officials with whom we have met many times. The component liaison often brings in component counsel (and sometimes DHS counsel). The result is that on a broad range of our reviews our staff end up waiting for weeks or months for information that could be provided immediately or at least more quickly. In certain areas, specifically reviews related to work on the response to Hurricane Katrina and reviews involving FEMA and TSA, component counsel have reviewed virtually every document before it is provided to us.

These procedures have caused delays which have impeded our ability to meet timeframes for reporting to our requesters. DHS often provides information very late in the process, when they realize that the absence of specific data in our draft report will reflect negatively on their programs. A related problem is that there has been a lack of communication. It can take months for DHS to tell us that a document doesn’t exist. All we are told is that the agency is going through its review process.

We need a commitment from DHS that it will streamline its review processes to make them more efficient and that it will expedite our requests for documents and meetings. It is much more effective when we can deal directly with the program staff after we have held our entrance conference at DHS. With regard to component counsel review of documents, the original DHS management directive on GAO¹⁹ was set up on the premise that counsel would not review all documents prior to disclosure. Component counsel was to review only a subset of documents to be provided to GAO, those identified by the component as potentially being sensitive (a checklist provided to the component liaisons identified the areas of sensitivity). To the extent that DHS finds it necessary to screen certain sensitive documents, it should do this on an exception basis. Other documents should be provided directly to GAO without prior review or approval by counsel. If DHS foresees problems providing a document (e.g., document doesn’t exist or it raises special sensitivities) it should advise GAO up front.

In conjunction with GAO’s own efforts to obtain access to documents at DHS, congressional action has sometimes helped us to obtain information. These actions can include a hearing where questions are asked about the document delays, a letter signed from a Member to DHS, or a phone call from a congressional staff member. We have generally found that the Department is cooperative on reviews where the timing of the release of DHS appropriations is related to the issuance of a GAO review.

There are numerous instances of DHS delays in responding to GAO document requests. The following are examples involving GAO work for which you are a re-

¹⁸ GAO-05-139.

¹⁹ DHS GAO Management Directive #820, June 25, 2003.

quester. First, in an audit of DHS detention standards for aliens in its custody, we have experienced delays with U.S. Immigration and Customs Enforcement (ICE) providing necessary information and documentation. There have been multiple incidents during the course of this engagement in which ICE provided only partial information after lengthy delays. Each document, we were told by DHS officials, had to go through the ICE legal vetting process. The document requests included the following:

- On September 27, 2006, GAO requested copies of American Bar Association reviews of ICE detention facilities. The American Bar Association performed the reviews and then provided them to ICE. The ABA indicated to us that they had no problem with ICE providing the information to GAO. Despite our requests, ICE still has not provided copies of the reviews.

- In October 2006, GAO requested copies of the latest ICE compliance review for the San Diego Correctional Facility; Elizabeth Contract Detention Facility; Denver Contract Detention Facility; and the Suffolk County House of Corrections. They have yet to be provided, despite our repeated requests for the documents.

- On September 21, 2006, GAO requested a copy of the detention facility telephone contract. ICE delayed for a month until October 19, 2006, and then sent us a document that was almost entirely redacted. The first ten pages of the contract were not included and the rest of the contract had been significantly redacted by blacking out pertinent information. ICE told GAO the redacted information was “privileged,” according to its lawyers. After repeated calls and explanations of GAO’s authority to access the information, ICE provided the unredacted document.

- We requested a set of additional documents related to the detention phone contract on November 5, 2006. ICE did not respond to this request for several months. Finally, ICE said they had the documents ready for a January 17, 2007, meeting with GAO auditors. ICE officials had the documents physically present at the meeting, but would not let GAO have the documents or look at the documents because they said they had not yet been vetted through their lawyers (even though more than 2 months had passed since the original request). GAO auditors made multiple follow-up calls, but ICE delayed another two and a half weeks before providing the documents.

- During a meeting in October 2006, we requested information from the Department of Health and Human Services (HHS) regarding medical treatment of detainees. HHS forwarded their response to DHS who refused to give it to GAO until it had gone through the ICE attorneys’ “approval process.” GAO did not get the information until February 9, 2007 (over 3 months later).

In another review that you joined as a requester, involving terrorist watch lists, we experienced numerous delays in receiving requested information from DHS, ranging from weeks to months. In one case, we requested the status of DHS implementation of provisions of Homeland Security Presidential Directives 6 and 11 that were directed to DHS, including copies of applicable reports that were to be provided to the President. We made this request in May 2006. In August 2006, after several follow-up requests, our DHS audit liaison apologized for the difficulty in finding someone at DHS to respond to our request. In October 2006, the liaison referred us to the Director of the DHS Screening Coordination Office, who told us the required reports had been developed and that she would obtain copies for us. In February 2007, DHS finally provided a document that it said was compiled based on the reports that it had submitted, excluding information related to other departments and agencies.

The following questions were asked during the hearing, the Committee requests that responses be provided in writing.

Question 24.: GAO has identified significant fraud, waste and abuse in the control weaknesses in FEMA’s individual and household programs and in the DHS’s purchase card account. **What action has FEMA taken on the recommendations to address these weaknesses?**

Response: As noted in the response to question number 13, DHS stated that they had amended their purchase card manual in order to incorporate suggested changes from our recommendations. They have also taken other actions, to include implementing identity and address verification on all IHP registrations, implementing controls to prevent duplicate IHP registrations using the same social security numbers, and implementing a system change to prevent individuals from registering for assistance using a Post Office box. However, we have not determined if these actions adequately address all our recommendations, nor have we performed audit or investigative work to test new controls.

Question 25.: What DHS components had financial management problems before they were merged into the Department and what components have them now?

Response: When DHS was created in March 2003 by merging 22 diverse agencies, there were many known financial management weaknesses and vulnerabilities in the inherited agencies. For 5 of the agencies that transferred to DHS—Customs Service (Customs), Transportation Security Administration (TSA), Immigration and Naturalization Service (INS), Federal Emergency Management Agency (FEMA), and the Federal Law Enforcement Training Center (FLETC)—auditors had reported 30 reportable conditions, 18 of which were considered material internal control weaknesses. Further, of the four component agencies—Customs, TSA, INS, and FEMA—that had previously been subject to stand-alone audits, all four agencies—systems were found not to be in substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA).

Some of these components continue to have financial management weaknesses today. For example, the Office of Financial Management (OFM), U.S. Coast Guard (USCG), TSA, FEMA, Immigration and Customs Enforcement (ICE), and the Management Directorate were unable to provide sufficient evidence to support account balances presented in the financial statements and collectively contributed to the auditors' inability to render an opinion. Further, DHS management and three of its major components (USCG, TSA, and ICE) were unable to represent that the financial statements were presented in conformity with U.S. generally accepted accounting principles. USCG was previously part of the Department of Transportation and its financial statements had never been audited on a stand-alone basis. Those components that attributed to material weaknesses in internal control for the area of financial management and oversight in fiscal year 2006 were USCG and OFM.

Question 26.: We understand that FEMA's slow payment process for victims during Katrina was the result of poor internal controls and information sharing. What steps has the Department taken to resolve those problems and what steps remain?

Response: As noted in the response to question 13 above, FEMA has initiated changes that include identity and address verification on all IHP registrations, implementing controls to prevent duplicate IHP registrations using the same social security numbers, and implementing a system change to prevent individuals from registering for assistance using a Post Office box. If implemented and tested prior to a disaster, effective internal controls over IHP registrations should not delay providing assistance to individuals quickly. For example, many address and identity validation processes can be accomplished almost instantaneously and thus would not delay FEMA's response.

Question 27.: What are you currently showing as DHS's applications backlog? Please separately provide the backlog for applications that are pending for security background clearance checks.

Response: As of January 2007, DHS' U.S. Citizenship and Immigration Services (USCIS) had about 3.4 million applications pending adjudication. However, as defined by USCIS, its backlog of applications constitutes only a portion of the inventory of all pending applications. The Immigration Services and Infrastructure Improvements Act defines backlog as the number of applications that have been pending more than 6 months. However, USCIS' data systems cannot track the number of applications that have been pending for more than 6 months. As a proxy, USCIS generally defines backlog as the number of pending applications minus the number of applications received during the last 6 months. USCIS also eliminates from its backlog estimate applications for which an immigration benefit cannot be granted for reasons outside of its control. For example, USCIS does not count applications in which the State Department cannot grant a visa because a visa allotment is not available and where USCIS is waiting for the results of FBI name checks or additional information from the applicant. In addition, USCIS does not include certain asylum applications in its backlog count. Using USCIS' method for calculating its backlog as described above, DHS reported that as of September 2006 its backlog had been eliminated. However, USCIS did acknowledge that there were some applications that have been pending more than 6 months. While we do not have any current information on the status of applications awaiting security background clearance checks, as of September 2006, USCIS reported about 157,000 applications were awaiting the results of FBI name checks.

Question 28.: Are efforts being made to determine whether FEMA's revamped systems will work in an actual disaster? For example, have there been dry runs or other simulations?

Response: FEMA has conducted regional tabletop exercises for the 2006 hurricane season designed to improve understanding of federal, state, and private-sector capabilities and expectations, including those for evacuation and mass care. FEMA also plans to conduct regional hurricane preparedness exercises prior to 2007 hurricane season. The 2006 exercises did not test the actual deployment and use of new communications equipment, surveillance teams, and other changes that FEMA has developed since Katrina.

FEMA has tested some of its newly developed capabilities in some recent, smaller disasters, such as Hurricane Ernesto in 2006 and the storms that recently wreaked destruction in the Southeast. However, to our knowledge, FEMA has not conducted any exercises that have realistically tested its newly developed capabilities in a realistically simulated major disaster.

Under the Post-Katrina Reform Act, enacted in October 2006, FEMA is to carry out a national training program to implement, and a national exercise program to test and evaluate the National Preparedness Goal, National Incident Management System, and the National Response Plan and other related plans and strategies. Such training and exercises could provide FEMA an opportunity to realistic test and evaluate the improvements it is working to implement.

Question 29.: Does DHS have sufficient resources to deal with the immigration applications if we were to have a temporary guest worker program?

Response: In all likelihood, DHS would need additional resources to implement a temporary guest worker program. According to one study, of the estimated 11 million undocumented aliens in the United States in 2005, about 7 million were working. Assuming all or most of the 7 million apply for a temporary worker program, this number of applicants would be more than the 6.7 million applications for all immigration benefits USCIS completed in fiscal year 2006—in effect doubling USCIS's workload. As it has done in the past, USCIS could hire temporary adjudicators to deal with the expected surge in applications. Under the law, immigration benefit application fees are to be set to recover the full cost of providing immigration benefits.

Question 30.: We understand that FEMA's slow payment process for victims during Katrina was the result of poor internal controls and information sharing. What steps has the Department taken to resolve those problems and what steps remain?

Response: As noted in the response to question 13 above, FEMA has initiated changes that include identity and address verification on all IHP registrations, implementing controls to prevent duplicate IHP registrations using the same social security numbers, and implementing a system change to prevent individuals from registering for assistance using a Post Office box. If implemented and tested prior to a disaster, effective internal controls over IHP registrations should not delay providing assistance to individuals quickly. For example, many address and identity validation processes can be accomplished almost instantaneously and thus would not delay FEMA's response.

QUESTIONS FROM THE HONORABLE PETER T. KING, RANKING MINORITY MEMBER

Question 31.: Mr. Walker, you have said that the Department of Homeland Security and the Department of Defense each should establish a new Deputy Secretary position specifically to focus on management and transformation. You also advocated that this position should be filled by longer-term executives to provide for greater continuity within the departments.

A. What is your rationale for creating a new Deputy Secretary position?

B. Why not simply augment the authorities of the existing Under Secretary for Management within DHS?

C. Wouldn't a new Deputy Secretary be another layer of bureaucracy which would overlap the role of the existing Deputy Secretary at DHS and create confusion within the organization?

D. Wouldn't a longer-term executive serving in this new position create inherent conflict with changes in leadership of the Department?

Response: A. DHS faces enormous management and organizational transformation challenges as it continues to simultaneously establish itself, integrate numerous entities and systems, and protect the nation from terrorism. Success would not simply result in a collection of components in a new department, but the transformation of the various programs and missions into a high-performing, focused or-

ganization.²⁰ However, the size, complexity, and importance of DHS's mission make the challenges involved especially daunting. As DHS and other agencies across the federal government embark on large-scale organizational change initiatives in order to address 21st century challenges, there is a compelling need for a single organizational focus on key management functions, such as human capital, financial management, information technology, and acquisition management, as well as for selected transformation initiatives within the department or agency. A Chief Operating Officer (COO)/Chief Management Officer (CMO) or similar position may effectively provide the continuing, focused attention essential to successfully completing these multiyear transformations.²¹

Establishing a COO/CMO position at DHS—with, importantly, the appropriate level of responsibility and authority—could enable the department to address the following.

- *Elevate attention on management issues and transformational change.* Top leadership attention is essential to overcome organizations' natural resistance to change, marshal the resources needed to implement change, and build and maintain the organizationwide commitment to new ways of doing business. We have previously reported that building an effective DHS will require consistent and sustained leadership from top management to ensure the needed transformation of disparate agencies, programs, and missions into an integrated organization.²²
- *Integrate various key management and transformation efforts.* The federal government often places management responsibilities, such as information technology, human capital, or financial management, into "stovepipes" and fails to design and implement organizational transformation efforts in a comprehensive, ongoing, and integrated manner. There needs to be a single point within agencies with the perspective and responsibility—as well as authority—to ensure the successful implementation of functional management and, if appropriate, transformation efforts.²³
- *Institutionalize accountability for addressing management issues and leading transformational change.* Management weaknesses in some agencies are deeply entrenched and longstanding and will take years of sustained attention and continuity to resolve. In our previous work, we have noted that the experiences of successful transformation initiatives in large private and public sector organizations suggest that it can often take at least 5 to 7 years until such initiatives are fully implemented and the related cultures are transformed in a sustainable manner.²⁴ In the federal government, the frequent turnover of the political leadership has often made it extremely difficult to obtain the sustained attention required to make needed changes.

B. As currently structured, the roles and responsibilities of the Under Secretary for Management at DHS contain some of the characteristics of a COO/CMO position, such as elevating, integrating, and institutionalizing responsibility for key functional management initiatives. However, we have previously raised the issue of whether or not the Under Secretary has sufficient authority to direct, and make trade-off decisions for the management integration initiatives and the institutionalization of them across the department.²⁵ We have also suggested that the Congress continue to closely monitor whether additional leadership authorities are needed for the Under Secretary, or whether a revised organizational arrangement is needed to fully capture the roles and responsibilities of a COO/CMO position, including a performance agreement and term limit.²⁶

C.T1 As we have previously reported, the establishment of a COO/CMO position needs to be considered carefully with regard to existing positions and responsibilities so that it does not result in unnecessary "layering" in

²⁰ GAO, *Highlights of a GAO Forum on High-Performing Organizations: Metrics, Means, and Mechanisms for Achieving High Performance in the 21st Century Public Management Environment*, GAO-04-343SP (Washington, D.C.: Feb. 13, 2004).

²¹ 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).

²² For example, see GAO-05-139, GAO-04-876R, and GAO-03-102.

²³ GAO, *Chief Operating Officer Concept at DHS*, GAO-04-876R (Washington, D.C.: June 28, 2004).

²⁴ GAO, *Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies*, GAO-03-293SP (Washington, D.C.: Nov. 14, 2002).

²⁵ GAO-05-139.

²⁶ GAO-05-139.

a department or agency.²⁷ Under this concept, the COO/CMO provides a single organizational focus for key management functions and change efforts. If the current Under Secretary for Management position at DHS were elevated to a Deputy Secretary for Management position, the incumbent would continue to be responsible for coordinating and integrating key management functions, such as human capital, financial management, information, technology, and acquisition management, as well as selected transformation initiatives within the department. The existing DHS Deputy Secretary position would then have responsibility and authority for all mission-related components of the department and the programmatic policies and operations of those components.

Given the competing demands on deputy secretaries in executive branch departments across the government to help execute the President's policy and program agendas, it is not practical to expect that they will be able to consistently undertake this vital integrating responsibility. Moreover, while many deputy secretaries may be nominated based in part on their managerial experience, it has not always been the case, and not surprisingly, the management skills, expertise, and interests of the deputy secretaries have always varied and will continue to vary. As a result of short-term priorities and other demands on the time of agency heads and their deputies, they generally do not have the ability to focus enough dedicated attention to management issues. Furthermore, top officials in the public sector are typically political appointees who do not stay in their positions long enough to effectively address key transformation initiatives.

D. In our prior work, we have concluded that sustained leadership drives high-performing organizations to achieve results.²⁸ A long-term executive, such as a COO/CMO, could provide the continued focused attention essential to completing organizational transformation regardless of continual changes of the leadership in federal agencies. High turnover among politically appointed leaders can make it difficult to follow through with organizational transformation because the 5 to 7 years often needed to complete a transformation can easily outlast the tenures of top political appointees.²⁹ Given the continual turnover in the leadership of federal agencies, it is particularly important for appointees and senior career civil servants to develop good working relationships from the beginning. People are the primary resource of high-performing organizations and they need to be fully engaged for the organization to achieve its mission and strategic goals and to transform successfully.

QUESTIONS FOR THE RECORD FROM THE HONORABLE MARSHA BLACKBURN

Question 32.: What is CIS's current backlog?

- Does CIS count as a part of their backlog any applications pending for security background checks or any that are waiting for action from another agency?
- If these were counted, what would be your estimate of CIS's backlog?
- In your opinion, does CIS have sufficient resources to process more immigration applications if a temporary guest worker program was implemented?
- What types of risks would this type of program generate?

Response: As we noted in our response to question 27, as of January 2007, USCIS had about 3.4 million applications pending adjudication. However, USCIS considers only a portion of its pending applications when computing its backlog and does exclude applications for which an immigration benefit cannot be granted for reasons outside of its control, such as applications where a visa is not yet available or where USCIS is waiting for results of FBI name checks or additional information from the applicant. Using USCIS' method for calculating its backlog, DHS reported that as of September 2006 USCIS' backlog had been eliminated. As we noted in our response to question 29, in all likelihood, DHS would need additional resources to implement a temporary guest worker program.

While it is difficult to predict what types of risks this type of program could generate, results from some of our recent work may shed some light on potential risks and challenges. In September 2006 we reported on selected other countries' experience with foreign workers. Experts and government officials noted that it was difficult to successfully ensure foreign workers' on temporary work permits return to their home countries, and as a result, countries we studied estimated that a signifi-

²⁷ GAO-04-876R.

²⁸ GAO-04-343SP.

²⁹ GAO, *Results Oriented Cultures: Creating a Clear Linkage Between Individual Performance and Organizational Success*, GAO-03-488 (Washington, D.C.: Mar. 14, 2003).

cant number of immigrants overstayed their work permits, thus lapsing into illegal status. In addition, experts suggested that temporary foreign worker programs or other initiatives that increase the number of foreign workers legally admitted do not help reduce illegal immigration flows but rather help increase immigrant populations in receiving countries, which may encourage further legal and illegal immigration flows. There is a risk that individuals may fraudulently obtain a benefit under a temporary worker program. In March 2006, we reported that immigration benefit fraud was an ongoing and serious problem, accomplished by applicants submitting fraudulent documents and sometimes facilitated by white collar and other criminals. USCIS has not yet implemented some aspects of internal control standards that could further enhance its ability to detect fraud, such as providing adjudicators with the tools needed to better detect fraud and performance goals to measure its benefit fraud activities. In addition, although best practices advise that a credible sanctions program is an integral part of fraud control, DHS did not have a strategy for sanctioning those that commit fraud, limiting its ability to project a convincing message that those who commit fraud face a credible threat of punishment. Lastly, as was the case in 1986 when application processing resources were diverted to implement the Immigration Reform and Control Act's legalization program, there is a risk that application backlogs for other immigration benefits could build because USCIS may have to divert resources to implement any new temporary worker program.

Question 33: Mr. Walker, DHS has implemented many requirements of GPRA. What other requirements do they still need to meet?

Response: The Government Performance and Results Act (GPRA) requires that agency strategic plans be updated at least every 3 years. DHS has not yet updated its first strategic plan, which was released in February 2004. In 2005, we reported that DHS's strategic plan does not meet the GPRA-required element to describe the relationship between annual and long-term goals, but does address the other five GPRA-required elements—a mission statement, long-term goals, strategies to achieve the goals, external key factors, and program evaluations.³⁰ The linkage between annual and long-term goals is crucial for determining whether an agency has a clear sense of how it will assess progress toward achieving the intended results of its long-term goals. DHS officials said that because of the limited time available to create the strategic plan, they decided not to include a discussion of annual performance goals in order to achieve broad consensus among agency components on DHS's mission and long-term strategic goals and objectives. We recommended that DHS's next strategic plan include such a description. In addition, we recommended that DHS's next strategic plan further develop the GPRA-required elements addressed in its first strategic plan by adopting additional good strategic planning practices, including a timeline for achieving long-term goals; a description of the specific budgetary, human capital, and other resources need to achieve those goals; a schedule of program evaluations planned; and a discussion of strategies to ameliorate the effect of any key external factors. DHS agreed with these recommendations. DHS has also developed annual performance plans and performance reports as required by GPRA, but we have not evaluated whether these documents meet GPRA requirements.

Question 34: What does DHS need to do to be in full compliance with FFMIA?

Response: DHS needs to address its material weaknesses in internal control and other reportable conditions reported by its independent auditor that contributed to the department's non-compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA). For example, DHS should conduct an assessment of its current financial reporting process, with the goal of reducing complexity, implementing appropriate internal controls, improving financial systems integration and automating manual processes. FFMIA requires that agencies covered by the Chief Financial Officers Act of 1990 implement and maintain financial management systems that comply substantially with (1) federal financial management system requirements, (2) applicable federal accounting standards, and (3) the U.S. Government Standard General Ledger at the transaction level. FFMIA emphasizes the need for agencies to have systems that can generate timely, reliable, and useful information with which to make informed decisions to ensure ongoing accountability. According to its independent auditor, DHS and each significant component of the department did not fully comply with at least one of the requirements of FFMIA in fiscal year 2006. Until DHS addresses the related material weaknesses in inter-

³⁰ GAO, *Results Oriented Government: Improvements to DHS's Planning Process Would Enhance Usefulness and Accountability*, GAO-05-300 (Washington, D.C.: Mar. 31, 2005).

nal control and other reportable conditions, the department will not be compliant with FFMIA.

Question 35.: Does DHS have an adequate plan that streamlines coordination between FEMA and state and local governments?

Response: While the National Response Plan discusses the roles and responsibilities of Federal, state, and local organizations in support of domestic incident management, we have not evaluated the extent to which the National Response Plan or other plans streamline coordination between FEMA and state and local governments. We are currently conducting a review of how states collaborate with each other—as well as with key federal players such as FEMA—to efficiently deploy state, local, and other resources across state lines in response to disasters through the Emergency Management Assistance Compact. This work is being conducted at the request of the Senate Committee on Homeland Security and Governmental Affairs and we expect to issue our report later this year, at which time we would be happy to share our findings with this Committee.

Question 36.: How many procurement staff are needed to oversee major acquisition projects?

Response: The number of procurement staff needed to oversee major acquisition projects generally varies based on the complexity and size for individual projects. Procurement and program management staff are involved in oversight activities. DHS' workforce plan for fiscal years 2005—2008 includes a description of initiatives to certify and train acquisition workforce professionals including contracting officers, contracting officers' technical representatives, and program managers. In September 2006, DHS reported on plans for increased staffing of the eight component contracting offices and plans to initiate a program manager needs assessment in the near future.

Question 37.: Who is the primary overseer of Coast Guard acquisitions and Deepwater vessel designs?

Response: The Coast Guard is responsible for establishing, updating and managing system operational requirements; responding to mission demand and environment changes; and operating the system for the Deepwater program. As the systems integrator, Integrated Coast Guard Systems (ICGS) is responsible for designing and constructing the system, developing associated concepts of operations and logistics support plans, and delivering an Integrated Deepwater System that meets system performance requirements. The Coast Guard and ICGS both have responsibilities in managing the Deepwater acquisition. Central to the management structure of the Deepwater program are Integrated Product Teams (IPTs). IPTs are comprised of Coast Guard and ICGS members, including subcontractors, who work collaboratively to accomplish a specific objective within the acquisition program. The IPTs are ICGS-led.³¹ IPTs serve as the Coast Guard's primary tool for managing the program and overseeing the system integrator. We have reported that IPTs have struggled to accomplish their mission.

More broadly, the proper role of contractors in providing services to the government is currently the topic of some debate. I believe there is a need to focus greater attention on what type of functions and activities should be contracted out and which ones should not. There is also a need to review the current independence and conflict of interest rules relating to contractors. Finally, there is a need to identify the factors that prompt the government to use contractors in circumstances where the proper choice might be the use of civil servants or military personnel. Possible factors could include inadequate force structure, outdated or inadequate hiring policies, classification and compensation approaches, and inadequate numbers of full-time equivalent slots.

Question 38.: Besides the lack of procurement staff to conduct oversight, what other factors have caused problems in these areas?

Response: Since it was established in March 2003, DHS has been faced with assembling 22 separate federal agencies and organizations with multiple missions, values, and cultures into one cabinet-level department. This mammoth task—one of the biggest mergers ever to take place within the federal government—involves a variety of transformational efforts, one of which is to design and implement the necessary management structure and processes for acquiring goods and services. To a great extent, the various acquisition organizations within the department are still operating in a disparate manner, with oversight of acquisition activities left primarily up to each individual organization. DHS' progress in creating a unified acqui-

³¹Joint IPTs are ICGS-led with the exception of the Program Management Team, which is co-chaired, and the Test and Evaluation IPT which is Coast Guard led.

sition organization has been slowed by policy decisions that create ambiguity. An October 2004 management directive emphasizes the need for a unified, integrated acquisition organization but relies on a system of dual accountability between the Chief Procurement Officer and the heads of the department's organizations to make this happen. The Chief Procurement Officer has been delegated the responsibility to manage, administer, and oversee all acquisition activity across DHS, but in practice enforcement of these activities is spread throughout the department with unclear accountability. Further, the directive states that the U.S. Coast Guard and U.S. Secret Service are statutorily exempt from its application. Although the Homeland Security Act provides that both the Coast Guard and the Secret Service shall be maintained as distinct entities within the department, we found no reasonable basis to conclude that the directive could not be made applicable to them. Rather, it appears to be a policy decision that is likely to hamper efforts to effectively integrate the acquisition function in DHS.

Question 39.: What would be your recommendations on systems that DHS should implement to prevent waste, fraud, and abuse?

Response: GAO has made numerous specific recommendations to FEMA and DHS aimed at improving systems, processes, and internal controls over the IHP and purchase card programs. In addition, GAO testified on July 12, 2006 on the elements of a basic framework for fraud prevention, detection, and prosecution related to individual disaster assistance programs, and testified again on January 29, 2007 on fraud prevention as part of the hurricane recovery effort. If DHS and FEMA were to implement our specific recommendations and develop a comprehensive fraud prevention framework as outlined in our testimonies, DHS and FEMA should be in a position to effectively minimize the risk for fraud, waste, and abuse within the purchase card and individual assistance programs.

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