

December 2002

# HOMELAND SECURITY

## Management Challenges Facing Federal Leadership





Highlights of [GAO-03-260](#), a report to the Chairman, Committee on Governmental Affairs, U.S. Senate

## Why GAO Did This Study

To understand the federal government's response since the September 11 terrorist attacks, GAO was asked to review governmentwide changes and challenges prevalent in the missions and activities of agencies involved in homeland security, including the coordination and collaboration required to meet overall goals and needs, and government's efforts in planning and implementing strategic, transitional, and human capital activities designed to reorganize and strengthen homeland security.

## What GAO Recommends

GAO recommends that

- OHS, with OMB and DHS, guide development of performance measures and time frames, and clarify the roles of all parties to establish accountability;
- OMB develop an effective transition plan for DHS, including practices identified in GAO's Mergers and Transformation Forum and other key success factors;
- OMB, with DHS, ensure the implementation of broad based management practices and principles that will improve the sustainability of DHS; and
- OPM, with OMB, develop and oversee the implementation of a long-term human capital strategy for homeland security activities.

OHS had no comments. OMB staff provided technical comments. OPM agreed with our recommendations.

[www.gao.gov/cgi-bin/getrpt?GAO-03-260](http://www.gao.gov/cgi-bin/getrpt?GAO-03-260)

To view the full report, including the scope and methodology, click on the link above. For more information, contact Patricia A. Dalton (202) 512-6806 or [daltonp@gao.gov](mailto:daltonp@gao.gov).

# HOMELAND SECURITY

## Management Challenges Facing Federal Leadership

### What GAO Found

Since the terrorist attacks of September 11, 2001, the federal government has invigorated the homeland security missions of many departments and agencies, nearly doubled the amount of federal funds devoted to homeland security, enacted new legislation to create a new department and strengthen transportation security and law enforcement activities, leveraged relationships with state and local governments and the private sector, and begun to establish a framework for planning the national strategy and the transition required for implementing the new Department of Homeland Security and other homeland security goals. Overall, the federal government's response on homeland security issues is still evolving.

- **A new homeland security emphasis is under way, but remains incomplete.** Agencies reported a new emphasis on homeland security activities, such as accelerated implementation of existing homeland security activities or increased coordination with other government agencies or the private sector. Agencies will be challenged in meeting dual or unrelated missions while maintaining and strengthening homeland security operations. Government organizational changes are also contributing to the new emphasis, including creation of the Office of Homeland Security, the Transportation Security Administration, and the integration of many homeland security functions into the new Department of Homeland Security. Although officials say that coordination efforts at all levels have increased, concerns remain particularly with state and local government and collaboration with the private sector needs greater emphasis.
- **The federal government's efforts to improve homeland security will require a results-oriented approach to ensure mission accountability and sustainability over time.** Efforts to strengthen homeland security will require a strategy to accomplish agencies' missions, to create an effective transition for DHS, and to leverage management practices and key success factors in order to merge and transform the new department. In recognizing the value of a national strategy, OHS, DHS, and others should not expect that all of the homeland security objectives can be achieved simultaneously. As a result, it will be important for these agencies to focus initially on the most critical issues and greatest risks, and to guide the strategy's implementation in phases. Strategic planning efforts and comprehensive risk analysis activities have been started, but remain incomplete. Agencies with homeland security missions and the new department need an integrated human capital strategy, and the development of a performance management system and utilization of personnel flexibilities can improve organizations' effectiveness. DHS transition planning has started, but will require sustained efforts, including attention to management practices and key success factors.

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**Abbreviations**

ABA	American Bankers Association
ACC	American Chemistry Council
APHIS	Animal and Plant Inspection Service
BOR	Bureau of Reclamation
BSPC	Border Station Partnership Council
CBO	Congressional Budget Office
CDC	Centers for Disease Control and Prevention
CIA	Central Intelligence Agency
C-TPAT	Customs-Trade Partnership against Terrorism
DHS	Department of Homeland Security
DOE	Department of Energy
DOI	Department of the Interior
DOJ	Department of Justice
DOT	Department of Transportation
EPA	Environmental Protection Agency
FAA	Federal Aviation Administration
FBI	Federal Bureau of Investigation
FDA	Food and Drug Administration
FEMA	Federal Emergency Management Agency
FERC	Federal Energy Regulatory Commission
GSA	General Services Administration
HHS	Department of Health and Human Services
HRSA	Health Resources and Services Administration
HSC	Homeland Security Council
IMRA	International Mass Retail Association
INS	Immigration and Naturalization Service
ISAC	information sharing and analysis center
ISC	Interagency Security Committee
JTTF	Joint Terrorism Task Forces
NACCHO	National Association of County and City Health Officials
NACo	National Association of Counties
NAM	National Association of Manufacturers
NGA	National Governors Association
NIPC	National Infrastructure Protection Center
NLC	National League of Cities
NORTHCOM	U.S. Northern Command
NRC	Nuclear Regulatory Commission
OASPHEP	Office of the Assistant Secretary for Public Health Emergency Preparedness
OHS	Office of Homeland Security

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OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCC	Policy Coordination Committee
TSA	Transportation Security Administration
USDA	Department of Agriculture

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United States General Accounting Office  
Washington, D.C. 20548

December 20, 2002

The Honorable Joseph I. Lieberman  
Chairman  
Committee on Governmental Affairs  
United States Senate

Dear Mr. Chairman:

While significant progress has occurred over the past year in addressing the demands of its homeland security mission, the federal government still faces numerous challenges, including the implementation of the newly created Department of Homeland Security (DHS), the implementation of the *National Strategy for Homeland Security*, and the coordination of roles and responsibilities of many entities in the public and private sectors. The Congress, state and local governments, the private sector, and the American people all have a shared responsibility for ensuring our homeland security, but the leadership of the federal government in achieving this goal is critical. The federal government will need to effectively respond to significant management and coordination challenges if it is to provide this leadership and be successful in preventing and responding to any future acts of terrorism.

To better understand the federal government's response since the September 11 terrorist attacks, the Chairman of the Senate Committee on Governmental Affairs requested that we conduct a governmentwide review of changes to the missions and activities of agencies involved in homeland security. Our objectives included (1) describing changes and challenges prevalent in the missions and activities of the various agencies involved in homeland security, as well as the nature of coordination and collaboration required to meet overall goals and needs, and (2) describing governmentwide efforts in planning and implementing strategic, transition, human capital, and other management activities designed to reorganize, strengthen, and support homeland security.

In describing homeland security efforts, we used the definition employed by the administration in its *National Strategy for Homeland Security*, issued in July 2002. We also focused on those agencies and entities listed in the *Annual Report to Congress on Combating Terrorism* of the Office of Management and Budget (OMB), as well as other agencies that a review of government budget documents and supporting literature indicated had significant involvement in homeland security activities.

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Our work is based on the review of documents and interviews conducted at more than two dozen federal departments and agencies, including central management agencies such as OMB, the General Services Administration (GSA) and the Office of Personnel Management (OPM). Additionally, due to the dynamic and evolving nature of the government's homeland security activities, some of our work described in this report has already appeared in congressional testimony in order to assist the Congress with its consideration of DHS legislation and other homeland security issues. Although we continue to examine a variety of specific homeland security activities and implications for the Congress, this report is also consistent with, and summarizes, work we have recently done in the general management areas of government transformation, strategic planning, and human capital planning.

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## Results in Brief

Since the terrorist attacks of September 11, 2001, the federal government has invigorated the homeland security activities of many departments and agencies, more than doubled the amount of federal funds devoted to homeland security, enacted new legislation to integrate some homeland security agencies and strengthen transportation security and law enforcement activities, leveraged existing and new relationships with state and local governments and the private sector, and begun to establish a framework for planning the multiplicity of activities existing within the nation's homeland security goals.

While a new homeland security emphasis is under way throughout the federal government, the response is still evolving. Additional actions to clarify missions and activities will be necessary, and some agencies will need to determine how best to support both homeland security and non-homeland security missions. For instance, of the more than two dozen federal agencies we contacted, many reported a new emphasis on homeland security activities; however, the type of response differed depending on the individual agencies' roles and responsibilities. Some departments and agencies, such as the Department of Agriculture (USDA) and the U.S. Customs Service, have accelerated their implementation of existing homeland security activities or increased efforts to coordinate activities with other government agencies or the private sector. Legislation such as the USA Patriot Act, enacted to strengthen law enforcement activities related to homeland security, has provided agencies with new tools to help fight terrorism. At the same time, the Centers for Disease Control and Prevention (CDC) and the U.S. Coast Guard are significantly increasing the priority of and resources allocated to homeland security

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missions while balancing the demands of their traditional missions, such as maritime safety. A number of agencies will be challenged in meeting dual or unrelated missions while maintaining and strengthening their homeland security operations. The legislation authorizing DHS requires that DHS ensure that agency functions not directly related to homeland security are not diminished or neglected.

Federal coordination and collaboration efforts in homeland security also have been invigorated, as information-sharing activities between and among federal agencies have increased. In the aftermath of September 11, the President established the Office of Homeland Security (OHS) and the Homeland Security Council (HSC) as the mechanisms for coordinating agencies' homeland security activities and developing a national homeland security strategy. These efforts can be built upon further to increase coordination and collaboration. Furthermore, the newly created DHS will have the responsibility for consolidating many homeland security activities and coordinating the efforts of federal, state, and local governments and the private sector. The legislation also authorizes HSC and establishes an Office of International Affairs.

Although collaboration with state and local governments is increasing, more needs to be done in order to enhance its effectiveness. Collaboration with the private sector also needs greater emphasis. Prior to September 11, the public and private sectors collaborated on homeland security activities but the catastrophic events heightened the recognition that more concrete and long-term approaches to improving homeland security were necessary. Our work indicated that the federal government, state and local governments, and certain parts of the private sector are engaging in important projects to improve homeland security, but that a greater emphasis on coordination and collaboration is necessary among some sectors in order to meet long-term goals. DHS's Office of State and Local Coordination will manage this coordination, along with a liaison official for the private sector.

Moreover, the federal government's effort to improve homeland security will require a results-oriented approach to ensure mission accountability and sustainability over time. The various planning activities now under way, including the national strategy, DHS transition planning, agencies' strategic planning efforts, and human capital planning, have started, but their implementation has just begun and will necessitate sustained management and oversight to ensure success. The legislation authorizing DHS includes provisions addressing human capital planning,

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comprehensive transition planning, and the development of multiyear budget plans for DHS.

A key component in integrating homeland security missions and activities is the President's *National Strategy for Homeland Security*, which articulates the activities that must be accomplished or coordinated to improve the nation's actions to prevent terrorism. The national strategy provides a definition of homeland security and outlines a framework for agencies' activities by setting forth overarching goals, but much of the implementation and mechanisms for achieving these goals have not been developed, such as establishing meaningful performance measures and clear roles and responsibilities. In some instances, the DHS legislation specifically calls for performance goals and measures. Our prior work has indicated that consolidating and transforming activities into a more results-oriented organization will require adherence to certain management practices and key success factors. A recent mergers and transformation forum we held indicated that transforming organizational cultures required such practices as ensuring that top leadership drives change, establishing a coherent mission and integrated strategic goals, and focusing on a key set of principles and priorities. Furthermore, we have indicated in recent testimony to the Congress that certain key factors, such as strategic planning, risk management, human capital management, financial management, and information technology management are necessary to achieve the government's homeland security objectives. A comprehensive planning and management focus will also be critical to efforts to transition transportation, border security and other specific agencies into a new department. The government's efforts in these areas, while under way, are neither complete nor comprehensive; additional work will be necessary to ensure that these activities fully contribute to homeland security goals. Transitioning agencies into a new department will be challenging, with the implementation of a fully integrated department expected to take 5 to 10 years. The President has taken an important first step by establishing a transition office within OMB to design and coordinate this transition so that agencies are incorporated into DHS as smoothly as possible while maintaining their readiness to protect the nation.

As the federal government clearly faces a number of leadership and management challenges in achieving its homeland security mission, we recommend the following:

- Given the scope of homeland security objectives across the public and private sector, it is important for OHS, in conjunction with OMB and

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DHS, to set priorities, to help guide and support the development of performance measures and time frames, and to assess and oversee progress in implementing the national homeland security strategy. Through the national strategy, OHS should also lead efforts to ensure clarity in the roles and responsibilities of all parties – OHS, OMB, DHS, and others – to leverage collaboration among them, and to establish effective accountability to meet national goals. Moreover, these entities will need to balance and reconcile program objectives and priorities, and make realistic resource allocations, within and among homeland security and non-homeland security missions across government.

- OMB in developing an effective transition plan for DHS, should ensure that the plan incorporates the practices identified in our mergers and transformation forum discussed in this report, as well as the key factors for successful organizations listed in appendix II in helping lay the foundation for a cohesive, world-class organization capable of protecting the nation from terrorism.
- Over the coming years, OMB, in conjunction with DHS, should help ensure the implementation of broad-based management practices and principles that will improve the sustainability of DHS and other homeland security activities, consistent with statutory and regulatory requirements as well as the *President's Management Agenda*. They should, in part, direct the establishment of appropriate plans and management systems to ensure the needed management capacity, people, partnerships, and accountability to achieve national homeland security goals. This includes an effective strategic planning system that articulates meaningful performance goals, objectives, and measures; an effective human capital strategy; and a process for reporting and oversight. Strong financial and information technology systems and internal controls will also be critical to the success of DHS and other organizations with homeland security missions.
- OPM, in conjunction with OMB and the agencies, should develop and oversee the implementation of a long-term human capital strategy that can support the capacity building across government required to meet the objectives of the nation's efforts to strengthen homeland security. With respect to DHS, in particular, this strategy should
  - establish an effective performance management system, which incorporates the practices that reinforce a “line of sight” that shows

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how unit and individual performance can contribute to overall organization goals;

- provide for the appropriate utilization of the human capital flexibilities granted to DHS to effectively manage its workforce; and
- foster an environment that promotes employee involvement and empowerment, as well as constructive and cooperative labor-management employee relations.

OMB, OHS, and OPM were provided a draft of this report for their review. OPM concurred with the recommendations relevant to them and noted that they were actively involved in accomplishing them. OPM also provided technical comments that we have incorporated as appropriate. OMB and OHS did not provide official comments. However, OMB staff members did provide technical comments to our draft, which we incorporated as appropriated.

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## Objectives, Scope, and Methodology

To better understand the federal government's response since the September 11 terrorist attacks, the Chairman of the Senate Committee on Governmental Affairs requested that we conduct a governmentwide review of changes to the missions and activities of agencies involved in homeland security. As part of our review, we used the definition of homeland security in the President's February 2002 document, *Securing the Homeland, Strengthening the Nation*. It said homeland security encompasses those activities that are focused on combating terrorism and occur within the United States and its territories. Such activities include efforts to detect, deter, protect against, and, if needed, respond to terrorist attacks. As our work progressed, we used the homeland security definition within the *National Strategy for Homeland Security*—a concerted national effort to prevent terrorist attacks within the United States, reduce America's vulnerability to terrorism, and minimize the damage and recover from attacks that do occur. Our objectives included (1) describing changes and challenges prevalent in the missions and activities of agencies involved in homeland security, as well as the nature of coordination and collaboration required to meet overall goals and needs, and (2) describing government efforts in planning and implementing strategic, transition, and human capital management activities designed to reorganize, strengthen, and support homeland security.

To identify federal agency mission and organizational changes, and the development and implementation of results management approaches, we obtained available documents and interviewed officials from over two dozen federal departments, agencies, and offices. Table 1 details the specific departments, agencies, and offices we reviewed.

**Table 1: Federal Departments, Agencies, and Offices Included in Our Review**

<b>Department or independent agency</b>	<b>Agencies or offices</b>
Department of Agriculture	Agricultural Research Service
	Animal and Plant Health Inspection Service
	Food Safety Inspection Service
	Office of the Secretary
Department of Commerce	Bureau of Industry and Security
	National Institute of Standards and Technology
Department of Defense	Defense Advanced Research Projects Agency
	National Guard
	Office of the Secretary
Department of Energy	Federal Energy Regulatory Commission
	National Nuclear Security Administration
	Office of Security
Department of Health and Human Services	Centers for Disease Control and Prevention
	Food and Drug Administration
	Health Resources and Services Administration
	National Institutes of Health
	Office of Emergency Preparedness
Department of the Interior	Bureau of Reclamation
	National Park Service
Department of Justice	Federal Bureau of Investigation
	Immigration and Naturalization Service
	U.S. Marshals Service
Department of Transportation	U.S. Coast Guard
	Transportation Security Administration

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Department or independent agency	Agencies or offices
Department of the Treasury	U.S. Customs Service
	Financial Crimes and Enforcement Network
	U.S. Secret Service
Federal Emergency Management Agency	
General Services Administration	
Environmental Protection Agency	
U.S. Nuclear Regulatory Commission	
Office of Personnel Management	
Office of Management and Budget	
Office of Homeland Security	

Source: GAO.

We selected these departments and agencies according to the following criteria: (1) homeland security importance based on past combating terrorism activities and funding as shown in OMB's *Annual Report to Congress on Combating Terrorism*, (2) homeland security priorities discussed in the President's Fiscal Year 2003 budget, and (3) related GAO work. In addition, we examined publicly available documents from state and local government and private sector organizations, and we interviewed officials of the National League of Cities and the National Association of Counties to obtain information regarding the coordination of federal homeland security efforts with states and localities. We also reviewed external reports, studies, and literature on homeland security.

To identify homeland security activities on budgeting and funding priorities, we interviewed officials from OMB and other respective department and agency officials. We analyzed the budget documents and budget development process for the 2002 emergency supplemental funding legislation and the President's proposed fiscal year 2003 budget.

Although OHS met with us for initial discussions about the scope of our engagement, it did not respond to our numerous requests for subsequent meetings. As a result, our report's description of OHS' role in homeland security management is incomplete. In addition, we did not verify the accuracy or reliability of the documentation or data provided to us by the agencies and departments or other organizations, nor did we evaluate the effectiveness of the activities described.

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We conducted our review at agency and department headquarters in Washington, D.C., and CDC's headquarters in Atlanta, Georgia, from February 2002 through November 2002 in accordance with generally accepted government auditing standards.

On November 26, 2002, we requested comments on a draft of this report from the Directors of OMB, OHS, and OPM. OHS stated that they had no comments. OMB did not provide official comments, but OMB staff members did provide technical comments. The Director of OPM provided written comments on December 19, 2002, which have been summarized at the end of this report and reproduced in appendix III. On December 7, 2002, we provided excerpts of our draft report to those agencies that were mentioned within the report. We received technical comments from USDA, DOJ, DOT, Treasury, FEMA, FERC, and NRC, and we have incorporated them as appropriate.

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## Background

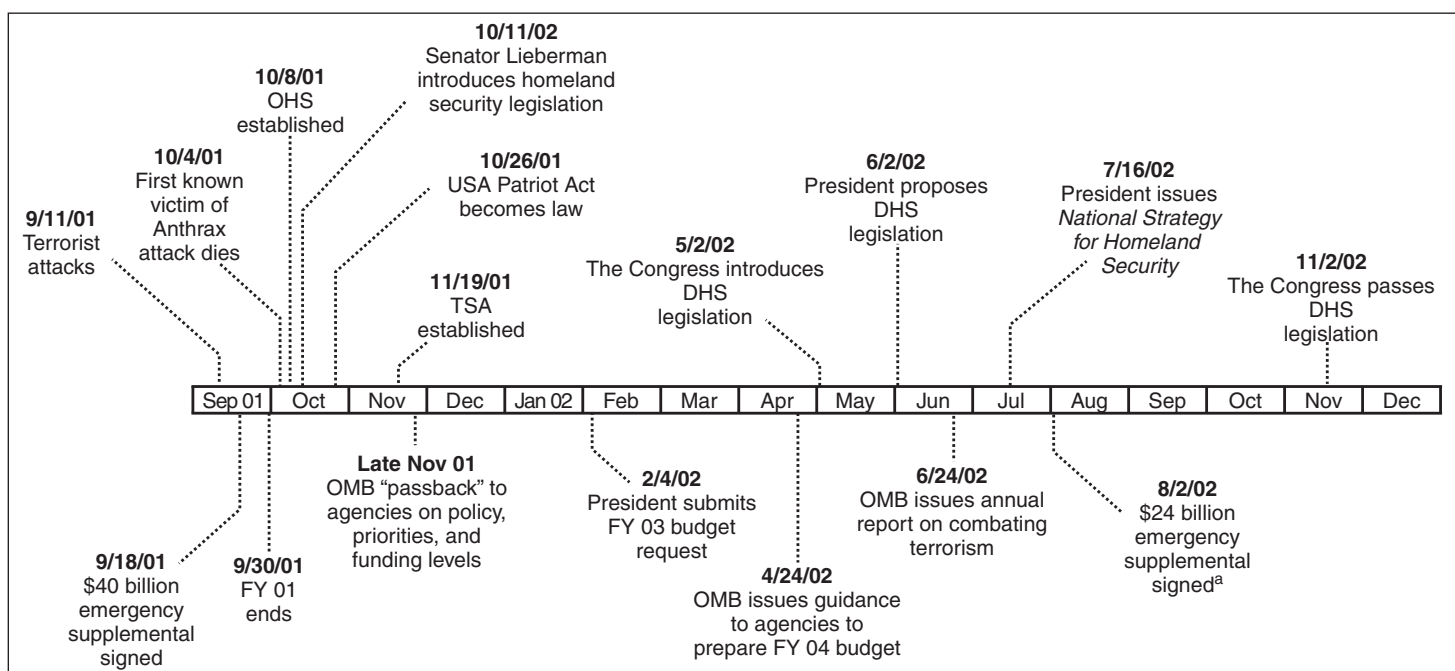
Since the terrorist attacks of September 11, the President and the Congress have responded with important and aggressive actions to protect the nation. Funding for homeland security increased dramatically immediately following the terrorist attacks, beginning with the \$40 billion emergency supplemental appropriations act (Public Law 107-38), passed by the Congress on September 18, 2001, \$10.7 billion of which was appropriated for homeland security initiatives.<sup>1</sup> On October 11, 2001, Senator Joseph I. Lieberman introduced a bill in Congress to establish a Department of National Homeland Security. The President issued Executive Order 13228 establishing OHS with the broad responsibility for coordinating efforts to secure the United States from terrorist attacks. The President also signed into law the USA Patriot Act on October 26, 2001 (Public Law 107-56), which enhanced law enforcement agencies' ability to investigate financial counterfeiting, smuggling, and money laundering and to share vital information to combat terrorism. In November 2001, the Congress enacted legislation to address transportation-related homeland security needs, the Aviation and Transportation Security Act (Public Law 107-71), which created the Transportation Security Administration (TSA) within the Department of Transportation (DOT) to ensure security in the nation's

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<sup>1</sup> The remainder of the emergency supplemental funded military actions overseas and one-time costs for rebuilding and recovery at the attack sites. Neither of these activities—direct military action and immediate response and recovery—are included in the definition of homeland security.

transportation system, including the security of passengers and baggage in commercial aviation. Figure 1 presents a timeline of significant events since September 11.

**Figure 1: Key Events Occurring after the September 11 Terrorist Attacks**



Source: GAO analysis.

<sup>a</sup>As enacted, the emergency supplemental (P.L. 107-206) included \$5.1 billion in contingent emergency spending. The President had 30 days after enactment to decide whether to submit a budget amendment to the Congress that designated either all or none of that \$5.1 billion of contingent spending as emergency funding. On August 13, the President announced that he would not utilize the \$5.1 billion contingent emergency spending. Hence, the total amount of available funds is approximately \$24 billion.

Due to the timing of the attacks, the President's fiscal year 2003 budget proposal was the administration's first opportunity to define in policy and funding terms the scope and nature of homeland security activities. For purposes of developing the fiscal year 2003 budget, OMB, together with OHS, defined homeland security, as "those activities that are focused on combating and protecting against terrorism and occurring within the U.S. and its territories." According to OMB officials, OHS was involved in providing guidance and setting priorities in the development of the fiscal year 2003 budget proposal.

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In the end, total federal homeland security funding was approximately \$37.7 billion in the President's fiscal year 2003 budget request, later revised to \$37.8 to include some programs that initially were not included in the definition (mainly some spending for the Department of Veterans Affairs). Appendix I list homeland security funding by department and agency.

In the spring of 2002, OMB issued planning guidance to executive agencies for the fiscal year 2004 budget request. Departments and agencies were directed to develop budget requests that constrained growth in all areas except those designated by the administration as high priority, including homeland security.

On May 2, 2002, Senator Lieberman and Representative William M. "Mac" Thornberry both introduced legislation, and in June 2002 the President transmitted draft legislation to the Congress, to establish DHS. During the summer of 2002, the legislative branch began debating proposals for the new department. As part of the Congress' consideration of the legislation, we provided testimony to several committees about the proposal for a new department.<sup>2</sup> We outlined a number of factors that would be critical to the new DHS, organizational issues for homeland security, and the sustainability of the government's efforts over the long term. Some of these issues are discussed later in this report. In November 2002, the Congress passed and the President signed legislation to create DHS.

Several weeks after the President's legislative proposal was sent to the Congress, OHS issued the administration's *National Strategy for Homeland Security*, which defined homeland security and outlined three strategic homeland security objectives. On August 2, 2002, President Bush signed a \$29 billion emergency supplemental appropriations act (Public Law 107-296), \$5.1 billion of which was contingency funding that was never made available. Of the remaining \$24 billion in available funds, according to our analysis, approximately \$4.6 billion, or 19 percent, was appropriated for homeland security activities.

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<sup>2</sup>U.S. General Accounting Office, *Homeland Security: Critical Design and Implementation Issues*, GAO-01-957T (Washington, D.C.: July 17, 2002).

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## New Homeland Security Emphasis Underway, but Incomplete

Many federal agencies have made commitments of planning, funding, and resources to meet homeland security missions since September 11. Although many agencies we reviewed reported a new emphasis on homeland security activities, the responses differed depending on the individual roles and responsibilities of specific agencies. Some entities, such as the Department of Health and Human Service's (HHS) CDC, the Department of the Treasury, and TSA, provided greater vigilance to existing homeland security missions, such as improving the response to bioterrorism or blocking terrorist financing. Other agencies needed to expand their homeland security missions, at times confronting challenges to balancing their expanded homeland missions with important non-homeland security missions, such as the Coast Guard's maritime safety and fisheries enforcement activities. Still other organizations, including the National Guard, were asked to take on new duties. Many agencies have also revitalized policy groups or other coordinating mechanisms that, after the events of September 11, have become even more critical.

Moreover, earlier this year the President approved the latest Department of Defense Unified Command Plan (Plan). Defense has said the Plan will realign and streamline the U.S. military structure to better address 21st century threats. It is characterized as the most significant reform of the nation's military command structure since the first command plan was issued shortly after World War II. The Plan, among other things, established the U.S. Northern Command (NORTHCOM). The new NORTHCOM commander will be responsible for land, aerospace, and sea defenses of the United States. Its geographic area will include the continental United States, Alaska, Canada, Mexico, portions of the Caribbean, and the contiguous waters in the Atlantic and Pacific oceans.

NORTHCOM will assume the homeland defense duties now held by the Joint Forces Command, such as responsibility to civil authorities for chemical, biological, radiological, nuclear, and major conventional explosives events. NORTHCOM will also help Defense deal with natural disasters, attacks on U.S. soil, or other civil difficulties. It is also intended to provide a more coordinated military support to civil authorities such as the Federal Bureau of Investigation (FBI), the Federal Emergency Management Agency (FEMA), and state and local governments.

Meanwhile, the government has engaged in significant reorganization of its policy and other operations activities in order to prevent or improve protection of the United States against terrorism. As mentioned, the

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President ordered the creation of OHS to coordinate governmentwide homeland security activities and to ensure collaborative partnerships and effective information sharing between all levels of government and the private sector. A number of new laws were passed designed to enhance security and improve law enforcement activities related to terrorism. A new cabinet department, DHS, was created to consolidate some homeland security functions and to help strengthen coordination among the many other homeland security functions that are not included in DHS.

Federal departments and agencies have recognized that the successful achievement of homeland security goals will require more formal and intensive coordination. As a result, some agencies created new high-level policy offices to centralize communication and decision making while others established new interagency councils or task forces to address needs, gaps, and overlap. A few agencies consolidated existing dispersed homeland security offices and others determined that existing arrangements were appropriate and required little or no changes. Federal agencies have also taken some steps to provide assistance to state and local governments, especially in such areas as emergency management. Nevertheless, state and local government organizations indicate that even as interaction between and among levels of government has increased, more needs to be done in order to enhance its effectiveness. Furthermore, although federal agencies and certain parts of the private sector are engaging in important projects to improve homeland security, a greater emphasis on coordination is necessary among some sectors in order to meet long-term goals.

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## Agencies Emphasize Homeland Security Activities

Most agency officials reported that their homeland security activities had been expanded since the September 11 terrorist attacks, with some officials reporting a new emphasis on their existing homeland security missions. Officials reported that agencies' expanded or accelerated existing homeland security activities because of recent legislation and substantial emergency supplemental funding. For example, CDC has emphasized approaches to protecting individuals against infectious diseases caused by bioterrorism as part of its overall mission of preventing and controlling diseases. In addition, CDC has recently revised its *Smallpox Response Plan and Guidelines* to include operational and logistical considerations associated with implementing a large-scale voluntary vaccination program in response to a confirmed smallpox outbreak.<sup>3</sup> Likewise, FEMA is awarding grants to help States modify their emergency operations plans, expand and train community emergency response teams, and make enhancements to emergency operations centers and communications capabilities. These efforts will lay the groundwork to implement the President's First Responders Initiative, which, once approved by Congress, will assist local responders such as firefighters, police officers, and emergency medical teams in developing comprehensive response plans for terrorist attacks, purchasing equipment, training for response to terrorist incidents, and coordinating regular exercise programs with other first responders. According to an official of the USDA's Animal and Plant Health Inspection Service (APHIS), it has increased its inspection staff by 50 percent at points of entry to intercept potential threats to the nation's food supply and agriculture industry.

The Department of Energy (DOE) has focused on safeguarding and securing its nuclear weapons complex and stored stockpile materials. DOE has accelerated the deployment of the Biological Aerosol Sentry and Information System, which provides public health and law enforcement authorities with information about airborne biological attacks for special events, such as high visibility conferences and major sporting events.

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<sup>3</sup> On December 13, 2002, the President announced plans to administer the smallpox vaccine to certain military and civilian personnel who are or may be deployed in high threat areas, as well as to vaccinate emergency health care workers and other critical personnel who may serve on volunteer smallpox response teams. Although the administration is not recommending vaccination for the general public, the administration has stated that public health agencies will work to accommodate members of the general public who insist on being vaccinated.

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In addition to invigorating existing missions, some agencies have assumed new homeland security activities. For example, the USA Patriot Act has expanded the responsibilities of Treasury's Office of Enforcement, empowering it to use financial institutions' transaction data to investigate a country suspected of supporting terrorist financing. Additionally, the National Guard was deployed to improve airport security. From September 2001 to May 2002, the National Guard mobilized approximately 7,200 guardsmen to protect travelers at 444 commercial airports nationwide.

The new emphasis on homeland security activities has resulted in agencies reallocating equipment and personnel from other traditional mission activities. For example, the Coast Guard reported the temporary de-emphasis of its maritime safety and environmental protection activities after September 11. Coast Guard cutters and aircraft that were used mainly on the high seas were relocated closer to major harbors and security was strengthened at potential terrorist targets such as oil refineries, cruise ship terminals, and other port facilities. In March 2002, the Coast Guard Commandant issued guidance that its fleet should manage its operations and personnel to address the Coast Guard's non-homeland security missions while still maintaining a heightened level of security. We have recently recommended that the Coast Guard develop a longer-term strategy that outlines how it sees its resources being distributed across various missions, and a time frame for achieving it.<sup>4</sup>

In addition, the FBI announced the second phase of its reorganization on May 29, 2002, that it planned to shift its mission priorities from non-homeland security activities such as drug investigations, white-collar crimes, and violent crimes to homeland security activities by permanently shifting 518 field agents to counterterrorism.<sup>5</sup> Specifically, the FBI plans to reduce the number of special agents involved in drug investigations by about 29 percent as well as reduce agent personnel in the areas of white-collar and violent crimes. It is important to note, however, that the

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<sup>4</sup> U.S. General Accounting Office, *Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions*, [GAO-03-155](#) (Washington, D.C.: Nov. 12, 2002). The Homeland Security Act of 2002 (P.L. 107-296, Nov. 25, 2002) requires that the Coast Guard's non-homeland security functions such as marine safety be maintained intact and not be significantly reduced after being transferred to DHS, except as specified in subsequent acts.

<sup>5</sup> The FBI reports that of these 518 field agents, 480 agents went to the Counterterrorism Program, 25 went to support the training of new agents at the FBI Academy and 13 went to the Security Division to implement critical security improvements.

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majority of the FBI's personnel will still remain focused on non-homeland security missions.

Several agencies we reviewed have developed dual-purpose programs that serve both homeland security and non-homeland security missions. For example, CDC has been using its Bioterrorism Preparedness and Response Program to help state and local health agencies build a communications infrastructure to improve the collection and transmission of information related to both bioterrorist incidents and other public health events. Similarly, HHS's Health Resources and Services Administration (HRSA) has been using its Bioterrorism Hospital Preparedness Program to help state and local hospitals develop plans to respond to bioterrorism events and other public health emergencies. Although the origin of a disease may not be clear at the outset, the same public health resources are mobilized to respond to the emergency and deal with any consequences, regardless of the source.<sup>6</sup> Agencies outside the public health and scientific research and development arenas also have programs or units that serve dual purposes. For instance, the National Guard maintains its dual status as a federal military resource (under Title 10, United States Code) and a state-controlled emergency and consequence management resource (under Title 32, United States Code). Many of the agencies that will be transferred to DHS have both homeland security and non-homeland security missions and will be challenged to balance both types of mission. The legislation requires DHS to ensure that agency functions not directly related to homeland security are not diminished or neglected.

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## OHS Charged with Broad Responsibilities

A significant amount of federal homeland security functions is being reorganized or will likely be reorganized in the future. We have indicated in previous testimony that a reorganization of some homeland security functions may help to improve efficiencies and reduce overlaps in meeting critical objectives.<sup>7</sup> Although reorganization efforts have been initiated at both the central management and department and agency level, these efforts are incomplete and may take years to fully and effectively implement.

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<sup>6</sup> U.S. General Accounting Office, *Homeland Security: New Department Could Improve Coordination but Transferring Control of Certain Public Health Programs Raises Concerns*, [GAO-02-954T](#) (Washington, D.C.: July 16, 2002).

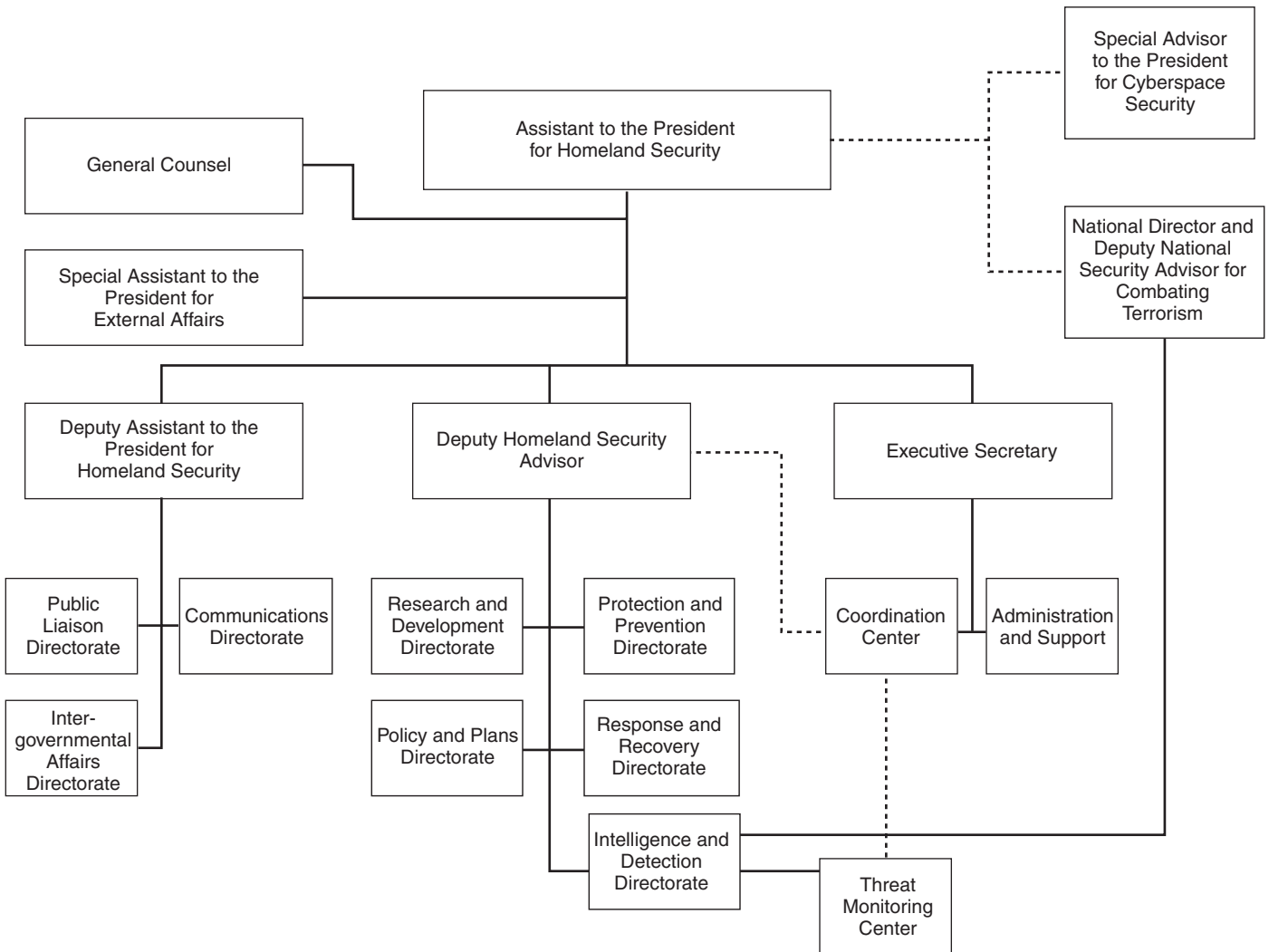
<sup>7</sup> [GAO-02-954T](#).

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OHS, established by executive order soon after the terrorist attacks, was charged with broad responsibilities including, but not limited to working with federal agencies, state and local government, and private entities to develop a national homeland security strategy and to coordinate implementation of the strategy. The Assistant to the President for Homeland Security heads OHS, which is divided into three functional components.

The Deputy Homeland Security Advisor is responsible for five directorates: (1) research and development, (2) policy and plans, (3) protection and prevention, (4) response and recovery, and (5) intelligence and detection. A Deputy Assistant to the President for Homeland Security is responsible for external affairs, which includes directorates for intergovernmental affairs, communications, and public liaison. An Executive Secretary is responsible for administration and support. In addition, the Executive Secretary and Deputy Homeland Security Advisor share responsibility for a coordination center that serves as the primary contact for state and local entities as well as the private sector and would be tasked with coordinating the response to a domestic incident if it occurred and a threat monitoring center, which oversees and reviews information for federal agencies. Figure 2 provides OHS's organizational structure.

**Figure 2: Organizational Structure of the Office of Homeland Security as of April 2002**



Source: Office of Homeland Security, Draft (April 2002).

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In addition to assisting in the coordination of homeland security efforts on the federal, state, and local levels as well as the private sector, OHS has been responsible for drafting and issuing the national strategy for homeland security, designing the homeland security advisory system,<sup>8</sup> and working with OMB and agencies regarding the levels and uses of funding for homeland security activities. OHS is authorized through Executive Order 13228 to certify that budget requests for homeland security are necessary and appropriate. The Director of OHS certified the funding levels for homeland security activities in the proposed fiscal year 2003 budget in a memorandum dated February 4, 2002.

Along with OHS, the President established the Homeland Security Council (HSC) to serve as the mechanism for ensuring coordination of homeland security-related activities of executive departments and agencies and effective development and implementation of homeland security policies.<sup>9</sup> The council includes a Principals Committee, which consists of the secretaries of the Treasury, Defense, Health and Human Services, and Transportation, and the Attorney General; the directors of OMB, the Central Intelligence Agency (CIA), FEMA, and the FBI; the chiefs of staff of the President and the Vice President, and the Assistant to the President for Homeland Security (who serves as chairman). In addition, a Deputies Committee, including deputy officials from those departments and agencies participating in the Principal's Committee, serves as the senior sub-cabinet interagency forum. HSC's main day-to-day forums for interagency coordination of homeland security policy are the policy coordination committees (PCC), 11 of which were established by Presidential Directive 1 and are listed in table 2.

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<sup>8</sup> The Homeland Security Advisory System, established through Presidential Directive 3, is designed to provide a comprehensive and effective means to disseminate information regarding the risk of terrorist acts to federal, state, and local authorities. Such a system would provide warnings in the form of a set of graduated "Threat Conditions" that would increase as the risk of the threat increases. This system is intended to create a common vocabulary, context, and structure about the nature of the threats that confront the homeland and the appropriate measures that should be taken in response.

<sup>9</sup> The DHS legislation institutionalizes the HSC within the Executive Office of the President to advise the President on homeland security matters. Its members are the President, the Vice President, the Secretary of Homeland Security, the Attorney General, the Secretary of Defense, and other individuals the President may designate.

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**Table 2: List of Policy Coordinating Committees**

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1. Detection, Surveillance, and Intelligence
  2. Plans, Training, Exercises, and Evaluation
  3. Law Enforcement and Investigation
  4. Weapons of Mass Destruction Consequence Management
  5. Key Asset, Border, Territorial Waters, and Airspace Security
  6. Domestic Transportation Security
  7. Research and Development
  8. Medical and Public Health Preparedness
  9. Domestic Threat Response and Incident Management
  10. Economic Consequences
  11. Public Affairs
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Source: Homeland Security Presidential Directive –1, October 29, 2001.

Agencies reported varying degrees of input and coordination with this central policy development process. Some had frequent contact with the PCC or OHS, while others had minimal or no contact at all. For example, Defense officials reported having specialists in various areas that attended PCC meetings and wrote a chapter for the national homeland security strategy. The Environmental Protection Agency (EPA) also reported providing input to the national strategy. Officials from the Nuclear Regulatory Commission (NRC) reported working closely with OHS staff and assisting in the development of a critical infrastructure protection plan and the threat advisory system. USDA had representatives in all of OHS's directorates and PCC and said that it played an active part in OHS's decision-making process. DOE officials reported being the government lead on three PCC. An HHS official said that it was very involved in the medical and public health preparedness PCC, the one most important to HHS. In addition, many departments had detailees on OHS's staff.

However, a few departments expressed concern that participation in the PCC or contact with OHS was limited or nonexistent even though they considered their missions to be important to homeland security. For example, officials at GSA's Public Building Service said they expected to work with OHS in developing the homeland security advisory system, but they were not involved in formulating the policies. GSA officials said they also expected to be involved with OHS on border station security issues, but only received feedback through OMB.

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## Significant Reorganization Will Occur with the New Department

One of the most important reorganization efforts is the creation of a new cabinet department to consolidate a variety of agencies or functions critical to the nation's goal of strengthening homeland security. The administration has stated that the creation of DHS would empower a single cabinet official whose primary mission is to protect the American homeland from terrorism, including (1) preventing terrorist attacks within the United States, (2) reducing America's vulnerability to terrorism, and (3) minimizing the damage and recovering from attacks that do occur.<sup>10</sup>

Additionally, DHS will be responsible for homeland security coordination with other executive branch agencies, state and local governments, and the private sector. The legislation to create DHS will transfer some federal entities, such as the U.S. Secret Service and the U.S. Coast Guard, intact into the new department. For the organizations transferred to the new department, DHS will be responsible for managing all of their functions, including non-homeland security functions. In some instances, these other responsibilities are substantial. Table 3 displays the major organizational elements of the new DHS.

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<sup>10</sup> Governor Tom Ridge, *The Department of Homeland Security: Making Americans Safer*, written statement for the Committee on Governmental Affairs, U.S. Senate, June 20, 2002.

**Table 3: DHS Organizational Elements**

<b>Element</b>	<b>Mission</b>	<b>Major agencies included</b>
Directorate for Information Analysis and Infrastructure Protection	Analyze law enforcement and intelligence information from federal, state, and local government agencies, and private sector entities to identify and assess threats and vulnerabilities, and identify priorities for protective and support measures. Develop a comprehensive national plan for securing key resources and critical infrastructure. Administer the Homeland Security Advisory System.	National Infrastructure Protection Center (FBI) National Communications System (Defense) Critical Infrastructure Assurance Office (Commerce) National Infrastructure Simulation and Analysis Center (Energy) Federal Computer Incident Response Center (GSA)
Directorate of Science and Technology	Develop a national policy and strategic plan to identify and develop countermeasures for chemical, biological, radiological, nuclear, and other terrorist threats. Assess and test vulnerabilities and possible threats. Conduct basic and applied research and related activities.	National Bio-weapons Defense Analysis Center (Defense) Plum Island Animal Disease Center (USDA) Chemical and biological national security nonproliferation program, nuclear proliferation programs, and nuclear assessment programs (Energy) Environmental Measurements Laboratory (Energy) Advanced scientific computing research programs and activities (Energy)
Directorate of Border and Transportation Security	Prevent entry of terrorists and terrorist instruments. Secure the borders, waters, ports, terminals, waterways, and air, land, and sea transportation systems. Carry out immigration enforcement functions and provide citizenship and immigration services. Establish and administer rules governing visas or other forms of entry.	Customs Service (Treasury) Transportation Security Administration (Transportation) Federal Protective Service (GSA) Federal Law Enforcement Training Center (Treasury) Office for Domestic Preparedness (Justice) Immigration and Naturalization Service (Justice)
Directorate of Emergency Preparedness and Response	Ensure effectiveness of emergency response providers to terrorist attacks, major disasters, and other emergencies. Provide the federal response to terrorist attacks and major disasters and aid in the recovery. Build a national incident management system. Develop a national response plan.	Federal Emergency Management Agency Integrated Hazard Information System National Oceanic and Atmospheric Administration National Domestic Preparedness Office (FBI) Domestic Emergency Support Teams (Justice) Emergency preparedness, national disaster, and medical response systems (HHS) Strategic National Stockpile (HHS)
Coast Guard Secret Service	These entities are transferred intact and report directly to the DHS Secretary. They retain their current missions.	

Source: GAO.

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The implementation of a new department to integrate homeland security functions will need to recognize that many non-homeland security missions of these agencies and functions will become part of DHS. Creating an effective structure that is sensitive to balancing the needs of homeland security and non-homeland security functions will be critical to the success of the new department. For example, the legislation creating DHS will transfer certain public health emergency preparedness programs from various federal agencies as well as transfer the control of, but not the operation of, certain other public health assistance programs to the new department. In addition, the legislation transfers responsibility for certain chemical, biological, radiological, and nuclear research and development programs and activities to DHS. Although the department has the potential to realize gains from increased coordination and consolidation of programs, transferring control over some of these dual use programs, such as the public health preparedness assistance programs and research and development initiatives, would disrupt synergies that currently exist and could lead to duplication of existing capabilities.<sup>11</sup>

As we have previously stated in testimony, existing non-homeland security missions will still require adequate funding, attention, visibility, and support when subsumed into a department that will be under tremendous pressure to succeed in its primary mission. In July 2002 testimony, we suggested that the Congress consider whether the new department, as proposed, will dedicate sufficient management capacity and accountability to ensure the execution of non-homeland security activities.

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<sup>11</sup> [GAO-02-954T](#) and U.S. General Accounting Office, *Homeland Security: New Department Could Improve Biomedical R&D Coordination but May Disrupt Dual-Purpose Efforts*, [GAO-02-924T](#) (Washington, D.C.: July 9, 2002).

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## Coordination Efforts within and among Federal Agencies Has Increased

As part of their mission revitalization efforts, agency officials said that they are increasing their attention to coordinating homeland security activities within and among federal agencies through a number of existing and new approaches. The national strategy calls for the nation to increase collaboration and coordination activities to better align public and private resources to secure the homeland. Some efforts to coordinate homeland security activities were taking place prior to September 11. For example, the Interagency Security Committee (ISC) was created through Executive Order 12977 after the 1995 bombing of the Alfred P. Murrah Federal Building in Oklahoma City to develop and oversee the implementation of policies for protecting federal facilities. The ISC comprises 14 department-level agencies and other executive agencies, such as the CIA, EPA, and OMB. The ISC has been working to revitalize itself to meet its responsibilities in light of the September 11 terrorist attacks.<sup>12</sup>

To strengthen antiterrorism programs and to provide a single point of contact for senior-level coordination between HHS and other departments and agencies, the Office of the Assistant Secretary for Public Health Emergency Preparedness (OASPHEP)<sup>13</sup> was established within the Office of the Secretary of Health and Human Services. OASPHEP is responsible for directing HHS's efforts to prepare for, protect against, respond to, and recover from acts of bioterrorism and other public health emergencies and serves as the focal point for the department for those activities. By July 2002, OASPHEP had dispersed nearly \$1.1 billion via cooperative agreements to all 50 states, the District of Columbia, 3 selected major municipalities (Los Angeles County, Chicago, and New York City), and the 8 U.S. territories to foster state and local preparedness for bioterrorism, other outbreaks of infectious disease, and additional public health threats and emergencies.

The Department of Justice (DOJ) created 93 antiterrorism task forces to integrate the communications and activities of local, state, and federal law

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<sup>12</sup> U.S. General Accounting Office, *Building Security: Interagency Security Committee Has Had Limited Success in Fulfilling Its Responsibilities*, [GAO-02-1004](#) (Washington, D.C.: Sept. 17, 2002).

<sup>13</sup> Recently enacted legislation, Public Health Security and Bioterrorism Preparedness and Response Act of 2002 (Public Law 107-188) created the OASPHEP. The responsibilities of the office are, among other things, to coordinate preparedness for and response to bioterrorism and other public health emergencies. It has been proposed that OASPHEP be transferred to DHS.

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enforcement. Building on DOJ's antiterrorism task forces, the national strategy calls for each governor to establish a single Homeland Security Task Force for the state, to serve as the primary coordinating body with the federal government. According to the national strategy, this would realign the 93 antiterrorism task forces to serve as the law enforcement component of the broader homeland security task forces. The homeland security task forces would help streamline and coordinate all federal, regional, and local programs and would provide a collaborative structure for effectively communicating to all organizations and citizens.

The FBI increased its use of joint terrorism task forces (JTTF), which were first established in 1980, to integrate federal, state, and local law enforcement efforts to address terrorism.<sup>14</sup> FBI officials believe that JTTF are an effective means of interacting, cooperating, and sharing information between FBI and its federal, state, and local counterparts. The FBI now has a JTTF in each of its 56 field offices, plus an additional 10 in satellite locations.

The Department of the Treasury created Operation Green Quest, on October 25, 2001, a multi-agency financial enforcement initiative led by the Customs Service. According to the Department of the Treasury, the initiative is intended to augment existing counterterrorist efforts by bringing the full scope of the department's financial expertise to bear against systems, individuals, and organizations that serve as sources of terrorist funding. In the 18 months it has existed, the Department of the Treasury reports that the initiative has seized approximately \$21.3 million in smuggled U.S. currency and \$8.2 million as a result of financial investigations of suspected terrorists.

GSA serves on the Border Station Partnership Council (BSPC) with several federal agencies responsible for border security to plan the construction of border facilities. BSPC's coordination role is increasing because homeland security efforts are focusing in part on securing the U.S.-Canadian border, which includes constructing several new border facilities to accommodate the Customs Service, HHS's Food and Drug Administration (FDA), the Department of Transportation's (DOT) Federal Motor Carrier Safety

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<sup>14</sup> According to the FBI, among the full-time federal participants on JTTF are the Immigration and Naturalization Service; Marshals Service; U.S. Secret Service; Federal Aviation Administration; U.S. Customs Service; Alcohol, Tobacco, and Firearms; the State Department; the Postal Inspection Service; the Internal Revenue Service; and the U.S. Park Police. State and local agencies are also represented.

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Administration, and Immigration and Naturalization Service (INS), for example. A GSA official said that each agency requires different types of facilities to perform its mission, and GSA is coordinating the integration of several agencies' facility needs into one border station.

According to a senior HHS official, an OHS policy coordinating subcommittee is working to clarify roles of agencies to better coordinate a response to future terrorist attacks. The national strategy calls for integrating separate federal emergency response plans into a single incident management plan. As an example, in the recent anthrax events, local officials complained about differing priorities between the FBI and the public health officials in handling suspicious specimens. According to the public health officials, FBI officials insisted on first informing FBI managers of any test results, which delayed getting test results to treating physicians. The public health officials viewed contacting physicians as the first priority to ensure that effective treatment could begin as quickly as possible.<sup>15</sup> According to the national strategy, the new incident management plan would cover all national incidents, including acts of bioterrorism and agroterrorism and clarify roles and expected contributions of various emergency response and law enforcement entities at different levels of government in the wake of a terrorist attack. In addition, DOJ reported that the United States Government Interagency Domestic Terrorism Concept of Operations Plan, signed in January 2001 by the Director of the FBI, the Attorney General, and the Secretary of HHS, among others, outlined that preserving life or minimizing risk to health is the first priority of U.S. government operations in response to a terrorist threat or incident. Furthermore, DOJ reported that increasing the FBI's capability to address the threat of bioterrorism will require developing partnerships with federal, state, and local agencies, especially USDA and CDC for matters involving anti-animal and anti-plant bioterrorism, and FDA for threats involving the food supply.

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<sup>15</sup> U.S. General Accounting Office, *Homeland Security: New Department Could Improve Coordination but May Complicate Priority Setting*, [GAO-02-893T](#) (Washington, D.C.: June 28, 2002).

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In December 2001, DOT created the Interagency Container Working Group to improve response to security threats posed by marine, truck, and rail containers that enter the nation's ports or cross the Mexican and Canadian borders into the United States.<sup>16</sup> The Interagency Container Working Group is overseen by OHS. The terrorist attacks of September 11 demonstrated that terrorists would use our transportation systems as weapons, and may exploit vulnerabilities in our marine transportation system as well. In February 2002, the working group issued its first report to OHS that recommended improvements to the coordination of government and business container security activities, enhancing cargo data collection, and improving the physical security of containers. The report also recommended supporting international container security efforts and the increased use of advanced technologies to improve the detection of potential security problems with containers.

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### Officials Say Collaboration with State and Local Governments Increasingly Effective, but Concerns Remain

The administration has said that collaboration with state and local governments and other entities is important to homeland security effectiveness. In March 2002, the President issued Executive Order 13260 establishing the President's Homeland Security Advisory Council (Council) and Senior Advisory Committees for Homeland Security. According to the administration, the Council and committees will provide opportunities for state and local officials and emergency services, law enforcement, and public health and hospital officials to share homeland security information and advice. In addition, OHS officials said they met with state and local first responders and elected officials to gather information and address concerns about state and local homeland security issues. OHS also has hosted conference calls with designated homeland security representatives from the states, territories, and the District of Columbia for information exchanges. In a July 2002 report on state and local homeland security actions, the Director of the Office of Homeland Security said that a key objective of the national homeland security strategy was to develop a framework ensuring vertical coordination between local, state, and federal authorities so actions are mutually supportive and communities receive the assistance they need to develop and execute comprehensive counterterrorism plans.

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<sup>16</sup> This working group is part of the National Infrastructure Security Committee within DOT, with oversight from OHS, and includes representatives from the Customs Service, Departments of Defense and Commerce, DOE, DOJ, USDA, HHS; and other agencies.

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The national, state, and local association officials we interviewed and information from these associations that we reviewed indicated that collaboration and support across all levels of government is vital to homeland security efforts. For example, in a recent position paper, the National Governors Association (NGA) said it viewed homeland security as a complex challenge that demands significant investment and collaboration among local, state, and federal governments, and integration with the private sector. Among other things, NGA said homeland security coordination must involve all levels of government, state and local governments need help and technical assistance to identify and protect critical infrastructure, and the federal government should provide adequate federal funding and support to ensure that homeland security needs are met.

Officials representing the National Association of Counties (NACo) and the National League of Cities (NLC) told us that coordination efforts with OHS had been extensive and helpful. For example, NACo said efforts had been very beneficial in defining policy and operational needs at the local level, and matching federal efforts to those needs. NACo officials said that OHS officials were present at each of NACo's Homeland Security Task Force meetings where homeland security policy recommendations were made. NACo officials said that OHS had worked closely with NACo in developing homeland security policies, operational plans, initiatives, the national strategy for homeland security, and the proposal for DHS. NLC officials said its involvement has included discussions of fiscal years 2002 and 2003 funding, criteria for the President's first responder initiative, policy objectives for regional coordination, and resources targeted to local governments for domestic preparedness.

However, at the time of our interviews, the national associations voiced some concerns about continued federal coordination and services. Both NACo and NLC officials hoped the new DHS office dealing with state and local contacts would allow the continued collaborative relationships they had experienced with OHS. Both said that they support the use of state homeland security task forces for DHS coordination with state and local governments. NACo officials added that they would like the task forces to include local representatives, such as first responders, so there is not undue emphasis on state government concerns. NLC officials said the task forces should include cities as well as regional officials where resources are shared locally. In addition, NLC officials were concerned about other federal current or anticipated initiatives, for example, (1) promised first responder funding has been delayed, (2) federal standards or mandates

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might not be accompanied by funding or other support, such as training, and (3) existing public safety and security programs might not be adequately funded, with funds diverted to homeland security programs. They further said local officials also would like more specific threat information as part of the Homeland Security Threat Advisory System.

The new DHS legislation contains provisions that should help maintain federal coordination. The legislation establishes within DHS's Office of the Secretary an Office for State and Local Coordination that will coordinate DHS activities relating to state and local government. In addition, this office is to develop a process for receiving meaningful input from state and local governments to assist the development of the national strategy for combating terrorism and other homeland security activities.

At the department and agency level, our interviews indicated that existing working relationships might have aided homeland security work. FEMA, of course, has extensive relationships with state and local governments. USDA officials told us that the department has historically had strong, long-standing relations at the state and local level. These relations have come through agricultural programs, land grant colleges, and food safety activities. They believe these relationships have made it easier to broaden the discussion to homeland security issues. In HHS, HRSA took advantage of its relationship with the National Association of County and City Health Officials (NACCHO) and the American Hospital Association to receive input on designing the bioterrorism hospital preparedness program. They believe the agency's already developed relations with state and local governments were critical in developing the hospital preparedness grant program. CDC officials said they work with NACCHO, NGA, and the National Emergency Management Association, along with other health associations, such as the American Medical Association and the American Nurses Association, to increase surge capacity at hospitals and other medical laboratories.

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## Collaboration with Private Sector Needs Greater Emphasis

Since September 11, federal government agencies have increasingly coordinated with the private sector on homeland security initiatives. The importance of federal and private sector partnerships have been recognized in the government's Critical Infrastructure Protection effort, started in 1998, and the President's National Homeland Security Strategy. The partnerships cover many areas, particularly critical infrastructure and border security. However, the partnerships require additional attention to address challenges with information sharing, business continuity, customer

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protection, business capabilities, and duplicative or burdensome governmental efforts.

Several federal agencies included in our study helped identify critical infrastructure risks and assess security measures for private sector entities they provide service to or regulate. This assistance involved efforts such as advisories, inspections, and alerts. For example, the Federal Energy Regulatory Commission (FERC) said it issued a notice of proposed rule making regarding how to define and protect critical energy infrastructure information, and is developing the final rule. After September 11, FERC assessed all FERC-jurisdictional dams, developed an E-mail system to alert all licensees, developed a security program for hydro projects, and identified critical dams that require a higher level of scrutiny. During operations inspections, FERC engineers annually assess whether security measures are in place at all high and significant hazard dams under FERC's jurisdiction. FERC reported that it continues to work with industry and other government representatives to address such initiatives as cybersecurity and incident response and recovery to hydropower and natural gas emergencies.

Other agency examples include water facilities, food supplies, and public health. EPA said it had been working to accelerate the development of a waste and water vulnerability assessment tool to be used at 16,000 public water facilities. Vulnerability assessments had already been completed within major metropolitan areas and EPA had sent security alerts to the facilities. USDA's Food Safety Inspection Service has worked with the food industry to help prevent biosecurity threats to the nation's food supply, ensure early detection of such threats, and assure containment of pathogens. Moreover, in the public health sector, CDC said it has worked in cooperation with private sector medical and hospital associations such as the American Medical Association and the American Heart Association to develop strategies to produce just-in-time information that enhances protection and prevention via information technology, especially with regard to safety for support workers.

Private sector association information also described government and private sector partnerships. For example, DOJ issued a chemical facility vulnerability assessment methodology, developed in cooperation with the DOE's Sandia National Laboratories and with the assistance of chemical industry representatives. The American Chemistry Council (ACC) also said that it had partnered with EPA, the FBI, and others to organize regional security briefings around the nation. Its Chemical Transportation

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Emergency Center team had worked with the FBI's Hazardous Materials Response Unit to improve coordination between the chemical industry and the FBI. ACC also signed an agreement with the National Infrastructure Protection Center (NIPC), a government and private sector partnership, to create the Chemical Sector Information Sharing and Analysis Center, aimed at sharing security-related information between NIPC and the companies that make and use chemical products. The American Bankers Association (ABA) noted that efforts to address money laundering and tracking, particularly with respect to terrorists and their supporters, could draw on the Department of the Treasury's long history of public-private partnerships to establish policies and regulations to prevent and detect money laundering. After September 11, the National Food Processors Association said it established the Alliance for Food Security, a consortium of more than 130 industry associations and government agencies that addressed a wide range of potential threats and provided guidance.

Border security also has been the target of increased joint federal and private efforts. In our previous work, we described the Customs Service's engagement with the trade community in a partnership program to protect U.S. borders and international commerce from acts of terrorism. In this initiative, U.S. importers enter into voluntary agreements with Customs to enhance the security of their global supply chains and those of their business partners. In return, Customs agrees to expedite the clearance of the members' cargo at U.S. ports of entry.<sup>17</sup> Under this program—called Customs-Trade Partnership Against Terrorism (**C-TPAT**)—Customs said businesses sign an agreement that commits them to actions such as conducting comprehensive self-assessments of supply chain security and developing and implementing programs to enhance supply chain security according to **C-TPAT** guidelines. Business benefits include a reduced number of border inspections and an emphasis on self-policing instead of Customs' verification. According to Customs' officials, 1,100 companies have agreed to participate in the program as of November 2002. **C-TPAT** is currently open to all importers, brokers, freight forwarders, and non-vessel owning common carriers as well as carriers involved in air, rail, and sea transportation and U.S.-Canadian border highway carriers. Customs plans to expand the program to port authorities, terminal operators, warehouse

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<sup>17</sup> U.S. General Accounting Office, *Container Security: Current Efforts to Deter Nuclear Materials, New Initiatives, and Challenges*, [GAO-03-297T](#) (Washington, D.C.: Nov. 18, 2002).

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operators, and foreign manufacturers. Customs launched the [C-TPAT](#) program in April 2002.

The DHS Office of State and Local Coordination mentioned earlier may also help improve coordination and collaboration with the private sector. It will have responsibilities for coordinating with the private sector. In addition, under the DHS legislation, the DHS Secretary is to appoint a Special Assistant responsible for creating and fostering strategic communications with the private sector, creating and managing private sector advisory councils, and developing new public-private partnerships.

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## Partnership Issues Require Additional Attention

The federal government and private sector face many challenges in establishing homeland security partnerships. In prior work, we stated that information-sharing barriers with the private sector were a problem and noted that a number of activities have been undertaken to build relationships between the federal government and the private sector, such as NIPC's InfraGard program, the Partnership for Critical Infrastructure Security, efforts by the Critical Infrastructure Assurance Office, and efforts by lead federal agencies to promote the establishment of information sharing and analysis centers (ISAC). For example, the InfraGard program has expanded, providing the FBI and NIPC with a means of securely sharing information and a forum for education and training on infrastructure vulnerabilities and protection measures. In addition, NIPC said a new ISAC development and support unit had been created, whose mission was to enhance private sector cooperation and trust. NIPC indicates that ISACs had been established for the chemical industry, surface transportation, electric power, telecommunications, information technology, financial services, water supply, oil and gas, emergency fire services, food, emergency law enforcement, and state and local governments. The new DHS legislation contains provisions for information sharing and security that may respond to some of these concerns. For example, the legislation includes safeguards on voluntarily provided critical infrastructure information.

Federal officials and their private sector partners are faced with striking a reasonable balance between security efforts and business objectives. While the private sector supports homeland security efforts, it also is concerned that proposed federal mandates or guidelines might prove harmful to security or not adequately consider business needs. For example, the International Mass Retail Association (IMRA) had urged the Customs Service not to sign a recent rule requiring carriers to transmit

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manifest information 24 hours prior to a container being loaded on a ship. IMRA believed such a requirement might result in increased theft and tampering at the foreign port of lading. The National Association of Manufacturers (NAM) has supported administration smart border plans and attempts to improve cargo security. However, NAM believes that the government should carefully assess the impact of new cargo security measures on trade and business operations, ensuring that security benefits are commensurate with economic costs. The U.S. Chamber of Commerce has also highlighted the need for government and industry teamwork on border and transportation security that would allow businesses to stay competitive.

In addition, ABA highlighted limitations in bank capabilities in security efforts. For example, ABA noted that there are operational limitations to what a bank can do in reporting customer transactions. For example, ABA said banks can request information on who is the “beneficial owner” of an account or the ultimate recipient of a money transfer, but most often would have no way to investigate or confirm this information.

Our work indicates that achieving the nation's homeland security goals will require considerable input and collaboration between and among the federal, state, and local governments. Restructuring federal agencies involved in homeland security to reduce overlap or conflicts in assistance provision will help to make activities and initiatives more effective, and will help to clarify lines of authority and ensure accountability in an emergency. Many stakeholders we interviewed indicated that working relationships between government levels have increased since September 11, as public sector organizations have worked more closely to identify risks and solve problems. While progress has occurred in this important area, state and local government organizations articulated that concerns remain with the level of collaboration in certain areas and with certain obstacles, such as access to critical data. Ultimately, the success of public sector collaboration is necessary to increase the likelihood that many homeland security initiatives can be sustained affordably over the long term.

Similarly, while progress has been made in improving collaboration between the public and private sectors, advances have not been made in some sectors where such work is necessary. The effective protection of the nation's critical infrastructure is vital to public safety and security, and efforts to achieve this goal cannot be accomplished by the government absent private sector assistance. A greater emphasis is required on the part of all stakeholders to find common ground, to eliminate obstacles, and to

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build strong working relationships in order to strengthen homeland security. DHS includes an Information Analysis and Infrastructure Protection Directorate that will have responsibility for assessments and protection plans for key resources and critical infrastructure. Part of that effort will include consultation and cooperation with state and local governments and the private sector. For example, the directorate will recommend protection measures in cooperation with state and local government agencies and authorities and the private sector.

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## Addressing Homeland Security Mission through a Results-Oriented Approach

The federal government's effort to strengthen homeland security will require a well-articulated strategy to accomplish agencies' missions and activities, to create a transition planning focus for DHS, and to leverage certain key success factors for organizational success to ensure mission accountability and sustainability over time. A key component in integrating homeland security missions and activities is the national homeland security strategy, which articulates activities that must be accomplished or coordinated to improve the nation's homeland security. While the national strategy seeks to articulate the many important tasks and activities that must be accomplished or coordinated to improve the nation's homeland security outlines, much of the implementation and mechanisms for achieving goals have not yet been articulated.

To accomplish the government's transition efforts will require adherence to certain management practices and key success factors. As we have previously indicated in testimony before the Congress, these factors include strategic planning, risk management, information technology management, human capital strategy and management, and a variety of other critical management processes and tools that will improve opportunities for achieving significant homeland security objectives. For example, strong financial management will be necessary to assure accountability over significant direct and indirect federal expenditures. Improvements in leveraging information technology will also be necessary to enhance not only the effective utilization of management systems, but also to increase information sharing among and between all parties. Appendix II provides a description of the critical success factors discussed in our previous testimony.

Attention to these factors will be critical both to the government's strategy for achieving homeland security goals via multiple departments and levels of government and other stakeholders, as well as efforts to potentially transition agencies into a new department. By establishing a transition

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office within OMB, the President has taken an important first step in creating an effective transition for agencies to be incorporated into the proposed department. Continued transition efforts thereafter in the new department must sustain and build upon the initial actions to maintain mission focus while simultaneously integrating multiple entities into the new structure. Further, the *President's Management Agenda* provides needed governmentwide emphasis on many important management objectives.

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## National Strategy Requires Implementation

A critical component of the government's efforts to coordinate and establish a plan for homeland security activities has been the creation of a homeland security strategy—one of the initial tasks the President gave to OHS shortly after the terrorist attacks. On July 16, 2002, the President released the National Strategy for Homeland Security. The administration indicated that the national strategy was the product of intense consultation across the United States, including conversations with, among others, governors and mayors, state legislators, Members of the Congress, concerned citizens, academics, soldiers, firefighters, and police officers.<sup>18</sup> The national strategy established three strategic homeland security objectives, further defined by critical mission areas under each objective. They are

- to prevent terrorist attacks within the United States, with mission areas of intelligence and warning, border and transportation security, and domestic counterterrorism;
- to reduce America's vulnerability to terrorism, with related mission areas of critical infrastructure and asset protection and catastrophic threat defense; and
- to minimize the damage and recover from attacks that occur, with the mission area of emergency preparedness and response.

The national strategy also describes four foundations—law, science and technology, information sharing and systems, and international cooperation—that cut across the mission areas, all levels of government,

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<sup>18</sup> *National Strategy for Homeland Security* (Office of Homeland Security, Washington, D.C.: July 2002).

and all sectors of society. Figure 3 summarizes the national strategy's strategic objectives and foundation areas and related mission areas.

**Figure 3: National Strategy Components**

<p><b>Strategic objectives</b></p> <p><b>Prevent terrorist attacks within the United States</b></p> <p><b>Intelligence and warning</b> Detect terrorist activity before it manifests itself in an attack so proper preemptive, preventative, and protective action can be taken.</p> <p><b>Border and transportation security</b> Promote the efficient and reliable flow of people, goods, and services across borders while preventing terrorists from using transportation conveyances or systems to deliver implements of destruction.</p> <p><b>Domestic counterterrorism</b> Identify, halt, and where appropriate, prosecute terrorists in the United States, including those directly involved in terrorist activity and their sources of support.</p> <p><b>Reduce America's vulnerability to terrorism</b></p> <p><b>Critical infrastructure and key asset protection</b> Protect the nation's critical infrastructure and key assets from terrorist attacks to levels appropriate to each target's vulnerability and criticality.</p> <p><b>Catastrophic threat defense</b> Develop new approaches, a focused strategy, and a new organization to address chemical, biological, radiological, and nuclear terrorist attacks.</p> <p><b>Minimize the damage and recover from attacks that do occur</b></p> <p><b>Emergency preparedness and response</b> Develop a comprehensive national system to bring together and coordinate all necessary response assets quickly and effectively.</p> <p><b>Foundation areas</b></p> <p><b>Law</b></p> <p><b>Federal level</b> Utilize laws to win the war on terrorism while protecting civil liberties.</p> <p><b>State level</b> Strengthen state codes to protect public welfare (not mandated).</p> <p><b>Science and technology</b> Have a systematic national effort to harness science and technology in support of homeland security.</p> <p><b>Information sharing and systems</b> Build a national environment that enables the sharing of essential homeland security information horizontally across each level of government and vertically among federal, state, and local governments, private industry, and citizens.</p> <p><b>International cooperation</b> Pursue a sustained, steadfast, and systematic international agenda to counter the global terrorist threat and improve homeland security.</p>
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Source: GAO analysis of the National Strategy for Homeland Security. Office of Homeland Security, July 2002.

By providing a definition of homeland security, along with a set of strategic objectives and crosscutting foundation areas, the national strategy provides some direction for the federal government's homeland security

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activities. In defining homeland security needs and objectives, the national strategy describes the nation's vulnerabilities, the means of attack, and the terrorist organizations that potentially pose threats to the United States. The strategy also discusses the importance of developing comprehensive national threat, risk, and vulnerability assessments to identify homeland security needs. Importantly, the risk assessments are discussed within the context of other national strategies, such as the National Security Strategy. In addition, the national strategy highlights the necessity of intergovernmental and private sector partnerships and outlines expected near-term budgeting priorities, such as enhancing the analytic capabilities of the FBI and increasing the security of international shipping containers.

As with most complex strategies, implementing the national homeland security strategy represents a significant challenge. The strategy would be most effective if it included definitions of measurable objectives, clarifications of responsibilities among federal agencies and other entities, affordable, long-term budget priorities, and addressed management capabilities and accountability. The strategy sets overarching performance expectations through its strategic objectives, which are further defined by critical mission areas under each objective. These strategic objectives would benefit from having targeted performance levels that define a minimum level of homeland preparedness.

Moreover, implementation of the national strategy will depend on clarifying federal agency and nonfederal partner responsibilities as well as performance objectives. The national strategy identifies DHS as the central point for coordinating national homeland security efforts. Many national strategy initiatives rely on DHS leadership, yet the national strategy does not cover the period prior to DHS's operation. To better clarify roles, the strategy could designate a federal lead agency for each initiative below the department level, even for those initiatives that call for crosscutting coordination. The new DHS legislation sets out organizational responsibilities that may help in further defining partner roles. For example, as mentioned earlier, the Under Secretary for Information Analysis and Infrastructure Protection is to assess threats and vulnerabilities and to develop a national plan for securing key resources and critical infrastructure.

Nonfederal partner responsibilities will also be important. Many of the national strategy's initiatives rely on the efforts of nonfederal entities. However, only a few strategy initiatives directly address nonfederal performance expectations and related accountability. While this is a

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difficult area given federalism principles, international sovereignty, and private sector independence, a national strategy requires national (and international) performance expectations and accountabilities if it is to be successfully implemented.

Further, the national strategy would benefit from addressing how federal, state, local, and private efforts for specific initiatives are operationally coordinated and integrated. The national strategy articulates the development or consolidation of existing federal plans, such as developing a national infrastructure protection plan and integrating federal response plans into a single all-discipline incident management plan. However, those efforts may not address duplicate program efforts under each of the strategic objectives.

Our review of the national strategy indicates that more than 30 of the strategy's initiatives appear to be already under way in whole or in part, including those relating to DHS implementation. For example, initiatives are under way to implement the Aviation and Transportation Security Act of 2001 and target and suppress terrorist financing. However, beyond the initial priorities mentioned for fiscal years 2002, 2003, and 2004, the strategy does not contain a long-range implementation plan for the remaining planned initiatives or a discussion about the strategy's long-term implementation costs. Further, priorities need to be established and timelines defined.

Implementation of the national strategy will also require addressing key, specific federal management capabilities. Some of the federal departments and agencies assigned to carry out the strategy face management challenges in administering their programs, managing their human capital, and implementing and securing information technology systems. Federal agencies will need to address these challenges as well as develop or enhance specific homeland security management capabilities, such as identifying homeland security threats, risks, vulnerabilities, and responses and effectively working in interagency, intergovernmental, and private sector relationships.

Finally, the strategy could be more explicit on the accountability structure that will be necessary to ensure the implementation of efforts to strengthen and sustain homeland security. The interrelationship of OHS, OMB, and DHS—as well as other federal organizations—is not articulated with respect to creating a structure that can assure an effective homeland security strategy that is accountable to the President and the Congress.

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## Agencies' Strategic Planning Revisions Started, but Incomplete

Several departments and agencies reported that since September 11, they were developing or revising strategic plans to address homeland security—yet these efforts are far from complete. Some departments and agencies have revised their plans to better incorporate homeland security goals and objectives in their planning activities. For example, FEMA has revised its strategic plan to broaden its focus on addressing all hazards, including weapons of mass destruction, under a new strategic goal focusing on terrorism. Under this goal, FEMA plans to develop and implement a federal program to support state and local government incident management capability and establish a process for sharing information among federal, state, and local governments; emergency responders; and the general public.

Likewise, DOJ substantially revised its strategic plan to consolidate homeland security activities under a new strategic goal. While homeland security objectives were in the strategic plan before September 11, 2001, the heightened awareness and overriding priority of DOJ's homeland security activities and responsibilities necessitated a separate strategic goal to focus on the prevention, investigation, and prosecution of terrorist acts. Among the strategies addressing this goal is the establishment of the Anti-Terrorism Task Forces. Other strategies under this goal include building and maintaining the capacity of the FBI, developing an intelligence capability that supports DOJ's counterterrorism efforts, mitigating threats to the nation's infrastructure, and coordinating with state and local government agencies to develop and maintain domestic preparedness. However, according to a recent DOJ Inspector General report,<sup>19</sup> the FBI's Strategic Plan has not been updated to reflect the counterterrorism priorities in DOJ's updated Strategic Plan. The FBI indicates that it is now updating this plan.

Other agencies are still in the process of revising their strategic plans or are developing new homeland security-specific plans to better incorporate their homeland security goals and objectives in their planning activities. For example, HHS is revising its strategic plan to consolidate its public health threat response and bioterrorism activities under one strategic goal. Similarly, USDA is also revising its strategic plan to focus more on homeland security initiatives. Several officials noted that they expect

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<sup>19</sup> Department of Justice, Office of the Inspector General, *A Review of the Federal Bureau of Investigation's Counterterrorism Program: Threat Assessment, Strategic Planning, and Resource Management*, Report No. 02-38 (September 2002).

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greater attention to homeland security in the fiscal year 2004 planning cycle. CDC officials stated that while its fiscal year 2003 performance plan does not contain any new goals regarding homeland security, it expects the fiscal year 2004 performance plan to contain new goals and measures for the smallpox vaccine program and, perhaps, the public health preparedness and response to bioterrorism cooperative agreement program.

The new department, in fulfilling its broad mandate, has the challenge of developing a national homeland security performance focus. This focus will necessarily rely on related national and agency strategy and performance plan efforts of OHS, OMB, and other departments and agencies. Indeed, the planning activities of the various departments and agencies represent a good start in the development of this focus; however, our past work on implementation of the Government Performance and Results Act has highlighted ongoing difficulty with many federal departments and agencies setting adequate performance goals, measures, and targets. Accordingly, attention will need to be given to federal department and agency capabilities in developing and achieving appropriate homeland security performance expectations and measures and in ensuring that there is linkage between these agency plans and the national strategy, and ultimately to individual performance expectations. Ensuring these capabilities and linkages will be vital in establishing a comprehensive homeland security planning and accountability framework that will not only guide the nation's homeland security efforts but also help assess how well they are really working.

The new DHS legislation does require some specific planning efforts that include goals and measures. For example, the Directorate of Science and Technology is to develop a national policy and strategic plan for developing countermeasures to weapons of mass destruction. The directorate must develop comprehensive, research-based definable goals and annual measurable objectives and specific targets to evaluate the goals.

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## Comprehensive Risk Analysis Efforts Incomplete

Many departments and agencies are placing a stronger emphasis on risk management to focus their homeland security activities. In addition, the national strategy places a high priority on the collection and analysis of homeland security intelligence and information to strengthen defenses against different threats. Departments and agencies have told us they are refining and broadening their risk management approaches to capture the full range of their agencies' homeland security activities. For example,

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CDC included a risk assessment in the design of its public health preparedness cooperative agreement program. NRC initiated a comprehensive reevaluation of its safeguards and security programs soon after September 11. NRC officials stated that, although NRC had always conducted risk, threat, and vulnerability assessments, a reevaluation was undertaken to include additional consequence modeling and vulnerability assessments to reflect changes in the threat environment, including the effects aircraft used as weapons might have on facilities. In another example, FDA recently used a risk management approach in its National Food Safety System Project to develop counterterrorism strategies and strategic plans, import control programs, and food safety programs.

Other agencies are focusing their risk management activities on critical infrastructure protection. For example, EPA will be working with the chemical industry to assist and encourage the development of a chemical facility vulnerability assessment tool. In addition, the Department of the Interior's (DOI) Bureau of Reclamation (BOR) is conducting a vulnerability assessment of all BOR-administered dams and facilities. BOR has contracted with Lawrence Livermore National Laboratory, the Defense Threat Reduction Agency, and others to conduct in-depth vulnerability assessments of these dams and facilities. BOR expects to have 55 of the most critical assessments completed by the end of the year and the remaining 253 completed by the end of fiscal year 2003. In another example, DOE officials said the department was considering altering its facilities to make them more defensible and thus reduce the need to add additional forces to respond to an attack.

Under the DHS legislation, DHS will consolidate many vulnerability assessment efforts under its Information Analysis and Infrastructure Protection Directorate. Combining such efforts could help to eliminate possible duplicative efforts, provide a focus for department activities, and result in stronger and more coordinated capabilities and information sharing. While many federal agencies have taken steps to improve risk management, comprehensive approaches remain incomplete. As we have indicated in the past,<sup>20</sup> we continue to believe that risk management must be at the center of the nation's effort to prevent or mitigate terrorism. Without a comprehensive risk management approach, there is little

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<sup>20</sup> U.S. General Accounting Office, *Homeland Security: A Risk Management Approach Can Guide Preparedness Efforts*, [GAO-02-208T](#) (Washington, D.C.: Oct. 31, 2001).

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assurance that programs to combat terrorism are prioritized and properly focused.

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## DHS Transition Planning Started, but Requires Sustained Efforts for Successful Implementation

Effective change for leveraging critical homeland security goals requires meaningful transition planning. Careful planning and attention to management practices and key success factors, such as strategic planning, information technology, risk management, and human capital management are important for the broad goals of establishing an overarching framework to achieve the national strategy and to create an effective transition for agencies being incorporated into DHS. The creation of DHS will be one of the largest reorganizations ever undertaken and the difficulty of this task should not be underestimated. Under the reorganization, 22 existing agencies and programs and an estimated 170,000 people will be integrated into the new department in order to strengthen the country's defense against terrorism. With an estimated budget authority of \$37.45 billion for the component parts of the new department, successfully transitioning the government in an endeavor of this scale will take considerable time and money. Careful and thorough planning will be critical to the successful creation of the new department. While national needs suggest a rapid reorganization of homeland security functions, the transition of agencies and programs into the new department is likely to take time to achieve. At the same time, the need for speed to get the new department up and running must be balanced with the need to maintain readiness for new and existing threats during the transition period. Moreover, the organizational transition of the various components will simply be the starting point—as implementation challenges beyond the first year should be expected in building a fully integrated department and could take 5 to 10 years to fully implement the department in an effective and sustainable manner.

On September 24, 2002, we convened a forum of public and private sector leaders to identify and discuss useful practices and lessons learned from major private and public sector organizational mergers, acquisitions, and transformations that federal agencies could implement to successfully transform their cultures and DHS could use to merge its various originating components into a unified department.<sup>21</sup> The results of this forum provide insights into the challenges facing the federal government in forming a new

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<sup>21</sup> U.S. General Accounting Office, *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.: November 2002).

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cabinet department and in building a world-class, high performance organization.

Many major mergers and acquisitions in the private sector do not live up to their expectations or potential. In the short term, the experience of major private sector mergers or acquisitions is that productivity and effectiveness actually decline in the period immediately following a merger and acquisition. This happens for a number of reasons, including attention being concentrated on critical and immediate integration issues and diverted from longer-term mission issues, and employees and managers inevitably worrying about their place in the new organization. The key is to adopt practices that minimize the duration and the significance of the reduced productivity and effectiveness and ultimately create a new organization that is more than the “sum of its parts.”

Research suggests that the failure to adequately address—and often even consider—a wide variety of people and cultural issues is at the heart of unsuccessful mergers, acquisitions, and transformations. But this does not have to be the case. While there is no one right way to manage a successful merger, acquisition, or transformation, the experiences of both successful and unsuccessful efforts suggest that there are practices that are key to their success. Table 4 outlines these key practices that can serve as a basis for subsequent consideration as federal agencies seek to transform their cultures in response to governance challenges.

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**Table 4: Lessons Learned about Mergers and Transformations for DHS and Other Federal Agencies**

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- Ensure top leadership drives the transformational change.
  - Establish a coherent mission and integrated strategic goals to guide the transformation.
  - Focus on a key set of principles and priorities at the outset of the transformation.
  - Set implementation goals and a timeline to build momentum and show progress from day one.
  - Dedicate an implementation team to manage the transformation process.
  - Use the performance management system to define responsibility and assure accountability for change.
  - Establish a communication strategy to create shared expectations and report related progress.
  - Involve employees to obtain their ideas and gain their ownership for the transformation.
  - Build a world-class organization.
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Source: GAO.

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On June 20, 2002, the President signed Executive Order 13267 establishing within OMB a Transition Planning Office to design and coordinate the DHS transition. A joint memorandum from OHS and OMB directors describes “day one” issues that need immediate resolution upon creation of the department, such as chain of command, incident management, and communications. Planning teams will be of two types: those that are organized around the major operating components of the organization and those that are crosscutting, that is, teams for functions such as human capital, budget, legal, systems, and communications. Additionally, OMB Director Mitchell Daniels issued a memorandum temporarily ceasing all financial management, procurement, human resource, and information technology system development or modernization efforts above \$500,000 for fiscal years 2002 and 2003, to avoid actions and spending that would seem wasteful or redundant once DHS becomes operational.

Despite these initial efforts to identify potentially redundant spending, the creation of a new department will cost money. The administration has maintained that the consolidation of functions within DHS will reduce costs below what would otherwise have been the case if these functions continued to operate separately. In the long run savings may well be realized, but any reorganization will incur start-up costs as well as require some funding that may be temporarily redundant, but necessary to maintain continuity of effort during the transition period. The Congressional Budget Office (CBO) priced the various legislative proposals for DHS, and all proposals would increase spending. A July 2002 cost estimate anticipates that implementation will cost about \$4.5 billion over the 2003-2007 period, assuming appropriation of the necessary amounts.<sup>22</sup> This is in addition to the projected net spending for ongoing activities of the transferred agencies—about \$19 billion in 2002, growing to \$27 billion by 2007 under CBO’s baseline assumptions.<sup>23</sup>

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<sup>22</sup> According to CBO, they are planning to revise the cost estimate for direct spending for H.R. 5005 as enacted. However, there will not be any changes to the cost estimate for spending subject to appropriations. H.R. 5005, as amended, was enacted on November 25, 2002 (P.L. 107-296).

<sup>23</sup> Congressional Budget Office, *Congressional Budget Office Cost Estimate: H.R. 5005 Homeland Security Act of 2002* (Washington, D.C.: July 23, 2002).

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CBO's estimates could best be described as conservative. Although CBO's July 2002 estimate included an assumption that key senior managers will need to be in a centralized office location along with core functions, CBO does not include such potentially significant cost drivers as the combination of the multiple pay and retirement legacy systems. More important than a precise cost of the transition is the recognition that there will be short-term transition costs and that these costs need to be made transparent in a transition plan for congressional consideration.<sup>24</sup>

The importance of the transition efforts to this new homeland security environment cannot be overemphasized. OMB was ordered to initiate a homeland security transition planning process for DHS, although its transition authorities expire 90 days after the law's enactment. OMB told us that some initial transition efforts for the new department are under way, especially regarding the consolidation of multiple financial and management information systems among agencies. The creation and integration of the new department will only be achieved through a realistic and aggressive strategy that, to the largest extent possible, quickly and seamlessly merges important homeland security components into a cohesive entity capable of protecting the nation from terrorism. The DHS legislation requires the President to provide a DHS reorganization plan to appropriate congressional committees 60 days after enactment, which he did, on November 25, 2002.<sup>25</sup> Practices that have been consistently found to be at the center of successful mergers, as outlined during our recent Mergers and Transformation Forum, and in the key success factors articulated in recent congressional testimony (see app. II), will be beneficial to this process and helpful to other federal agencies and organizations engaged in homeland security.

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## Strategic Human Capital Plan Critical to Transition

An organization's people are its most important asset. People define an organization, affect its capacity to perform, and represent the knowledge

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<sup>24</sup> The fifth continuing resolution (P.L. 107-294) enacted on November 23, 2002, permits the Secretary of DHS, with OMB's approval, to transfer up to \$500 million in budget authority for unforeseen homeland security requirements. In addition, OMB is allowed to reallocate up to \$140 million of unused budget authority appropriated to organizations and entities transferring to DHS for salaries and expenses associated with establishing the new department.

<sup>25</sup> *Department of Homeland Security Reorganization Plan* (The White House, Washington, D.C.: Nov. 25, 2002).

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base of the organization. A strategic human capital plan is, therefore, critical to effectively managing federal agencies with homeland security missions and activities, including DHS. The legislation requires all agencies moving into DHS, and DHS itself, to appoint chief human capital officers and include human capital planning in performance plans and performance reports.

Agencies slated to move into DHS will need to address long-standing human capital problems in order to ease the transition to the new department. One of these challenges has been the ability to hire and retain a talented and motivated staff. For example, we have reported that INS has been unable to reach its program goals in large part because of such staffing problems as agent attrition.<sup>26</sup> INS staffing problems in several of its functions had been affected by the lack of a staff resource allocation model<sup>27</sup> that would identify staffing needs.

To accomplish homeland security missions some agencies have recognized the need for new skills in the workforce. It is anticipated that agencies will need employees with skills in information technology, law enforcement, foreign languages, and other proficiencies. For example, we have reported that the FBI has an action plan to hire translators, interpreters, and special agents with language skills—areas in which the federal government currently has a shortage.<sup>28</sup> Similarly, last year's anthrax outbreak highlighted the need for trained communications staff at CDC to respond to information requests from the media and the general public.

Increased attention to border security will test the capacity of DHS to hire large numbers of inspectors for work at our nation's border entry points. Additionally, TSA has faced an extraordinary challenge in hiring and training 33,000 passenger security screeners by November 2002.<sup>29</sup>

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<sup>26</sup> U.S. General Accounting Office, *Immigration Enforcement: Challenges to Implementing the INS Interior Enforcement Strategy*, [GAO-02-861T](#) (Washington, D.C.: June 19, 2002).

<sup>27</sup> U.S. General Accounting Office, *Immigration and Naturalization Service: Overview of Recurring Management Challenges*, [GAO-02-168T](#) (Washington, D.C.: Oct. 17, 2001).

<sup>28</sup> U.S. General Accounting Office, *Foreign Languages: Human Capital Approach Needed to Correct Staffing and Proficiency Shortfalls*, [GAO-02-375](#) (Washington, D.C.: Jan. 31, 2002).

<sup>29</sup> U.S. General Accounting Office, *Aviation Security: Transportation Security Administration Faces Immediate and Long-Term Challenges*, [GAO-02-971T](#) (Washington, D.C.: July 25, 2002).

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Moreover, other agencies that are to transfer to DHS are also expected to experience challenges in hiring security workers and inspectors. For example, APHIS has been seeking to increase the size of its inspection force by 50 percent at the same time that the Customs Service, INS, and other agencies are increasing the size of their inspection staffs.

In addition, various agency officials have cited retention problems associated with homeland security missions. Since much of TSA's recruitment of federal air marshals has come from other federal agencies, this has increased competition for skilled law enforcement staff. According to a TSA official, approximately 64 percent of the Federal Air Marshal Service's newly hired staff have previous professional experience in other federal agencies. TSA is not limited to the grade and step pay structure of the General Schedule, and can offer more flexible compensation to law enforcement recruits. Several agency officials have cited TSA's compensation levels as the reason they have been losing many employees. For example, the police force protecting the facilities of HHS's National Institutes of Health says it has experienced high turnover over the last year. As a result, it is considering offering a better compensation package to officers. In addition, INS reported that it did not meet its hiring goal for one reason—a significant increase in the loss of agents to other federal agencies. INS reported that a 556 percent increase in the loss of agents from fiscal year 2001 to fiscal year 2002 was due in large part to the availability of higher paying jobs with the Federal Air Marshal Service at TSA.

Another potential human capital challenge to homeland security activities is the expected retirement of many federal employees in the near future. Many of the agencies that are due to be transferred to the new department are projected to lose substantial portions of their staffs to retirement. According to our analysis of OPM data, 26 percent of career employees at APHIS, 33 percent at the Coast Guard, 31 percent at the Customs Service, 40 percent at FEMA, 21 percent at INS, and 30 percent at the Secret Service will be eligible for retirement with unreduced annuities by the end of fiscal year 2007.

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## Agencies and New Department Need an Integrated Human Capital Strategy

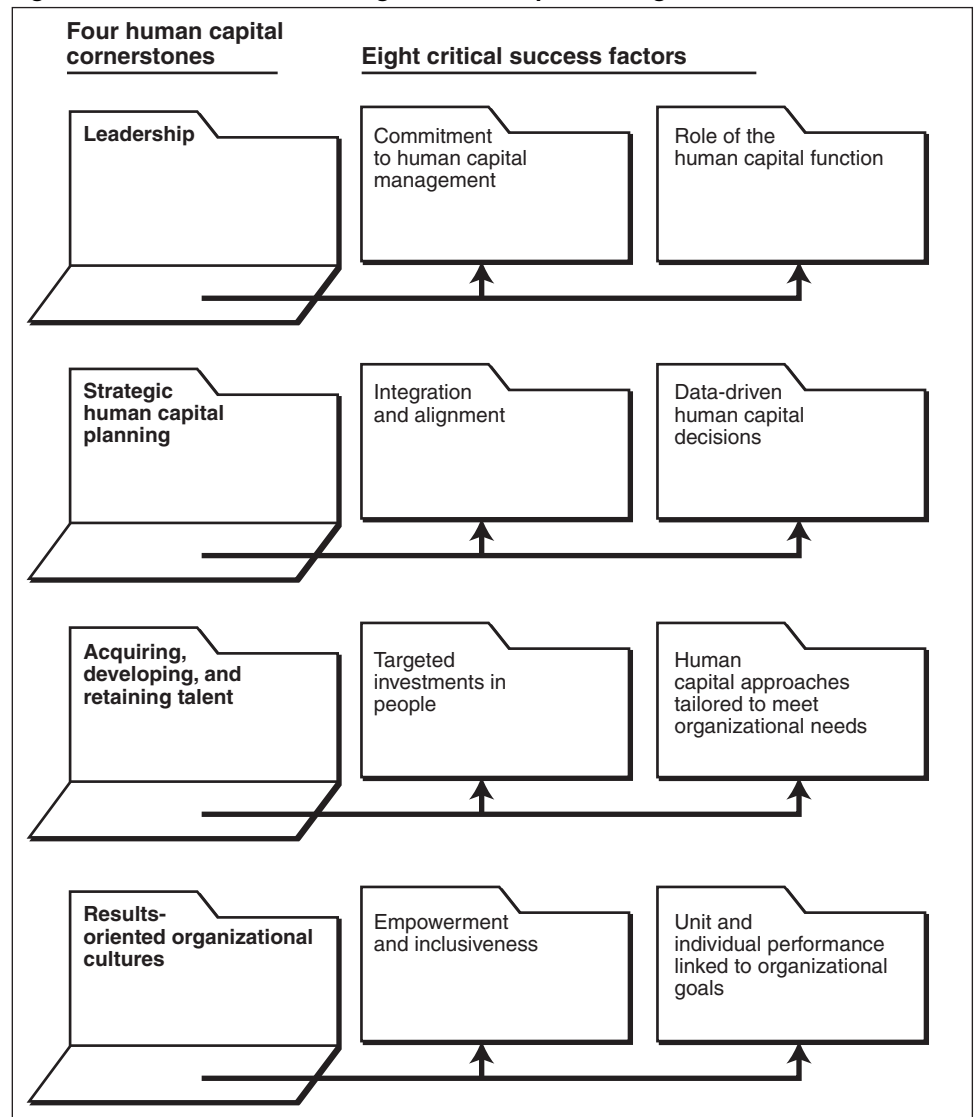
Hiring and retaining a talented and motivated staff is only one aspect agency leaders must consider as part of its human capital strategy. To assist agencies in facing human capital challenges, we have released an exposure draft of a model of strategic human capital management that highlights the steps that agencies can take to manage their human capital more strategically.<sup>30</sup> The GAO Strategic Human Capital Model identifies four governmentwide human capital cornerstones that have been shown to be essential to agency effectiveness. (See fig. 4.) These four critical areas are leadership; strategic human capital planning; acquiring, developing, and retaining talent; and results-oriented organizational cultures. To address each of these cornerstones, the model identifies eight critical success factors, based on the following underlying principals:

- People are assets whose value can be enhanced through investment. The objective is to maximize value while minimizing risk.
- An organization's human capital strategy should be designed, implemented, and assessed based on its ability to achieve results and contribute to the organization's mission.

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<sup>30</sup> U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: March 15, 2002).

**Figure 4: GAO's Model of Strategic Human Capital Management**



Source: GAO-02-373SP.

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## Performance Management Systems and Personnel Flexibilities Can Improve Effectiveness

Performance management systems and personnel flexibilities can help to improve the effectiveness of agencies, and some homeland security agencies are already utilizing such tools. The Aviation and Transportation Security Act requires TSA to develop a performance management system and to use performance agreements as a way to align organizational and individual goals for employees, managers, and executives. TSA has established an interim performance management system, which includes procedures for creating performance agreements, monitoring employee performance, and determining employee development needs. For example, according to the template developed for a TSA executive, an executive's performance agreement includes organizational goals to improve and maintain the security of American air travel, ensure an emphasis on customer satisfaction, and to make substantial contributions to TSA and the accomplishment of its performance goals. Results-oriented performance agreements are a good mechanism in a performance management system to help create a "line of sight" showing how individual employees can contribute to overall organizational goals.<sup>31</sup>

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<sup>31</sup> U.S. General Accounting Office, *Managing for Results: Emerging Benefits From Selected Agencies' Use of Performance Agreements*, GAO-01-115 (Washington, D.C.: Oct. 30, 2000).

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Moreover, to deal with their human capital challenges, it will be important for the new department and other homeland security agencies to assess and determine which human capital flexibilities are the most appropriate and effective for managing their workforces.<sup>32</sup> But while this determination is important, how personnel flexibilities are implemented is equally important. We have identified six key practices that agencies should implement to use human capital flexibilities effectively: (1) plan strategically and make targeted investments, (2) ensure stakeholder input in developing policies and procedures, (3) educate managers and employees on the availability and use of flexibilities, (4) streamline and improve administrative processes, (5) build transparency and accountability into their systems, and (6) change their organizational cultures. By more effectively using flexibilities, agencies would be in a better position to manage their workforces, assure accountability, and transform their cultures to address current and emerging demands.<sup>33</sup>

At the same time, new flexibilities for DHS and other homeland security agencies should be viewed in the context of how similar flexibilities have been exercised by other agencies with similar missions, such as TSA. As we testified last summer,<sup>34</sup> the Aviation and Transportation Security Act authorizes TSA to use and modify the personnel system established by the Federal Aviation Administration (FAA), which is exempt from many federal personnel provisions. To meet its need for talented employees quickly, TSA officials stated that they made use of personnel flexibilities such as temporary hiring authority, on-the-spot hiring authority, and the authority to use detailees from other agencies and executives on loan from the private sector. A TSA official said that these various flexibilities have been useful for increasing its staffing for critical positions. TSA is also basing its compensation system on FAA's pay banding approach, which allows the agency to hire employees anywhere within broad pay bands for their positions. For example, the pay band for screeners ranges from \$23,600 to

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<sup>32</sup> The Homeland Security Act of 2002 amends part III of title 5 of the United States Code. Title 5 covers government employees in areas such as employment and retention, employee performance, pay and allowances, and labor-management and employee relations. The act allows the Secretary of DHS and the Director of OPM to jointly establish and adjust a human resources management system. The legislation establishes criteria for the system, such as nonwaivable provisions.

<sup>33</sup> U.S. General Accounting Office, *Human Capital: Effective Use of Flexibilities Can Assist Agencies in Managing Their Workforces*, [GAO-03-2](#) (Washington, D.C.: Dec. 6, 2002).

<sup>34</sup> [GAO-02-971T](#).

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\$35,400 (from about \$11 to \$17 per hour). Pay banding is one example of a personnel flexibility that can help agency managers establish a more direct link between pay and an individual's knowledge, skills, and performance.

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## Effective Oversight Critical to Success

The success of the federal government's homeland security mission will depend on effective oversight by the appropriate parts of our government. The oversight entities of the executive branch, including the inspectors general, OMB, OPM, and OHS, will have a vital role to play in ensuring expected performance and accountability. As stated in the President's June 2002 DHS proposal, OHS was seen as continuing to play a key role, advising the President and coordinating a simplified interagency process. Likewise, congressional committees, with their long-term and broad institutional roles, will also play a role in overseeing the transformation of the federal government as it meets the demands of its homeland security mission. The creation of DHS has raised questions regarding how the Congress can best meet its oversight, authorizing, and appropriations responsibilities for the new department. DHS will be comprised of some 22 federal agencies or their components and be overseen by numerous congressional committees. The DHS legislation asks each House of the Congress to review its committee structure in light of the reorganization of homeland security responsibilities within the executive branch. As a result, the Congress may wish to explore ways to facilitate conducting its responsibilities in a more consolidated and integrated manner. Whether or not the Congress does so could have an impact on the effective implementation and oversight of DHS.

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## Conclusion

The nation's efforts to strengthen homeland security will require extensive commitments and perseverance to ensure their effectiveness and sustainability. There will continue to be multiple demands placed on federal agencies' ability to accomplish their homeland security missions, to coordinate and collaborate in meaningful ways with each other, with state and local government entities, and with the private sector. Many of these demands may be better met through the effective implementation of DHS. However, critical roles remain for OHS and other agencies with homeland security related missions, as well as for central management agencies like OMB and OPM.

The coordination and oversight of a national strategy to better protect Americans from terrorism is vital to achieving the nation's homeland

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security objectives. This will be a primary role for OHS. Because all homeland security objectives cannot be achieved simultaneously, it will be important for OHS, DHS, and other agencies to focus initially on the most critical issues and greatest risks to security, and to guide the strategy's implementation in phases. For example, concerns related to border security or visa processing may need to have priority and resources over other areas in which current approaches may be more effective, or in which fewer risks are apparent. Additionally, the completion of a comprehensive threat, risk, and vulnerability assessment must be addressed.

While there are indications that federal agencies are developing better working relationships among themselves and with other relevant stakeholders, concerns remain about collaboration in certain areas, especially in regards to the sharing of critical information. Creating effective linkage—building the critical partnerships—will be a key to successfully implementing the DHS transition and the national strategy. The complexity and urgency of the nation's homeland security goals require effective, cooperative, and sustained action from multiple public and private entities, and addressing coordination and collaboration concerns will be vital to success. OHS, in conjunction with OMB, must help support and oversee the implementation of the national strategy in order to ensure that responsible entities have clear missions, are held accountable for achieving specific results in a timely manner, design effective human capital strategies to attract and retain critical skills and talent, and create strong partnerships so that the nation obtains meaningful and measurable results in its efforts to prevent terrorism.

Another critical component of implementing the national strategy is the effective transition to DHS. OMB will have a critical support and oversight role to play in leading this effort through its responsibilities for the DHS transition strategy. OMB has the lead responsibility to develop the DHS transition plan, and this role will have to be accomplished in conjunction with OHS and DHS. The creation and integration of the new department will only be achieved through a realistic and aggressive strategy that, to the largest extent possible, quickly and seamlessly merges important homeland security components into a cohesive entity capable of protecting the nation from terrorism. Practices that have been consistently found to be at the center of successful mergers, as outlined in our recent Mergers and Transformation Forum, and in the key success factors central to well performing organizations articulated in recent congressional testimony

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(see app. II), will be beneficial to this process, and helpful to other federal agencies and organizations engaged in homeland security.

There is little doubt, however, that the integration and transformation required will be difficult and complex and, as a result, not as quick or seamless as would be ideally desired. Nor should focus from important homeland security missions being integrated into DHS be unduly diverted or sidetracked by administrative concerns during the transition period. Thus, management attention must be focused upon an effective transition plan that prioritizes functions and appropriately phases in the transition so that protection of the nation is maintained at the same time the new department's initial transition steps are accomplished. Achieving this overarching goal will be important for DHS and for maintaining linkages between people, processes, and results during the transition in order to effectively meet objectives for protecting the nation from terrorism.

It may also be necessary to acknowledge that, at least in the near term, program objectives may differ or conflict. In addition, while steps must be taken to link all 22 agencies in meaningful ways through an overarching mission, common core values, and other means, it may not be necessary or appropriate to try and create a single culture within DHS. Program objectives of certain DHS agencies may differ or conflict, and difficult balances between homeland security and non-homeland security missions and resource allocations will remain. Other homeland security objectives will be implemented outside of DHS. As a result, OHS, OMB, and OPM must continue to assist DHS in resolving policy, budget, human capital, communications, and program tensions that may interfere with national homeland security objectives, particularly during the transition period.

Further, although the creation of the Transition Planning Office for DHS is an important first step in the transition of federal agencies into a new department, its termination 90 days after the enactment of the legislation creating the department means that a sustained management approach will need to be developed and refined over time—as the new department will likely take years to become fully integrated and effective. Once again, OMB, in conjunction with OHS, has a significant role and responsibility to play in supporting the long-term transition efforts of DHS. The governmentwide management role of OMB, particularly, may help to provide DHS with the expertise and guidance necessary to succeed in building this complex new entity. OMB's oversight of the government's principal management laws and practices relating to performance management, information technology, financial management, human

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capital management, and acquisition management, for example, can help DHS's leadership create a strong and viable structure sustainable for years to come. Moreover, OMB's role in federal management activities can also benefit those agencies with homeland security missions that are not being integrated into DHS. Ensuring effective homeland security strategic planning and performance measurement, for instance, is equally important to the success of the FBI as it is to the new department, even though its mission will complement and not be subsumed by DHS.

A realistic human capital strategy that helps to lead agencies' transformation into high-performing organizations will be vital to the effectiveness and sustainability of our homeland security efforts. An organization's people are its most important asset. People define an organization, affect its capacity to perform, and represent the knowledge base necessary to achieve its objectives. A strategic human capital plan is, therefore, critical to effectively managing federal agencies with homeland security missions and activities, including DHS and others. OPM, in conjunction with OMB, OHS, and DHS, will need to help craft and support such a plan in implementing the national strategy and the DHS transition to ensure the optimum effectiveness of organizational goals, cooperation, and collaboration among all parties, especially DHS employees and management.

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## Recommendations for Executive Action

As the federal government clearly faces a number of leadership and management challenges in achieving its homeland security mission, we recommend the following:

- Given the scope of homeland security objectives across the public and private sector, it is important for OHS, in conjunction with OMB and DHS, to set priorities, to help guide and support the development of performance measures and time frames, and to assess and oversee progress, in implementing the national homeland security strategy. Through the national strategy, OHS should also lead efforts to ensure clarity in the roles and responsibilities of all parties—OHS, OMB, DHS, and others—to leverage collaboration among them, and to establish effective accountability to meet national goals. Moreover, these entities will need to balance and reconcile program objectives and priorities, and make realistic resource allocations, within and among homeland security and non-homeland security missions across government.

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- OMB, in developing an effective transition plan for DHS, should ensure that the plan incorporates the practices identified during our Mergers and Transformation Forum, as well as the key factors for successful organizations listed in appendix II in helping lay the foundation for a cohesive, world-class organization capable of protecting the nation from terrorism.
  - Over the coming years, OMB, in conjunction with DHS, should help ensure the implementation of broad-based management practices and principles that will improve the sustainability of DHS and other homeland security activities, consistent with statutory and regulatory requirements as well as with the *President's Management Agenda*. They should, in part, direct the establishment of appropriate plans and management systems to ensure the needed management capacity, people, partnerships, and accountability to achieve national homeland security goals. This includes an effective strategic planning system that articulates meaningful performance goals, objectives, and measures; an effective human capital strategy; and a process for reporting and oversight. Strong financial and information technology systems and internal controls will also be critical to the success of DHS and other organizations with homeland security missions.
  - OPM, in conjunction with OMB and the agencies, should develop and oversee the implementation of a long-term human capital strategy that can support the capacity building across government required to meet the objectives of the nation's efforts to strengthen homeland security. With respect to DHS, in particular, this strategy should
    - establish an effective performance management system, which incorporates the practices that reinforce a “line of sight” that shows how unit and individual performance can contribute to overall organization goals;
    - provide for the appropriate utilization of the human capital flexibilities granted to DHS to effectively manage its workforce; and
    - foster an environment that promotes employee involvement and empowerment, as well as constructive and cooperative labor-management employee relations.

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## Agency Comments

On November 26, 2002, we provided a draft of this report to the Directors of OMB, OHS, and OPM for their official comments. OMB did not provide official comments. However, OMB staff members provided technical comments to our draft and we have incorporated them as appropriate. The Director of OPM provided written comments on December 19, 2002, which have been reproduced in appendix III. OPM concurred with the recommendations relevant to them and noted that they were actively involved in accomplishing them. OPM also provided technical comments that we have incorporated as appropriate. OHS informed us that they had no comments. On December 7, 2002, we provided excerpts of our draft report to those agencies that were mentioned within the report. We received technical comments from USDA, DOJ, DOT, Treasury, FEMA, FERC, and NRC, and we have incorporated them as appropriate.

As agreed with your office, unless you announce the contents of the report earlier, we plan no further distribution until 30 days after its date. At that time, we will send copies to the Directors of OMB, OHS, and OPM. We will also send copies of this report to appropriate congressional committees and to the federal agencies and offices discussed in this report. We will make copies available to other interested parties upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

Please contact me on (202) 512-6806 if you or your staff has any questions. Major contributors to this report included Shawn Arbogast, Joseph Byrns, Sharon Caudle, Kevin Copping, Katharine Cunningham, Seth Dykes, Denise Fantone, Mark Goldstein, Steven Lozano, Kristeen McLain, Mary Reintsma, Bradley Trainor, Summer Ramke, and James Whitcomb.

Sincerely yours,



Patricia A. Dalton  
Director, Strategic Issues

# Homeland Security Funding by Department or Agency, Fiscal Years 2001 to 2003

Dollars in millions

Department/independent agency	FY 2001 actual	FY 2002 estimated <sup>a</sup>	FY 2003 President's budget request
Department of Agriculture	\$339.87	\$776.56	\$573.38
Department of Commerce	97.65	124.35	158.68
National Security/Department of Defense <sup>b</sup>	4,021.00	6,665.00	7,844.00
Department of Education	0.04	0.04	0.04
Department of Energy	1,000.28	1,271.13	1,201.40
Department of Health and Human Services	401.36	3,084.12	4,408.39
Department of Housing and Urban Development	1.97	1.97	2.72
Department of the Interior	25.18	114.14	110.51
Department of Justice	4,625.71	7,446.19	7,112.16
Department of Labor	15.97	26.37	26.95
Department of State	476.37	610.26	749.50
Department of the Treasury	1,786.38	2,741.55	2,888.75
Department of Transportation	2,535.95	9,252.60	7,784.17
Department of Veterans Affairs	18.74	47.42	83.92
Agency for International Development	0.11	0.18	0.18
Corporation for National Community Service	0.00	29.00	118.00
District of Columbia	0.00	212.65	15.00
Environmental Protection Agency	5.59	185.91	133.48
Executive Office of the President	0.16	143.80	47.50
Federal Communications Commission	0.00	0.00	1.00
Federal Emergency Management Administration	31.45	329.03	3,554.53
General Services Administration	92.93	276.95	346.91
Kennedy Center	0.00	4.31	1.91
National Aeronautics and Space Administration	120.42	228.92	137.48
National Archives	0.00	2.00	7.00
National Capital Planning Commission	0.00	0.76	0.00
National Gallery of Art	0.00	2.15	2.17
National Science Foundation	212.15	236.29	236.33
Nuclear Regulatory Commission	5.85	41.13	34.41
Office of Personnel Management	2.04	1.93	1.25
Securities and Exchange Commission	1.86	0.75	0.17
Smithsonian	0.00	21.70	20.00
Social Security Administration	73.83	113.10	129.16

**Appendix I  
Homeland Security Funding by Department  
or Agency, Fiscal Years 2001 to 2003**

*(Continued From Previous Page)*

Dollars in millions

<b>Department/independent agency</b>	<b>FY 2001 actual</b>	<b>FY 2002 estimated<sup>a</sup></b>	<b>FY 2003 President's budget request</b>
United States Postal Service	0.00	762.00	0.00
U.S. Army Corps of Engineers	0.00	138.60	65.00
Other small/independent agencies	1.54	2.60	1.97
<b>Total<sup>c</sup></b>	<b>\$15,894.40</b>	<b>\$34,895.44</b>	<b>\$37,798.01</b>

Source: OMB Memorandum M-02-14, "Additional Information Requirements for Overseas Combating Terrorism and Homeland Security for the FY 2004 Budget" (August 8, 2002) and GAO analysis.

Note: Numbers may not add to totals because of rounding.

<sup>a</sup>The FY 2002 estimated funds includes homeland security amounts from the FY 2002 enacted budget (\$19,582.46); the emergency supplemental enacted September 2001 (\$10,728.83), and the emergency supplemental enacted August, 2002 (\$4,584.15).

<sup>b</sup>The category "National Security" includes Department of Defense and intelligence community funding combined to keep figures unclassified.

<sup>c</sup>OMB does not report on homeland security funds for the judicial or legislative branch.

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# Critical Success Factors for New Organizations

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In our prior work, entitled *Homeland Security: Critical Design and Implementation Issues*, (GAO-02-957T, July 17, 2002), we identified certain critical success factors a new organization should emphasize in its initial implementation phase. Over the years, we have made observations and recommendations about many of these success factors, based on effective management of people, technology, and financial and other issues, especially in our biannual *Performance and Accountability Series* on major government departments. These factors include the following:

- **Strategic planning:** Leading results-oriented organizations focus on the process of strategic planning that includes involvement of stakeholders; assessment of internal and external environments; and an alignment of activities, core processes, and resources to support mission-related outcomes.
- **Organizational alignment:** The organization of the new Department of Homeland Security (DHS) should be aligned to be consistent with the goals and objectives established in the strategic plan.
- **Communications:** Effective communication strategies are key to any major consolidation or transformation effort.
- **Building partnerships:** One of the key challenges of this new department will be the development and maintenance of homeland security partners at all levels of the government and the private sector, both in the United States and overseas.
- **Performance management:** An effective performance management system fosters institutional, unit, and individual accountability.
- **Human capital strategy:** The new department must ensure that its homeland security missions are not adversely impacted by the government's pending human capital crisis, and that it can recruit, retain, and reward a talented and motivated workforce, which has required core competencies, to achieve its mission and objectives. The people factor is a critical element in any major consolidation or transformation.
- **Information management and technology:** The new department should leverage enabling technology to enhance its ability to transform capabilities and capacities to share and act upon timely, quality information about terrorist threats.

- **Knowledge management:** The new department must ensure it makes maximum use of the collective body of knowledge that will be brought together in the consolidation.
- **Financial management:** The new department has a stewardship obligation to prevent fraud, waste, and abuse; to use tax dollars appropriately; and to ensure financial accountability to the President, the Congress and the American people.
- **Acquisition management:** As one of the largest federal departments, DHS will potentially have some of the most extensive acquisition requirements in government. Early attention to strong systems and controls for acquisition and related business processes will be critical both to ensuring success and maintaining integrity and accountability.
- **Risk management:** The new department must be able to maintain and enhance current states of homeland security readiness while transitioning and transforming itself into a more effective and efficient structural unit. DHS will also need to immediately improve the government's overall ability to perform risk management activities that can help to prevent, defend against and respond to terrorist acts.
- **Change management:** Assembling a new organization out of separate pieces and reorienting all of its processes and assets to deliver the desired results while managing related risks will take an organized, systematic approach to change. The new department will both require an executive and operational capability to encourage and manage change.

# Comments from the Office of Personnel Management



OFFICE OF THE DIRECTOR

UNITED STATES  
OFFICE OF PERSONNEL MANAGEMENT

WASHINGTON, DC 20415-1000

DEC 19 2002

Ms. Patricia A. Dalton  
Director, Strategic Issues  
General Accounting Office  
441 G Street, NW.  
Washington, DC 20548

Dear Ms. Dalton:

Thank you for the opportunity to comment on the draft report entitled *Homeland Security: Management Challenges Facing Federal Leadership* (GAO-03-260). The Office of Personnel Management (OPM) has reviewed the draft report and is pleased to offer the following comments.

This ambitious review of an enormous range of issues succeeds well in drawing together multiple themes and focusing attention on integrated concerns that will affect the successful establishment of the Department of Homeland Security (DHS). This report should prove valuable to Homeland Security leadership, at the Office of Homeland Security (OHS), the Transition Planning Office, and within the new Department itself.

We at OPM were particularly, and understandably, interested in the report's focus on human capital management challenges and agree that those cannot be overemphasized. We appreciate that the "Results in Brief" acknowledges OPM's important role in developing and implementing a human capital strategy for DHS. As the managing partner for the human capital initiative of the President's Management Agenda, we work closely with all agencies in these matters. With respect to DHS, we are actively involved in accomplishing all the items listed on page 8.

We suggest including additional material in the section about "Performance Management Systems, Personnel Flexibilities Can Improve Effectiveness" on page 67. Although later on page 76 you acknowledge that Congress has granted DHS human capital flexibilities, we believe those DHS-specific flexibilities should also be recognized earlier as you point out the value of using flexibilities. Specifically, the Homeland Security Act of 2002 grants to the Secretary of DHS and the Director of OPM the authority to modify existing provisions of title 5, U.S. Code, in areas impacting hiring, firing, appeals, compensation, performance management, and collective bargaining. There could also be recognition of OPM's aggressive plans to develop specific proposals in each of these areas for further consultation and ultimate approval and establishment of systems through joint regulation by the DHS Secretary and OPM Director.

One instance where OPM's role should also be noted directly occurs in the "Effective Oversight Critical to Success" section on page 69. OPM should be listed there as one of the oversight entities in addition to Inspectors General, the Office of Management and Budget (OMB), and

CON 131-64-4  
September 2001

Appendix III  
Comments from the Office of Personnel  
Management

Ms. Patricia A. Dalton

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OHS. Similarly, on page 73 in the "Conclusion" section, "human resources" or "human capital" should be added to the list in the final sentence of the first paragraph on that page that cites areas where tensions must be resolved.

In several places, the report correctly emphasizes the importance of establishing effective performance management systems for DHS success. We note however, that those references appear to reflect both the performance management processes and deliverables associated with the Government Performance and Results Act and carried out under OMB oversight and the employee performance management systems established under chapter 43 of title 5, U.S. Code, and carried out under OPM oversight. We fully recognize the value of integrating these systems wherever possible. However, for some of the references to performance management in the report, it is not clear whether you mean an integrated system, just the GPRA elements, or just the employee appraisal and recognition aspects. For example, the first paragraph on page 54 in the "Agencies Strategic Planning Revisions Started, But Incomplete" section provides an excellent opportunity to use the integrated approach (e.g., citing "performance expectations and measures" that could form the basis for employee appraisals), but appears to focus on the GPRA apparatus only. On page 76 in the "Conclusion" section, you recommend that the human capital management strategy "establish an effective performance management system," which appears to emphasize the employee appraisal and recognition perspective. As we fully concur in the importance of effective performance management, we believe readers of the report would benefit from further clarification of which perspective(s) your references to performance management systems entail.

Again, we appreciate the opportunity to comment on this comprehensive report. We hope that our comments are helpful. We have also enclosed a few additional minor editorial suggestions. If you have any questions about them, please contact Doris Hausser at 202-606-2648.

Sincerely,



Kay Coles James  
Director

Enclosure

**ADDITIONAL COMMENTS ON “HOMELAND SECURITY:  
MANAGEMENT CHALLENGES FACING FEDERAL LEADERSHIP” (GAO-03-260)**

1. On page 16, provide a more accurate citation for the Homeland Security Act of 2002 (Public Law 107-296).
2. On pages 17-18, two paragraphs describing the establishment of the U.S. Northern Command appear to have been inserted before a paragraph that recapitulates a series of events. That recapitulation should be revised and updated, particularly for its abstract reference to “a new cabinet department.”
3. On page 29, Table 3 lays out DHS Organizational Elements. The Immigration and Naturalization Service is missing from the listing of Major Agencies Included. Also, it is not clear whether the generality “Secure the borders, waters, ports, etc.” under Mission for Directorate of Border and Transportation Security is meant to include functions concerning contraband.
4. On page 37, the second full sentence appears to have words missing or misordered.
5. On page 62, the report notes that the DHS legislation requires the President to provide a DHS reorganization plan 60 days after enactment, but fails to note that he submitted that plan immediately.
6. We trust that internal GAO reviewers will provide routine copy editing corrections as to misspellings, missing words, the correct ordering of commas and footnote numbers, etc.

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# Related GAO Products

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## Homeland Security

*Border Security: Implications of Eliminating the Visa Waiver Program.* [GAO-03-38](#). Washington, D.C.: November 22, 2002.

*Homeland Security: CDC's Oversight of Select Agent Programs.* [GAO-03-315R](#). Washington, D.C.: November 22, 2002.

*Homeland Security: INS Cannot Locate Many Aliens Because It Lacks Reliable Address Information.* [GAO-03-188](#), November 21, 2002.

*Container Security: Current Efforts to Detect Nuclear Materials, New Initiatives, and Challenges.* [GAO-03-297T](#). Washington, D.C.: November 18, 2002.

*Highlights of a GAO Forum: Mergers and Transformation: Lessons Learned for a Department of Homeland Security and Other Federal Agencies.* [GAO-03-293P](#). Washington, D.C.: November 14, 2002.

*Technology Assessment: Using Biometrics for Border Security.* [GAO-03-174](#). Washington, D.C.: November 14, 2002.

*Coast Guard: Strategy Needed for Setting and Monitoring Levels of Effort for All Missions.* [GAO-03-155](#). Washington, D.C.: November 12, 2002.

*Building Security: Security Responsibilities for Federally Owned and Leased Facilities.* [GAO-03-8](#). Washington, D.C.: October 31, 2002.

*Border Security: Visa Process Should Be Strengthened as an Antiterrorism Tool.* [GAO-03-132NI](#). Washington, D.C.: October 21, 2002.

*Homeland Security: Department of Justice's Response to Its Congressional Mandate to Assess and Report on Chemical Industry Vulnerabilities.* [GAO-03-24R](#). Washington, D.C.: October 10, 2002.

*Homeland Security: Information Sharing Activities Face Continued Management Challenges.* [GAO-02-1122T](#). Washington, D.C.: October 1, 2002.

*Homeland Security: OMB's Temporary Cessation of Information Technology Funding for New Investments.* [GAO-03-186T](#). Washington, D.C.: October 1, 2002.

*Mass Transit: Challenges in Securing Transit Systems.* GAO-02-1075T. Washington, D.C.: September 18, 2002.

*Building Security: Interagency Security Committee Has Had Limited Success in Fulfilling Its Responsibilities.* GAO-02-1004. Washington, D.C.: September 17, 2002.

*September 11: Interim Report on the Response of Charities.* GAO-02-1037. Washington, D.C.: September 3, 2002.

*National Preparedness: Technology and Information Sharing Challenges.* GAO-02-1048R. Washington, D.C.: August 30, 2002.

*Homeland Security: Effective Intergovernmental Coordination Is Key to Success.* GAO-02-1013T. Washington, D.C.: August 23, 2002.

*Homeland Security: Effective Intergovernmental Coordination Is Key to Success.* GAO-02-1012T. Washington, D.C.: August 22, 2002.

*Homeland Security: Effective Intergovernmental Coordination Is Key to Success.* GAO-02-1011T. Washington, D.C.: August 20, 2002.

*Port Security: Nation Faces Formidable Challenges in Making New Initiatives Successful.* [GAO-02-993T](#). Washington, D.C.: August 5, 2002.

*Chemical Safety: Emergency Response Community Views on the Adequacy of Federally Required Chemical Information.* GAO-02-799. Washington, D.C.: July 31, 2002.

*Homeland Security: Critical Design and Implementation Issues.* [GAO-02-957T](#). Washington, D.C.: July 17, 2002.

*Homeland Security: New Department Could Improve Coordination but Transferring Control of Certain Public Health Programs Raises Concerns.* [GAO-02-954T](#). Washington, D.C.: July 16, 2002.

*Homeland Security: New Department Could Improve Biomedical R&D Coordination but May Disrupt Dual-Purpose Efforts.* [GAO-02-924T](#). Washington, D.C.: July 9, 2002.

*Homeland Security: Title III of the Homeland Security Act of 2002.* [GAO-02-927T](#). Washington, D.C.: July 9, 2002.

*Homeland Security: Intergovernmental Coordination and Partnership Will Be Critical to Success.* [GAO-02-901T](#). Washington, D.C.: July 3, 2002.

*Homeland Security: Intergovernmental Coordination and Partnerships Will Be Critical to Success.* [GAO-02-899T](#). Washington, D.C.: July 1, 2002.

*Homeland Security: New Department Could Improve Coordination but May Complicate Priority Setting.* [GAO-02-893T](#). Washington, D.C.: June 28, 2002.

*Homeland Security: New Department Could Improve Coordination but May Complicate Public Health Priority Setting.* [GAO-02-883T](#). Washington, D.C.: June 25, 2002.

*Homeland Security: Proposal for Cabinet Agency Has Merit, But Implementation Will Be Pivotal to Success.* [GAO-02-886T](#). Washington, D.C.: June 25, 2002.

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

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

*Review of Studies of the Economic Impact of the September 11, 2001, Terrorist Attacks on the World Trade Center.* [GAO-02-700R](#). Washington, D.C.: May 29, 2002.

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

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

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

*Homeland Security: Challenges and Strategies in Addressing Short- and Long-Term National Needs.* [GAO-02-160T](#). Washington, D.C.: November 7, 2001.

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*Homeland Security: A Risk Management Approach Can Guide Preparedness Efforts.* [GAO-02-208T](#). Washington, D.C.: October 31, 2001.

*Homeland Security: Need to Consider VA's Role in Strengthening Federal Preparedness.* [GAO-02-145T](#). Washington, D.C.: October 15, 2001.

*Homeland Security: Key Elements of a Risk Management Approach.* [GAO-02-150T](#). Washington, D.C.: October 12, 2001.

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

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