

REFORMING DHS' BUSINESS PROCESSES

October 2005



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Executive Summary

The events of recent weeks demonstrate clearly that the Department of Homeland Security (DHS) needs a new business model that will allow it to address better the complex demands of its mission. Many of the Department's policies and procedures were put in place in the chaotic months after 9/11, before a homeland security strategy or national response plan were in place. The Department desperately needs an appropriate business process that reflects its evolving strategy and requirements

Secretary Chertoff recently announced his planned reforms of DHS, including the addition of a policy management function in the executive leadership, a renewed emphasis on domestic nuclear detection, and improvements to the Department's internal coordination. Many of these changes are necessary and deserve immediate implementation, but alone they are insufficient. They do not adequately empower the Secretary to direct DHS, nor do they sufficiently address the systemic cultural changes required to achieve better security and emergency response. The lesson of hurricane Katrina is that without adequate command and control it will be impossible to provide security for the homeland.

In particular, Secretary Chertoff should add three reforms to his list:

- 1) Combine Strategy and Budget Planning: Budget oversight and planning should be part of the policy function to ensure coordinated implementation and development of DHS prerogatives. The Policy Secretariat's first task should be to design and implement a rational, clearly defined business process cycle aligning the Department's strategy, requirements, budget and acquisition. By joining strategy and budget planning together, DHS could more effectively shift priorities from legacy mission areas into new homeland security initiatives while improving interactions with external stakeholders.
- 2) Formalize Requirements Oversight: The requirements definition and oversight process should be formalized across the Department. Such a process would clarify priority procurement areas and associated timelines, stabilize funding for essential missions, and enable the private sector to develop more appropriate solutions.
- 3) Streamline Acquisition (and Research & Development) Processes: Acquisition and R&D processes should be reorganized to be more transparent to both Congress and industry. DHS should also adopt measures to support rapid acquisition and fielding of critical capabilities. The Under Secretary for Preparedness should implement processes to support greater procurement standardization across the states. In this regard, DHS should leverage its relationship with the National Guard Bureau and support strengthening the role of state Adjutant Generals.

J. Michael Barrett wrote the initial draft of this report. All members of the Working Group had an opportunity to review and modify the final report.

Reforming DHS' Business Processes

The role of the Department of Homeland Security (DHS) is a vital one; indeed perhaps the nation's most crucial. The safety and well being of the American populace and its infrastructure, transportation, and communications networks remain vulnerable to a myriad of disruptive events – such as domestic terrorist attacks, severe weather, or a global pandemic. Securing the American homeland from terrorist attacks and other massive disruptive events is a monumental task. The formation and successful management of a new federal bureaucracy crafted from 22 disparate Agencies and some 180,000 employees is no less daunting. The process of securing the homeland is a marathon, not a sprint. Yet, DHS must run that marathon at a sprinter's pace.

Since its inception three short years ago, DHS has brought strong focus to many of the challenges of securing a free and open nation. It has sharpened the attention placed on homeland security needs, combined overlapping immigration and law enforcement functions into more appropriate agency-specific channels, and brought renewed vigor and new technology to airport security. The Department's activities almost certainly helped deter and disrupt multiple enemy operations.

Unfortunately, the Department's origins in primarily legacy Agencies have imbued it with a tactical, rules-based, and reactive approach. The Department's broad responsibility for domestic security, however, requires not only tactical proficiency, but also a strategic orientation that will enable aggressive, preemptive action whatever the threat to the homeland. This is a major philosophical shift for the Department's various pieces. It creates a natural tension between the mindset that led to professional success prior to 9/11 and the approach that promotes success today.

Despite the passage of four years since the tragedy of 9/11 without additional domestic attacks, the threats from our terrorist foes remain not just viable, but all too pervasive. In far-flung madrassas, online chat rooms, and apartments and meeting places throughout the globe, fundamentalist Islamic militants continue to sound off about their vigorous desire to strike back at America, especially with chemical, biological or nuclear weapons. Their aim is to attack in ways that create massive disruptions, and it is our collective responsibility to stop them.

By all accounts the Department's first Secretary, Tom Ridge, did an excellent job during trying times. Under his leadership, DHS began to address many critical national vulnerabilities. However, many of the policies initially employed by the Department were developed because they were expedient and the Government lacked data from which to make better decisions. Often procedures were migrated into DHS from other parts of the Government.

It is increasingly evident that the policies and procedures sufficient for the first months and even years after 9/11 are not adequate for the long-term struggle to protect the homeland. One example is the way grants are awarded to the states and localities for homeland security activities. In the words of Representative Chris Cox, while serving as Chairman for the House Committee on Homeland Security in April of this year,

The need to reform the current grant-making process is very clear. The \$6.3 billion bottleneck – just in DHS grant awards alone – makes this fact indisputable. And Secretary Chertoff’s recent testimony before this Committee further highlighted the well-known problem of the Department’s reliance on arbitrary, political formulas to award such funds. We need to establish a better system now. We know that terrorists plot to attack us. And we cannot be satisfied with business as usual. We simply do not have the luxury of time.

Secretary Chertoff indeed has made it clear that he is taking DHS in new directions, declaring on his first day in office,

Everything is a tradeoff... You will inevitably place money in different places... and we [DHS] have to judge, based on consequence, vulnerability and threat, where to put those resources. This is not merely or exclusively a federal responsibility... This is a responsibility that is shared through all levels of the government and with the private sector.

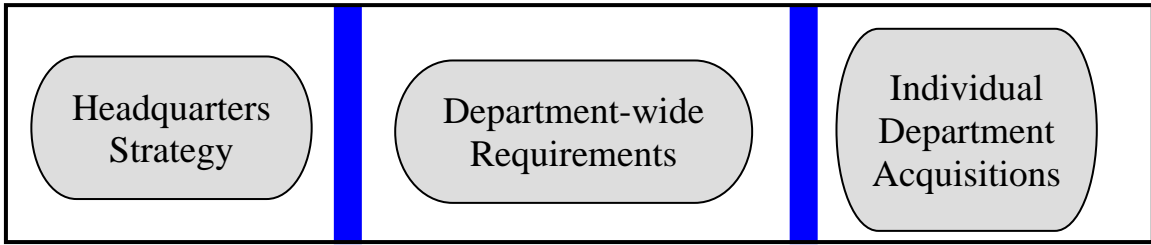
To do so, the Secretary began by conducting a critical “second stage review” of his Department’s roles and responsibilities, aiming to better align the structure and functions of DHS with its strategy, and with the stated goal of “integrating intelligence, policy and operations across the Department.”

The broad-ranging review process included 18 action teams and more than 250 participants within the Department of Homeland Security. Final issue papers from the action teams were given to the Secretary by May 31, 2005, and their work served as the basis for a number of new initiatives. The Secretary’s recommendations are generally sound and many of them should be enacted immediately. As with all large bureaucracies, however, the process for ensuring adherence to an enterprise-wide strategy and policy can be as important as the strategy itself.

Recent events have demonstrated the inadequacies of the command and control relationships within DHS and across the federal government with respect to responding effectively to national disasters. The problem is not simply in the field. DHS headquarters, and the Secretary himself, lack adequate business process and organizational structures to allow for the effective planning, direction and auditing of a massive cabinet department. A radical restructuring of DHS’s overall command and control system is absolutely required.

Alternative Approaches to Departmental DHS Business Processes

As might be expected, practically all the initial DHS business processes were decentralized. Components had their own contracting offices and many, notably the Coast Guard, had legacy programs that remained in effect. Although it drafted an overall strategy, the Department lacked a systematized process to translate the strategy into requirements and those requirements into an acquisition plan. This lack of process meant that the various key aspects of the headquarters’ strategy, department-wide requirements, and individual department acquisitions were essentially cordoned off from each other, with little or no influence across the whole entity. This separation is shown below:



What is at stake here is the ability to control both the policy formulation and the budgetary prioritization necessary to ensure the Department is striving to achieve its goal in the most effective manner possible. Recognition of the problems created by the lack of internal harmonization was one reason that Secretary Chertoff recommended the development of a centralized Policy Directorate to serve as the primary Department-wide coordinator for policies, regulations, and other initiatives. This is a worthy and needed reform because, without a central Policy Directorate, DHS leadership has no institutional power to resolve inter-Agency conflicts and ensure policies are pursued in accordance with long-term strategic goals.

But creating the policy office is only half the solution. While the Department has addressed the need for strategic alignment of priorities by centralizing policy, it continues to neglect the need for centralized, coordinated budgetary control to sufficiently empower the DHS leadership. This in turn opens the door to improper prioritization of resources and the pursuit of legacy rather than current initiatives by segments within the Department.

The central issue is that DHS must develop a sound, transparent, and reliable end-to-end business process that enables various homeland security participants, both public and private, to engage the Department effectively and efficiently. At present, the Department's strategy is often disconnected from the procurement priorities and budget, which in turn makes the acquisition process poorly understood. Requirements definition is often haphazard and inconsistent across the Department's components. As a result, funding from Congress remains uncertain and private sector R&D in emergent homeland security science and technology is unduly minimized. These problems prevent fellow Federal Departments and the private sector from knowing how, where, and when to enter the procurement and development process. They also create barriers for those who try to interact with the Department on a whole host of issues, including coordination of 'no-fly' lists, funding for Maritime Domain Awareness, identifying gaps in critical infrastructure protection, securing transportation and cargo networks, and planning for mass casualty response and recovery needs.

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Defining End-to-End Processes

The creation of a Department of Homeland Security was based on the assumption that, when brought together into a single organization with a sole purpose, its disparate parts would create a

powerful synergy, much like the power of the human hand when all five digits are clenched into a fist. To achieve this synergy, the Department needs to transform itself from a collection of offices, activities, and functions that were all formerly resident in other parts of the Federal Government into a fully functional Cabinet Department. Although some benefits have resulted from the Department's creation, the reality has been less than the promise. DHS has been roundly criticized by many both within and outside the Department for a lack of strategic focus and a diffusion of planning and acquisition activities. Another serious criticism is that DHS has failed to establish a set of operational concepts, processes, and procedures to harmonize the activities of its components, allow for rational prioritization of resources, and enable the private sector to better assist its efforts. In effect, DHS lacks a defined end-to-end process for achieving its mandate of securing the homeland.

These problems are compounded by the complex and multifaceted nature of many DHS missions. Securing the Nation's borders does not just begin at the legal boundaries of U.S. territory. The Transportation Security Administration receives airline passenger manifests within minutes of the departure of flights bound for the United States. Critical infrastructure protection involves tens of thousands of facilities, most of which lie in private hands. The protection of the homeland also involves coordination and cooperation between DHS and many other Cabinet Departments and Agencies. But these processes remain uncoordinated and some elements within the Department remain committed to legacy tasks at the expense of embracing their new, integrated functional roles.

Together, the collection of activities that works to produce a defined set of products and services is called a 'business process.' All business processes in an enterprise exist to fulfill the mission of the enterprise, and must be related in some way to mission objectives. It is clear that the task of aligning the multiple, disparate and newly collocated processes within DHS is a significant undertaking, and that it will take time to develop a smoothly functioning system. Nonetheless, the Department's mission is so critical that every endeavor must be made to achieve the desired effect as rapidly as possible. There are several process models to choose from, and experts from industry and from other Government Agencies have numerous valuable experiences to share in terms of developing the best approach. In brief, the basic interlinking pieces for a department such as DHS include strategy, requirements and budget, and acquisition.

The Government Accountability Office offered the following observation of the Department's continuing difficulties in implementing a thorough, top-down business process:

[A]nnual goals and time frames are vague or missing, and the capacity to achieve them is uncertain. Performance measures and plans to monitor, assess, and independently evaluate the effectiveness of corrective measures are not fully developed. Also, DHS has not completed legislatively mandated risk assessments to set priorities to help focus its limited resources where most needed. Moreover, given these challenges to achieve department-wide transformation, DHS needs sustained leadership and a strategy that incorporates accountability and over-sight to succeed in its multiyear transformation efforts.¹

¹ Government Accountability Office, *Major Management Challenges at the Department of Homeland Security*, available at www.gao.gov/pas/2005/dhs.htm.

It is true that some DHS entities do exist to identify, prioritize, and evaluate cross-cutting investment opportunities, including the DHS Investment Review Board (IRB) and Joint Requirements Council (JRC). They were established to ensure optimal allocation of resources. According to DHS, “The IRB and JRC are critical in allowing the department to maximize value and benefit on its investments while at the same time ensuring the integration of stove-piped processes and system organization.”² According to a senior DHS official, the JRC has recently prioritized all 100+ investment proposals across the Department in accordance with its Strategic Plan and has developed a 6-month work plan to evaluate them. The IRB and JRC have also been involved in the DHS eMerge2 project and will conduct periodic reviews throughout its implementation, ensuring maximum benefit from this investment across DHS.³

In addition, DHS developed a Future Years Homeland Security Program (FYHSP), a five-year resource plan identifying long-range strategies and resource requirements, instituted to ensure the Department is postured and appropriately invested to meet strategic goals and objectives. As a part of this process, a Strategic Sourcing Group (SSG) was created and tasked with implementing a department-wide approach to acquiring goods and services. This group has established commodity councils to identify the Department’s needs for each commodity and service. They also are developing more efficient purchasing mechanisms to meet those needs by leveraging the buying power of the entire Department.

The functions described above are relatively rudimentary and lack procedural and analytic rigor, however. There is no evidence that either the IRB or JRC have substantially altered any programs or provided guidance to the component entities regarding investment strategy or joint requirements. The inadequacy of the current process is one of the most significant stumbling blocks impeding the coherent execution of the Department’s priorities. They are largely reactive, rather than directive in character. They have not employed a risk-based approach to the resource allocation problem. Without a process to follow, there is always the danger that decisions will be driven by short-term agendas or even personalities. This is a system sure to fail over the long haul as personnel turn over and key players are replaced.

The challenge for DHS is to determine precisely which pieces of this process drive the others. It also must ensure that the process is optimally configured to get maximum effect from scarce resources. The Department must make the process sufficiently transparent so that external Agencies and the private sector can better understand, predict and coordinate with the path DHS intends to follow. Absent such a formalized process for achieving goals and objectives, the various stakeholders (both inside and outside the Department) are unable to engage the Department in appropriate and necessary ways.

DHS can learn from several significant but somewhat differentiated business process models that are in use by various government Agencies, each with a varying degree of process centralization. Examples of the main types include – in order of lesser to greater centralization – the business

² Department of Homeland Security, Fact Sheet: Leadership and Management Strategies for Homeland Security Merger, available at www.dhs.gov/dhspublic.

³ Andrew Maner, DHS Chief Financial Officer, Statement before the Senate Committee on Government Affairs, July 8, 2004, available at www.hsgac.senate.gov/index.cfm?Fuseaction=Hearings.Testimony&Hearing.

processes of the Federal Bureau of Investigation (FBI), the U.S. Coast Guard (USCG), and the Department of Defense (DoD). A brief examination of each reveals the strengths, weaknesses and caveats associated with the recommended DHS model above.

FBI Business Processes

The Federal Bureau of Investigation has traditionally been, and remains, a relatively decentralized organization, with the majority of the power and decision-making vested in individual field offices and even individual Special Agents. This means that the central authority is relatively weak in terms of controlling the field offices, and that the Special Agents in Charge are more or less free to pursue their objectives as they see fit. It also means that Department-wide priorities, such as secure interoperable communications and data management systems, have long been secondary to the more localized objectives of the various field offices.

Before 9/11, this decentralization proved acceptable because the FBI's primary focus had always been on criminal acts: catching criminals after the fact and preserving evidence for courtroom prosecutions. Individual agents could pursue cases, or the FBI could create focused task forces for certain larger efforts. While the legal requirements for FBI efforts remained strictly regulated, the actual day-to-day operations were only loosely controlled from the headquarters. All too often, regional and local policies did not necessarily coincide with what headquarters may have seen as national strategic objectives. This decentralized approach, with less demands for bureaucratic approvals for specific initiatives, had the inherent benefit of giving field units more rapid freedom of action.

With the shift to preventing terrorism, however, even the FBI is learning to be more proactive. This reorientation requires shared Department-wide goals for intelligence gathering, information analysis, and knowledge management. As a result, the FBI's Washington headquarters is gaining more power over the field units.

A good example of the FBI's new direction is in the realm of information technology, which has been plagued by a lack of effective processes. When the focus was on catching criminals and relevant files were shared among a small team of task force members, the need for information sharing systems was not great. The FBI now plans, however, to centralize all information technology acquisition because, as the Bureau's Chief Information Officer told *Information Week* in May 2005,

We found that one of the reasons we have stovepipes is because different technology was being developed by different agencies within the bureau. If we want to be effective, we have to actually take control of the budget and bring these systems together in alignment with an enterprise architecture, with a long-range plan that involves what we want to do in 2011, and invest from [the central office].⁴

⁴ Information Week *Interview: The FBI's CIO Talks About Getting Results* available at www.informationweek.com/shared/printableArticle.jhtml?articleID=164300804

The FBI presents an interesting case study for the DHS leadership as it works to forge a new command and control structure and determines the appropriate, desired degree of process centralization. The process of integrating the disparate pieces of the multiple entities that comprise DHS, however, make for a somewhat more diffuse cultural power. Furthermore, the mix of personnel and operational prerogatives at DHS are more complex than at the FBI. And yet even the FBI, as it takes on a more cooperative and collaborative mission, is increasingly centralizing strategic policy, budgetary, and acquisition authority.

USCG Business Processes

The U.S. Coast Guard's headquarters is responsible for drafting the USCG strategy, in consultation with DHS, and taking into account the national security needs of the U.S. Navy, to whom the Coast Guard reports during wartime. The Coast Guard's business processes therefore are tied to its strategy and policy through the functions of the Commandant's office, although in reality almost all of the Coast Guard's significant acquisition is heavily concentrated on two major programs, the Integrated Deepwater System (Deepwater) and the National Distress and Response System (NDRS). These large-scale integrated technology efforts are being managed by the Coast Guard and developed in coordination with external contractors. This approach, often called the Large Systems Integrator (LSI) model, allows for harmonization of assets and ensures a single focal point for program oversight. At the same time, it means that significant amounts of the Coast Guard's near- and long-term ability to carry out its missions will depend on the success of these two programs.

The Deepwater project, for example, began in 1998 as a 20- to 30-year program to replace the Coast Guard's increasingly obsolete aircraft, surface vessels, and supporting systems. The program's requirements are based on the Coast Guard's congressionally mandated roles and missions. Its architecture is a system-of-systems approach for maximum flexibility, which is important because many of the assets purchased today will be in service for the next half-century or more. In determining future program requirements, the Deepwater program staff relies upon analysis of emerging operational trends and the USCG area commanders' annual Regional Strategic Assessments, which helps ensure that the Coast Guard procures assets that reflect their real-world mission set both today and for the foreseeable future.

The USCG also is seeking to better integrate itself into the R&D efforts of the Navy, and indeed of the entire DoD. The Coast Guard, with a \$30 million annual R&D budget, cannot afford to conduct much specialized research. To best accomplish its mission through technological solutions the Coast Guard is considering developing a single in-house focal point to oversee technology development, and a specific office to monitor and evaluate the continued progress of existing and developing technologies.

As with the case of the FBI, the challenges to DHS are more complex than those of the USCG alone. The primary challenge for the Coast Guard is to match limited resources against an expanding set of important functions, and to do so in keeping with both important day-to-day operational needs and the requirements of long term, sustainable homeland security missions. The Coast Guard model does demonstrate the benefit of placing procurement issues into a single area, in this case in a pair of LSI programs, which creates focal points for practically all budget

and procurement issues. Again, however, DHS has such a broad mandate and expansive reach that a more complex model may be necessary.

DoD Business Processes

The Department of Defense, whose significant responsibilities span across the globe, the atmosphere, and even into space, has long wrestled with the issues of centralized versus decentralized control of strategy, requirements, budgets and procurement. Since the Department's creation in 1947 tensions have existed among and between the Army, Navy, Marines and Air Force. Individual acquisition programs historically have reflected the interests and preferences of the specific military branches rather than the needs of the nation as a whole. The resultant lack of cohesion and interoperability of these forces fostered wasteful, and potentially deadly, capability gaps.

Today, after several decades of reforms, trial and error, DoD's operational responsibility remains embedded with the Joint Chiefs of Staff, but strategic policy creation resides with a strong centralized authority, the Office of the Secretary of Defense (OSD). OSD also is responsible for planning, resource and fiscal management, and program evaluation. In practice, OSD both formulates strategic policy as well as 'ruthlessly integrates' strategic and operational needs among the Services. In this manner, OSD becomes the focal point for the important tasks of defining strategic needs, critical capabilities, and long-term planning guidance. This authority, coupled with the strong personality of several pivotal Secretaries of Defense, has helped further centralize the military bureaucracy under OSD by ensuring that strategy drives requirements, budgets and acquisitions.

The key to controlling and directing DoD's business process is the Planning, Programming, Budgeting and Execution system (PPBE). This process ensures top-down guidance through the National Military Strategy, the Joint Planning Document, and DoD's long-range plans. The Services and Defense Agencies must develop their strategic, operational, and acquisition plans in accordance with the Joint Planning Guidance and the Integrated Priorities Lists provided by the Combatant Commanders. PPBE then translates these plans into programs through the bi-annual Program Objective Memorandum (POM) cycle, which includes an analysis of missions, objectives, alternative methods to accomplish objectives, and allocation of resources. The outcome of the programming effort is a Program Decision Memorandum that specifies investment decisions for the entire DoD.

The final part of the process, budgeting, provides an integrated department-wide budget and specific program decisions to the Services. PPBE provides solid insight into DoD's acquisition objectives and helps ensure that all interested parties, public and private sector alike, can coordinate their activities in accordance with DoD priorities. While the PPBE system allows for centralized management and direction of a very large and complex bureaucracy, it is not particularly flexible. As a result, DoD has had to initiate programs to meet the immediate needs of forces in combat in Afghanistan and Iraq. The Army instituted the Rapid Fielding Initiative (RFI) to ensure that forces in the field could acquire critical items without the delays created by the normal acquisition and contracting processes. In order to implement RFI, the Rapid Equipping Force was given the mission of expeditiously increasing the mission capabilities of

existing operational forces by equipping them with off-the-shelf solutions or near-term developmental items and, where appropriate, inserting future force technology solutions.

DHS faces many of the same problems in defining requirements and managing its acquisition and resource processes that routinely confront DoD. Currently, DHS lacks the formal structures that DoD employs to control the behaviors of a massive and widespread organization. While DoD's approach has its faults, DHS should look carefully at importing some of the tested approaches used for years in DoD.

Two Additional Areas of Concern: Appropriate Resource Allocation and Responsive R&D

Appropriate Resource Allocation

DHS also suffers from an oft-cited inability to spend the money it has been allocated in a transparent and logical fashion, be it for immediate needs, the phased-purchase of larger systems, or longer term R&D. These are complex tasks, especially given that much of the Department's funds are already obligated for operating costs and mission prerogatives that pre-date the Department itself. Nonetheless, more than \$5 billion apparently remains tied up somewhere in the system, having been allocated but not yet provided to the intended communities. This blockage, in turn, has precluded the private sector from developing and providing the needed solutions. Acquisition and R&D expenditures are areas where several new ideas and near-term reforms are needed.

It is clear that DHS lacks adequate controls over the disbursement of funds to states and localities. According to the report of the National Conference of Mayors, as of May 2004 some 52 percent of the 214 cities surveyed had not received funds for first responder/critical infrastructure programs. Across more than a dozen programs designed to support a wide variety of homeland security activities, between one third and one half of the states and localities reported having received no funds.⁵

The current formula for determining how to spend appropriated monies is disadvantageous on several accounts. Most of the appropriated money is earmarked for specified projects, meaning it must be spent in certain ways that may or may not match the Department's prioritized strategic goals. This requirement prevents the money from being best spent to address the Department's specific objectives. Furthermore, there is inadequate oversight, direction or guidance to the states regarding their disbursement of funds. As a result, according to a Congressional study, "almost one third of our Nation's States distribute their federal first response funds – totaling over \$650 million dollars – by formulas that did not account for either need or risk."⁶ A recent report on California's use of federal homeland security funds indicated that much of the money was spent in ways that did little to increase security against terrorism.⁷

⁵ The United States Conference of Mayors, *Tracking Federal Homeland Security Funds Sent to the 50 State Governors, Third Mayors' Report to the Nation*, 2004, p. 22.

⁶ House Select Committee on Homeland Security, *An Analysis of First Responder Grant Funding*, 2004, p. 3.

⁷ "Homeland Security Funding Ineffective," *Contra Costa Times*, July 17, 2005.

Additionally, even the discretionary money must be spent according to rigorously defined state/local divisions, usually with up to 80 percent going to local bodies. Each of these entities has their own goals and objectives that may or may not coincide with state, regional or national needs. The localities often lack the personnel, procedures, or oversight to receive and disburse the large annual federal grants. The existing approach ensures every county and congressional district receives some funding, but it greatly reduces the ability to place the most resources against the most likely and most severe scenarios. Even worse, this spending process essentially precludes regional solutions by making it more difficult to coordinate the dispersal of funds among multiple jurisdictions.

In a 2004 study for the Homeland Security Advisory Council on the failure of some \$5 billion (nearly 80 percent) of allocated DHS money to reach the end-users, the task force concluded:

- Ordinary procurement and cash management processes cannot be relied upon in extraordinary times;
- The reimbursement requirement for state and local grants doesn't work well for many governments;
- Many state and local governments lack the purchasing power to obtain needed goods and services in a timely fashion; and
- The lack of national standards guiding distribution and use of funds contributes to delays in disbursement.⁸

There is good news on one critical front. While the big picture solutions to many of the information processing, data storage, and communications interoperability problems require a Department-wide and state and local standardization that have not yet been articulated, the Department recently announced two plans to better coordinate purchases of technology services and commodities and move component organizations onto a common technology infrastructure. The first is the Enterprise Acquisition Gateway for Leading Edge solutions (EAGLE), and the second is the commodities program dubbed 'First Source.' Together, these programs should enable DHS to standardize information technology programs and leverage its buying power to obtain better prices.

The continuing lack of equipment and training standardization at the state and local level causes problems both for an effective regional response and for selecting and procuring reliable and appropriate equipment from qualified vendors. It is extremely costly for firms to try to market competing solutions to a variety of state and local entities, especially because the systems are not usually fully interoperable, which creates an additional burden on the Department down the line. According to a recent study:

... there are no federal criteria for the minimum capabilities needed to protect an American community, no funding formula that is based on risk analysis and divorced from politics, and no funding system that can assure a sustained flow of funds for specific projects that are consistent with the real security needs of the community and national strategic priorities. Additionally, there is no legislative

⁸ Homeland Security Advisory Council, *Report from the Task Force on State and Local Homeland Security Funding*, Department of Homeland Security, June 2004, p. 4.

requirement for federal grants to be allocated in a manner that supports the national homeland security strategy.⁹

The primary DHS task in this regard should be to promote standardization through interoperable equipment and common training in tactics, techniques, and procedures. This requirement is important even though first responders are primarily local assets, because many severe but plausible threats will have a regional, if not national, impact. Especially for mass casualty and chemical/biological/radiological/nuclear threats, the need for standardization is paramount. A national approach enables targeting of resources to where the most damage (in both lives lost and lasting economic impact) can be done. It also fosters interoperability, compatible networks, and a common operating picture. All of these will be vital to national, and not just local, post-event response and recovery efforts.

Responsive R&D

Another focus area for immediate reform is DHS' present inability to harness the power of the American scientific, technological and research communities in the service of homeland security. The need for responsive and focused R&D to solve critical problems grows more urgent every day. DHS needs to take advantage of existing technological solutions for many of the security and preparedness areas it is trying to address. Given that the terrorists' timeline is unknowable, and therefore that time is of the essence, the Department must be more mindful of existing solutions that serve related military needs for intelligence, surveillance, reconnaissance and communications. These solutions can be implemented immediately, and some of them warrant implementation on a larger scale than just DoD. America's industrial and technological might is in part derived from DoD, often called the '800 pound gorilla' because of its budgetary authority and ability to dictate the determinants of the private sector's technology solution set. It is only natural that DoD should become an ally in DHS' quest to fund effective, interoperable, near-term solutions while also harmonizing and eliminating duplication among longer-term research goals. Yet DHS' budgetary process is wholly removed from DoD's massive spending and procurement plans, even for oft-cited areas such as developing common operating pictures, interoperable communications and data networks, and biometrics for critical infrastructure protection.

The Bush Administration and DHS have begun to recognize the need to focus homeland security-related R&D efforts. Homeland Security Presidential Directive 7 directed the development of an R&D roadmap for critical infrastructure protection. The Office of Science & Technology Policy and DHS' Science & Technology Directorate have published a National Plan to focus research and development that support the mission of critical infrastructure protection.¹⁰ Additional plans are needed to address other critical mission areas.

DHS also should endeavor to support the rapid development of new technologies that will harness the strength and ingenuity of the American research and development community by capitalizing on emergent technologies over the long haul. This is especially important for the

⁹ James J. Carafano and David Heyman, *DHS 2.0: Rethinking the Department of Homeland Security*, The Heritage Foundation, Washington, DC, December 13, 2004, p. 24.

¹⁰ *The National Plan for Research and Development in Support of Critical Infrastructure Protection*, U.S. Government Printing Office, Washington, D.C., April 2005.

critical tasks of weapons and chemical/biological/nuclear detection equipment because the existing systems are largely inadequate. But everyone in the private sector, from major technology companies to large systems integrators to mom-and-pop entrepreneurs, has to be able to justify the time and effort of business development costs through the reasonable expectation that their product will meet the client's needs. Firms have had great difficulty determining what the Department's priorities are and what type of solutions DHS is looking to implement. Addressing this coordination and collaboration challenge should be a high priority for DHS, and preferably taken on by the new Policy Secretariat's Deputy for Science & Technology.

At the same time, the Secretary, the Policy Secretariat, the Under Secretary for Science & Technology, and the General Counsel's office must all work together to develop a unified approach for implementation of the SAFETY Act, which shields sellers and customers of anti-terror products and services from certain liabilities. Companies across the globe have numerous solutions available to help protect the homeland, but the Department has yet to define a 'business friendly' SAFETY Act utilization process, much less one that marries the SAFETY Act to its procurement activities. Ensuring that companies have a fair and efficient process in place to grant them immunity is critical to ensuring that the solutions needed to protect the homeland enter (or even remain) on the market. No matter how clearly needs and priorities are defined, private sector firms will remain disinclined to deploy their wares into homeland security markets without an effective way to award the protections of the SAFETY Act.

In order to allow the SAFETY Act to realize its full potential:

- The Policy Secretariat should make effective implementation and use of the SAFETY Act a top Department-wide priority;
- The Under Secretary for Science & Technology should redefine the application process to be more 'applicant friendly;'
- The General Counsel's office should work to ensure that the protections awarded are as broad as possible; and
- The Secretary himself must make perfectly clear to the Department as a whole that when Congress passed the SAFETY Act, it already made the difficult decision to limit the ability of victims of terrorist attacks to seek redress so that the country will have the solutions it needs available to it.

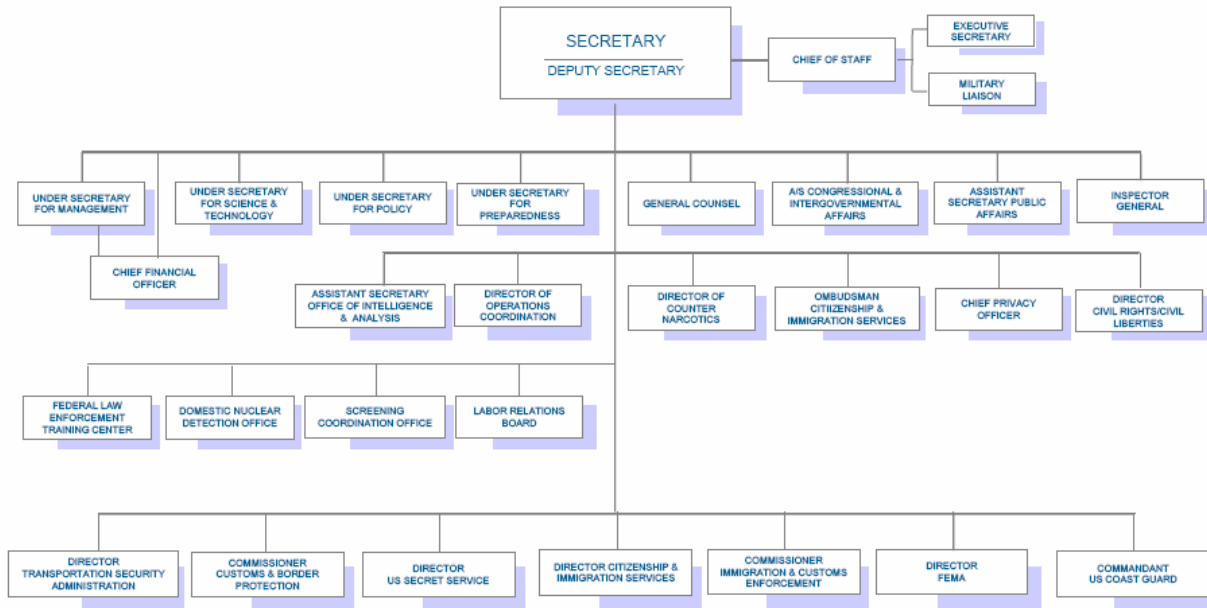
By taking these steps the Department can better implement the SAFETY Act and remove the fear of liability as a significant obstacle inhibiting the deployment of safe and effective anti-terror solutions.

DHS Reorganization Structures

Secretary Chertoff has proposed a realignment of DHS business processes as depicted below:

Department of Homeland Security Organization Chart

(proposed end state)



It is important to look beyond the lines on the page, however, and examine the functional areas constituting the core DHS mission and how budgetary resources are allocated among them. For example, it is clear that the new Policy Under Secretariat is intended to have a strong role in the proposed reorganization based on the Secretary's desire to centralize policy coordination and streamline pursuit of key Department initiatives. Similarly, the Domestic Nuclear Detection Office is at the core of the Secretary's talking points, and it stands to reason he will keep a close eye on its development. Science & Technology also will continue to be a strong bureaucratic player, especially as it controls a significant portion of the funds available for acquisition and funding of external programs.

Key DHS Functional Areas Under the Proposed Realignment

- Science and Technology (Under Secretariat)
- Policy (Under Secretariat)
- Preparedness (Under Secretariat)
- Office of Intelligence & Analysis
- Operations Coordination
- Federal Law Enforcement Training Center (FLETC)
- Domestic Nuclear Detection Office
- Screening Coordination Office
- Transportation Security Administration (TSA)
- Customs and Border Protection (CBP)
- United States Secret Service (USSS)
- Citizenship and Immigration Services (CIS)
- Immigration and Customs Enforcement (ICE)
- Federal Emergency Management Agency (FEMA)
- United States Coast Guard (USCG)
- Counter Narcotics Office

It remains unclear how the reorganization will affect the relative strength the Office of Intelligence & Analysis; 'inside-the-Beltway' turf wars over intelligence and the control of important information still reign supreme, 9/11 or no. The Transportation Security

Administration is also an entity in flux, with recent proposals to re-privatize airline security finding little interest from various airports that fear the assumption of liability. Likewise the fate of the Coast Guard's ability to carry out its sizeable mission will be answered over time, being significantly affected by the degree to which Congress does or does not fund existing modernization and procurement needs.

The Way Ahead

The failure to create a strong central Policy Secretariat to articulate Department-wide policy priorities from the outset has been described rightly as the single greatest shortcoming of the creation of DHS. It has hampered the implementation of a widely accepted overall strategy, which in turn has precluded the development of coherent policies to rationalize requirements, budgetary and acquisition decisions. The codification of these priorities and goals must be in the creation of specific business processes to enable programmatic and budgetary planning. One of the most significant issues facing DHS is defining its end-to-end business processes to ensure that long-term strategy and policy prerogatives are defended against the daily onslaught of nearer-term needs.

The *strategy* should be developed first by DHS headquarters, and should formalize the plan to achieve the Department's assigned goals and missions. Achieving the strategy will require certain assets. These in turn should be identified during the *requirements* phase by the functional components (USCG, Federal Emergency Management Agency, etc.) that will carry out the missions. The combination of sound strategy and logical requirements should be used to justify the proposed *budget*, which should be controlled by the headquarters in order to ensure alignment with strategy and policy priorities. In the final step, the *acquisition* plan should be executed by the various DHS components.

In this manner, the Policy Secretariat plays two important roles. First, it develops strategy. Second, it coordinates procurement priorities to ensure the budget accords with the Secretary's risk management prerogatives, including implicit trade-offs between current and long-term security and preparedness needs, and the attendant acceptance of risk. Various functional arms of DHS, in turn, remain responsible for the day-to-day execution of the Department's mandate by implementing the approved strategy in terms of actual acquisition and normal operations. In other words, within their specified areas of responsibility, the functional departments retain their individual freedoms to decide how best to perform tactical and operational duties, but their priorities are developed in consultation with, and subject to the approval of, a central power, as embodied in the Secretary and his policy office.

A key feature of this approach is that the Secretary will be responsible for both setting strategic policy *and* for ensuring proposed budgets are optimally aligned for carrying out that strategy. It centralizes the budgeting function as well as the policy function in order to enable the Department's central command authority to ensure that risk management principles are applied to the process of achieving DHS' goals and missions. This restructuring should foster a more rational approach to balancing near- versus long-term needs in the context of accepting risk, which is a key aspect of the Secretary's desire for placing assets where they will do the most good. Another key feature is a formalized requirements definition and oversight process, which

would promote department-wide integration and collaboration on key investments. It would also ensure essential compatibility on critical systems and reduce the likelihood of duplicative investments.

Secretary Chertoff should implement three additional reforms in order to gain more effective control over his department, ensure a focus on priority missions, and provide for greater integration of efforts:

Empower the new Policy Secretariat to develop both strategic and budgetary guidance for all of DHS.

DHS faces acquisition and budgetary span-of-control challenges comparable to those confronting DoD. DHS requires a requirements definition and resource allocation process as rigorous and predictable as that employed in DoD.

Budget oversight and planning should be part of the policy function, as they are in DoD. DHS needs an organization to conduct detailed budget estimates and provide critical auditing functions. The Policy Secretariat's first task should be to design and implement a rational, defined business process cycle to align the Department's strategy, requirements, budget and acquisition. By joining strategy and budget planning in the Policy Secretariat, the Department could more forcibly shift priorities from legacy mission areas into new homeland security initiatives while improving interactions with external stakeholders.

As part of its responsibility for developing strategic guidance, the Policy Secretariat should also develop the appropriate funding formulas and minimum criteria to guide the states and localities in their expenditure of federal homeland security funds. Most experts agree with Secretary Chertoff that a risk-based formula makes the most sense.

Formalize the requirements definition and oversight processes across the Department.

In DoD, requirements are set by the military, either the Services under their Title 10 responsibilities or the Combatant Commands. DoD has formalized this process in the Joint Requirements Oversight Council (JROC) chaired by the Vice Chairman of the Joint Chiefs of Staff. The JROC offers two unique benefits that need to be harnessed by DHS. First, all members of the JROC understand the difficulty of formulating requirements and employing a force. Second, the JROC is made up of senior officers who have years of experience. They understand the difficulties in working with mismatched equipment; being on the receiving end of incompatible orders and the stress of an engagement. DHS needs a similar capability and associated processes. A more formal requirements definition and oversight process would clarify priority procurement areas and associated timelines, in turn easing relations with the Congress, stabilizing funding for essential missions, and enabling the private sector to help develop appropriate solutions.

In order for this process to have 'teeth' it needs to two things. First, it must have the involvement of the highest levels of the Department. Second, it needs to be formalized. This

means establishing rules and criteria for evaluating programs and projects. Programs must be regularly reviewed in order to ensure that requirements are being met.

The requirements definition process and oversight processes must extend down to the states and localities as well. The present system encourages confusion, duplication of effort and the waste of scarce resources. The Office of Domestic Preparedness (ODP) needs to translate the strategic guidance developed in the Policy Secretariat into practical direction for the states and localities. Moreover, ODP should act as a clearinghouse and facilitator for the states and localities in their efforts to acquire technologies, training and support for their homeland security efforts. A DHS task force report recommended a number of initiatives to enhance coordination at all levels and improve the way in which federal funds were spent:

- Establish multi-state cooperative purchasing consortia and expand the use of state and federal contracts;
- Establish national standards for grant management including standardized terminology and real-time tracking capabilities;
- Compile and disseminate best practices;
- Expand and enhance training and technical assistance to state and local officials; and
- Strongly encourage regionalization and cooperation among stakeholders similar to the Urban Areas Security Initiative (UASI) Grant Program.¹¹

Aggressive implementation of the measures proposed by DHS's own task force would unquestionably result in improved coordination, greater effectiveness and better opportunities for the private sector to support the states and localities.

Streamline the acquisition and R&D processes.

Acquisition and R&D processes should be reorganized in order to be more transparent to both Congress and industry. DHS should adopt measures developed by DoD to support rapid acquisition and fielding of critical capabilities as it develops a long-term program. The Department could learn from the Army's experience with its Rapid Fielding Initiative. A DHS Rapid Fielding Force could inject readily available technologies into operational entities at all levels.

In addition, it should consider implementing a scaled-down version of DoD's PPBE system. DHS needs to develop a process that links strategy, operational requirements, and resource allocations. It must develop a set of annual guidance documents to inform all the components and direct their planning and budgeting efforts. Finally, it needs to develop a predictable budgeting process.

The Under Secretary for Preparedness should implement processes to support greater procurement standardization across the states. One remedy is to consider the development of a robust Government-wide Acquisition Contract (GWAC), combining a list of approved vendors and products for sale with the award of Indefinite Delivery/Indefinite Quantity (ID/IQ) contracts

¹¹ *Report of the Task Force on State and Local Homeland Security Funding, op. cit.*, p.3.

to convince companies that their business and product development efforts will be more rationally evaluated.

In this regard, DHS should leverage its relationship with NORTHCOM, the National Guard Bureau and state Adjutant Generals. In a number of states, the Adjutant General is also the director of homeland security or the governor's key homeland security advisor. The National Guard is also familiar with the PPBE process and with a formalized acquisition system. Its members could function as a bridge between the Federal Government and the states and localities on investment priorities for securing the homeland. As recent events have demonstrated, only a clear, simple chain-of-command will work during a major crisis.

Such a centralized system does have potential pitfalls. Some parts of DHS might not respond well to increased oversight of their operational decisions. If improperly coordinated, moreover, the Policy Secretariat could become a bureaucratic impediment to rapid decision-making. These concerns can be resolved through sufficiently strong executive leadership, however, and are outweighed by the long-term need for more structured and rational business processes, which would be provided by the central coordination function embodied in the proposed Policy Secretariat.

Concluding Observations

Continued strong executive leadership is essential to implement this strategic vision. Within the Department, the Secretary's operational and strategic presence must be felt very strongly for each high-priority project. Given all the competing objectives, resource disputes, unanswered legal questions, and the shadowy nature of the unpredictable enemy, the Secretary must not only organize and lead the Department, but also select and tirelessly advance a few key objectives. For example, Secretary Chertoff could focus on achieving such definable and essential projects as Maritime Domain Awareness, Critical Infrastructure Protection, Domestic Nuclear Protection, mass casualty preparedness response, and delivery of the Strategic National Stockpile.

Only a strong, central, core organizational function that can set priorities and settle disagreements among the various functional departments will enable DHS to become greater than the sum of its individual parts. The Policy Secretariat will, by necessity, play the role of 'ruthless integrator' of the Department's disparate activities, ensuring implementation of the Department's strategic goals and promoting internal harmony among DHS' various competing interests. An effective Policy Secretariat should enable all DHS offices, even the smaller ones, to compete for resources. It also should coordinate collaborative and complementary efforts to reduce undesired redundancy. Implementation of strategy is a significant challenge for any organization, but for a large entity like DHS, with complex and overlapping mission areas and legacy commitments and management practices, the challenges are all the greater. The Department's long-term strategic imperatives must therefore be enshrined in policy and implemented through a strong policy office. The same office should also become the arbiter of budgetary decisions in order to ensure that DHS as a whole is accepting and mitigating risk in accordance with national objectives and strategic plans and priorities.

This is not to understate the difficulty of DHS' task. There are literally thousands of individual needs and balancing them – for example, port security versus cargo inspection versus border control versus maritime interdiction – makes for a complex problem set indeed. There is also the inherent tension between solving today's problem with a temporary solution versus remaining vulnerable while pursuing a lasting solution further in the future. Improved processes that make DHS' requirements clearer to the private sector will place the Department in a better position to engage industry in the development of effective solutions.

The role of the President is perhaps less direct but no less vital. DHS is an essential piece of the Executive Branch, and the need to carve out its proper place among the other existing Agencies and entities in Washington will become all consuming without appropriate leadership and support from the White House. Presidential interest has a way of cutting through the bureaucratic impediments to success. With the President's attention, moreover, DHS has the ability, for example, to counter Congressional tendencies to spread money across all districts without accounting for need, vulnerability and threat.

Secretary Chertoff has made a compelling case for reforms that support development of a formal process for a risk-based approach to homeland security that addresses catastrophic events first, all other needs second. His approach will remedy many existing problems, but only if his authority comes with the power to compel adherence to business processes that support the Department's primary strategic goals. This will require the support of the Department, the Congress, the President, and the American people.