

**THE DEPARTMENT OF HOMELAND SECURITY'S FIRST YEAR:
A REPORT CARD**

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A CENTURY FOUNDATION REPORT

UNCORRECTED MANUSCRIPT

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THE DEPARTMENT OF HOMELAND SECURITY'S FIRST YEAR: A REPORT CARD

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When George W. Bush proposed the creation of the Department of Homeland Security (DHS) on June 8, 2002, he called it “the most extensive reorganization of the federal government since the 1940s.”¹ Indeed, at its inception on March 1, 2003, the DHS brought together 22 federal agencies and more than 170,000 employees—the largest restructuring since the creation of the Department of Defense (DOD) in 1947 (for an organizational chart of DHS, see Appendix 1). Although the DOD reorganization involved more employees, by almost any other measure the DHS restructuring was harder.

Even the large numbers vastly understate the scale and complexity of the job. As with past reorganizations, all the agencies involved were still responsible for carrying out their previous mandates—from the Coast Guard’s rescue of sailors in distress to the Federal Emergency Management Agency’s relief for victims of natural disasters. But unlike what happened in previous reorganizations, all of the agencies took on new and expanded homeland security

¹ Radio address by President George W. Bush (June 8, 2002), at <http://www.whitehouse.gov/news/releases/2002/06/20020608-1.html>.

responsibilities. Thus, the scale and complexity of the job make this the most challenging reorganization ever attempted in America.

Now that the new department has been in operation for a year, how has it performed?

The Century Foundation commissioned prominent experts to undertake detailed studies, which accompany this overview, focused on four critical homeland security challenges: aviation security, intelligence gathering and coordination, immigration, and coordination with state and local governments. The grades presented here derive directly from those reports, focusing on the core elements of the department's mission arising from the gaping security vulnerabilities so tragically illuminated on September 11, 2001:

- ***Aviation security.*** Federal officials were concerned with more than the fact that terrorists breached airport security on September 11 to hijack the planes. Subsequent investigation revealed vulnerabilities not only in the screening of passengers but also of carry-on and checked luggage. Reformers called on the new department to enhance aviation security.
- ***Intelligence gathering and coordination.*** In the months that followed September 11, analysts and reporters alike constantly asked how the government's intelligence community failed to detect and prevent the attacks. When it became clear that bits and pieces of intelligence had been collected but had never been linked, reformers called for an aggressive effort to do better "connecting the dots" among the nation's intelligence agencies. They called on the new department to play a strong role in that effort.
- ***Immigration.*** Federal investigators were stunned to discover that the September 11 hijackers appeared to have entered the country legally, although staff members of the independent National Commission on Terrorist Attacks upon the United States believe that at least two and

perhaps eight of the hijackers had used fraudulent visas. Reformers, both within and outside of the government, have called on the new department to improve the enforcement of immigration laws and to tighten security at the nation's borders.

- ***Coordination with state and local governments.*** The heroic efforts of the “first responders”—local police, firefighters, paramedics, and other emergency workers—on the morning of September 11 demonstrated how crucial state and local governments were in the war against terrorism. Follow-up studies revealed that many of the nation's state and local governments were not nearly as well prepared as the first responders in New York and Washington. Reformers called on the new department to improve coordination of federal strategies with state and local governments.

Based on those studies, this report card also assesses the overall management performance of DHS leadership during its first year.

GRADING THE DEPARTMENT OF HOMELAND SECURITY

So how does the department's performance measure up after a year? This report card is based on:

- ***Strategy.*** How well has the DHS focused the nation's energy on improving its security?
- ***Capacity.*** How well has the DHS strengthened the federal government's ability to meet the goals of this strategy?
- ***Results.*** How has the DHS actually improved homeland security?

The report card applies these criteria to the four policy areas and the department's management performance. The grading scale:

- A – excellent: could not be significantly improved
- B – above average: needs some work
- C – average: needs considerable improvement
- D – poor: backsliding from earlier conditions

After its first year, what grades has the new Department of Homeland Security earned?

DEPARTMENT OF HOMELAND SECURITY REPORT CARD

OVERALL GRADE	C+
AVIATION SECURITY	B-
• Hire checkpoint screeners	A
• Conduct timely screener background checks	D
• Create adequate system for ongoing background checks of screeners	A
• Train screeners	B
• Measure screener performance	C
• Screen checked luggage	B
• Put undercover federal air marshals on flights	A
• Oversee contractors	B
• Create passenger profiles	C
• Control access to airport perimeters	C
• Control access to secure airport areas	C
• Ensure security in general aviation (private planes)	D
• Ensure security in air cargo	D
• Coordinate air security with foreign governments	B

INTELLIGENCE	B-
<ul style="list-style-type: none"> Get DHS Information Analysis and Infrastructure Protection Directorate up and running 	A
<ul style="list-style-type: none"> Integrate DHS intelligence into Terrorist Threat Integration Center 	B
<ul style="list-style-type: none"> Create clear mission and strategy for analysis of information about possible attacks 	C
<ul style="list-style-type: none"> Coordinate DHS threat assessment with infrastructure protection 	B-
<ul style="list-style-type: none"> Share information with state and local officials 	C
IMMIGRATION	C+
Enforcement	B-
<ul style="list-style-type: none"> Combine Immigration, Customs, and Agriculture functions into a single point of enforcement at the border 	B
<ul style="list-style-type: none"> Strengthen entry and exit controls at ports of entry 	B
<ul style="list-style-type: none"> Strengthen entry and exit controls at land borders 	C
<ul style="list-style-type: none"> Develop, in coordination with other nations, machine-readable biometric passports for foreign visitors 	C
<ul style="list-style-type: none"> Track entry and matriculation of foreign students 	A
<ul style="list-style-type: none"> Protect critical infrastructure 	B-
<ul style="list-style-type: none"> Prevent illegal entry at the border 	C-
<ul style="list-style-type: none"> Develop a unified cadre of interior enforcement agents 	B
<ul style="list-style-type: none"> Undertake targeted enforcement efforts inside the country (to reduce smuggling, for example) 	B
<ul style="list-style-type: none"> Apprehend those who overstay visas 	C
Immigration and naturalization services	C+
<ul style="list-style-type: none"> Improve customer service at local immigration offices 	B-
<ul style="list-style-type: none"> Reduce backlog of immigration and naturalization cases 	D
Combined functions	B-
<ul style="list-style-type: none"> Integrate immigration databases 	B
<ul style="list-style-type: none"> Integrate policy development 	C

COORDINATION WITH STATE AND LOCAL GOVERNMENTS	C
• Develop a National Strategy for Homeland Security	C
• Get DHS Office of State and Local Government Coordination up and running	B
• Allocate money based on the risk of a terrorist attack	D
• Establish lines of communication with state governments	B
• Get money out the door to state governments	C
• Consolidate training, equipment, and planning grants for the states	C
• Improve overall accessibility and flexibility of grant money to local governments and first responders	D
• Provide training for local first responders	C
• Define expectations for states and local governments as partners in homeland security	C
<hr/>	
DHS MANAGEMENT	C+
• Create clear and measurable goals for assessing performance	C
• Implement the new DHS personnel system	C
• Manage relationships with foreign counterparts	B
• Establish a clearer and more useful national warning system	B
• Integrate disparate agencies into a coordinated department	C
• Provide strong leadership on homeland security	B
• Work with Congress and other key interests to develop clear policy goals	D

The DHS's overall grade for its first year is C+. As is scarcely surprising given the enormity of the task it faced, the department's performance has varied widely. In some areas, the DHS has done exceptionally well, yet in other areas, conditions are worse than before the DHS was created. The biggest areas needing improvement, in fact, deal with the very coordination—"connecting the dots"—problems that the department was created to solve.

How much progress can be ascribed to the creation of the department itself? Its advocates originally contended that putting the homeland security function into a department would give the new secretary more clout in pulling the disparate functions together and would give homeland security more leverage in the budgetary process. However, there is not yet much evidence that the department has met these aspirations. The higher grades mainly apply to ongoing functions, where the DHS built progress on preexisting momentum. (One notable exception is the restructuring of the INS, which improved integration of enforcement efforts.) On the other hand, the lower grades go mainly to the very coordination problems the department was created to solve. Especially when it comes to strategically directing aid to state and local governments, there is little evidence that the creation of the department has improved coordinating clout or budgetary focus.

More details about the grades and supporting analysis are included in the accompanying individual reports; this summary details the areas with highest and lowest performance.

Areas with High Performance

The Department of Homeland Security has done well in these five areas:

- ***Tracking the entry and matriculation of foreign students.*** Some of the September 11 hijackers were in the country on student visas. Although there has been considerable complaint from students and universities, the DHS has improved its ability to track foreign students and their activities.
- ***Hiring checkpoint screeners.*** The DHS faced the massive job of moving the Transportation Security Administration from the Department of Transportation, hiring a huge federal workforce and integrating the screeners into a solid system. The system has emerged far more quickly—and functioned far better—than almost anyone expected.

- ***Creating an effective ongoing system for conducting screener background checks.*** After a rocky start, in which screeners were allowed to remain on duty even after officials determined they had serious criminal records, the department has made huge strides in ensuring that screeners meet security standards.
- ***Expanding federal air marshal coverage on planes.*** In one year, the Transportation Security Administration expanded the undercover air marshal service from 33 to more than 4,000 agents. DHS subsequently expanded the program to include 11,000 agents by creating a corps of “reserve” marshals who are sent to planes only when DHS perceives an increased threat to aviation security.
- ***Getting the DHS Information Analysis and Infrastructure Protection Directorate up and running.*** Congress charged the new department with collecting and integrating information about critical infrastructure—bridges, roads, tunnels, airports, and highways—that might be vulnerable to attack. In short order, DHS has launched the directorate charged with this responsibility.

Areas with Serious Performance Problems

In these six areas, however, the department has shown serious shortcomings:

- ***Ensuring security in general aviation (private planes).*** Although DHS has substantially improved security for travelers on the airlines, security remains loose for private planes and some small airports. This increases the chances that terrorists could use private planes to launch attacks.
- ***Ensuring security in air cargo.*** Although federal screeners examine baggage checked onto commercial airliners, there is no similar system for freight carried on the nation’s—indeed, the world’s—massive air cargo system. The Transportation Security Administration estimates there is a 35

percent to 65 percent chance that terrorists are planning to place a bomb in the cargo of a U.S. passenger plane. Yet, only about 5 percent of air cargo is screened, even if it is transported on passenger planes. The cargo companies have worked with DHS to strengthen security, but the system remains vulnerable.

- ***Reducing the backlog of immigration and naturalization cases.*** In the aftermath of the September 11 attacks, everyone agreed that the nation had to do a far better job of processing immigration and naturalization cases. Because of the pressures of integrating these operations into the new department, delays in security checks, and an agency culture that would rather say no than yes to avoid any chance of admitting a terrorist, the problem is now worse than it was when the department was created. Of all the goals set with the launch of the DHS, the department's performance most often has fallen short here.
- ***Allocating federal grant money to state and local governments based on the risk of an attack.*** The promised federal aid to state and local governments has flowed slowly. Money already distributed has been allocated more on the basis of pork than need. Because of the enormous political issues involved, including decisions by Congress, money may be sent where it is less needed, leaving areas at highest risk underfunded. DHS must devise a system to help link money to risk.
- ***Using federal grant funds to strengthen state and local government first responders.*** Of the money that has gone to state and local governments, relatively little has found its way to first responders. State and local governments, already severely pinched by the worst budget crisis in half a century, have struggled to strengthen their capability to respond to terrorist attacks. DHS must work with administration officials to fashion a budget that puts money where it is needed.
- ***Working with Congress and key stakeholders, including representatives of the nation's state and local governments and key officials in other***

government agencies, to develop clear policy goals. While widespread debate continues about how to strengthen homeland security, the nation is far from reaching a consensus on what this means, and the DHS has yet to articulate a clear vision. But the difficulty here also lies with Congress and the crosscutting political pressures surrounding the issue. Performance has been poor, but the fault is not entirely that of the DHS.

AVIATION SECURITY GRADE: B-

The repeated images of hijacked planes crashing into the World Trade Center made aviation security the biggest symbol of the nation's new war on terrorism. It was not only a matter of protection, to prevent another similar attack. It was a matter for the nation's economy, to keep the attacks from crippling the critical transportation industry. And it was a matter for the nation's psychic health, to reduce the sense of vulnerability.

Thus, one of the new department's first tasks was strengthening aviation security to prevent a repeat of the September 11 attacks and to encourage a nervous public to return to the skies. In many respects, DHS performed well in solving some extraordinarily complex problems.

Screeners. The Transportation Security Administration faced a stunning job: hiring and training 55,600 airport screeners in just 13 months. The effort was well under way before the restructuring moved TSA into the new DHS, but it nevertheless became one of the big tasks department officials faced.

TSA quickly recruited that workforce. However, almost 2,000 of the screeners had to be fired because they had criminal records, including manslaughter, rape, and burglary. The department's own inspector general found that some screeners stayed on the payroll and kept their badges as TSA worked through the cumbersome process of firing them. In some cases, that took weeks or months.

Most of the problems came from cursory reviews by the TSA's contractors and from lax TSA oversight of those contractors. In some cases, screeners were allowed to begin work before their background checks were completed. In other cases, the contractors left 500 boxes of forms and background information unprocessed for months.² DHS has fired the contractors responsible and has taken steps to vet screeners more quickly and thoroughly.

Federal air marshals. TSA likewise has vastly increased the number of undercover air marshals, from just 33 on September 11, 2001, to between 4,000 and 6,000 today. (The exact number of marshals and which flights they are on are both closely guarded secrets.) The air marshals have had a dual effect: improving security on commercial airplanes and reassuring the flying public.

But progress in other areas of aviation security has been far slower.

General aviation (private planes). The vast majority of private planes can still fly where they want, when they want. During the orange alert in late 2003, a small plane entered the controlled airspace around LaGuardia Airport, flew down the East River, and circled the Statue of Liberty before an armed police helicopter escorted it to an airport on Long Island. The Transportation Security Administration said that "measures taken by individual operators are more comprehensive than regulations at the state or federal level," but the measures are voluntary, and it is unclear which measures have been instituted and by whom. The lack of security for general aviation contrasts sharply with the high security for commercial airlines.

Air cargo. Last year, more than 12 million tons of cargo and mail were transported by air in the United States. About 75 percent of air cargo is shipped on

² Office of the Inspector General, Department of Homeland Security, *A Review of Background Checks for Federal Passenger and Baggage Screeners at Airports*, OIG-04-08 (January 2004), at http://www.dhs.gov/interweb/assetlibrary/OIG_04_08_Review_of_Screener_Background_Checks.pdf.

cargo-only planes. The rest, about 3 million tons annually, flies on commercial flights, in the holds of planes along with passengers' suitcases.³ The Transportation Security Administration estimates there is a 35 percent to 65 percent chance that terrorists are planning to place a bomb in the cargo of a U.S. passenger plane. Yet, only about 5 percent of air cargo is screened, even if it is transported on passenger planes.⁴ The U.S. General Accounting Office in November 2003 reported that cargo that is carried aboard cargo-only as well as on commercial passenger flights continues to be highly vulnerable to terrorists' bombs.⁵

Recommendations

Both the air cargo and general aviation industries agree that it is impossible to improve security without hurting their business. This is the same complaint, of course, that the commercial airlines made to Congress and the Federal Aviation Administration before the terrorist attacks of September 11—that stepped-up passenger and baggage screening would slow down their operations, scare away customers, and lead to the death of an industry that was vital to the American economy. Yet after the attacks, Congress found a way to improve security and keep people flying. A similarly aggressive effort is needed in air cargo and general aviation. The case of the man who, late in 2003, shipped himself in an air cargo container from New York to Dallas illustrates how vulnerable the system is.

History has demonstrated that, in the absence of a terrorist attack, neither the air cargo nor general aviation industries will voluntarily take the steps needed to secure their fleets adequately. Stowaways on board cargo planes have recently drawn attention to the system's vulnerabilities. Therefore, Congress and the DHS

³ "Aviation Security: Vulnerabilities and Potential Improvements for the Air Cargo System," GAO 03-344, December 2002.

⁴ Hudson Morgan, "Shipping News," *The New Republic*, July 7–14, 2003, p. 10.

⁵ "Aviation Security: Efforts to Measure Effectiveness and Strengthen Security Programs," GAO-04-285T, November 20, 2003.

must use their authority to impose new standards. The following steps would be a good start:

- mandatory background checks for all general aviation pilots;
- mandatory airport security screening, similar to the screening currently imposed on commercial airline passengers, for all general aviation and air cargo pilots and passengers;
- mandatory measures to secure general aviation planes at airports, such as airport surveillance cameras and aircraft and hangar locks to prevent theft;
- mandatory screening of all air cargo carried on commercial passenger planes; and
- significant investment by DHS in research and development of cargo screening technology.

INTELLIGENCE GRADE: B-

An irony lies at the core of the Department of Homeland Security's work on intelligence: when Congress brought together 22 different agencies involved in homeland security, it left out the federal government's intelligence operations. The strongest argument for creating the department—to improve the government's ability to coordinate and integrate information available to different agencies—proved to be the one big issue that restructuring did not even attempt to solve.

From the first days after the September 11 attacks, the driving goal of those proposing a new department was the need to “connect the dots”—to strengthen linkages among the government agencies charged with collecting and analyzing data. The explosive testimony of Coleen Rowley, chief counsel of the FBI's Minneapolis field office, made the new department's creation inevitable. In June 2002, Rowley told the Senate Judiciary Committee that top FBI officials did not act on warnings that suspicious individuals were receiving flight training. That same evening, President Bush appeared on national television. After fighting the

creation of a new department, he switched his position and urged Congress to create the Department of Homeland Security.

Neither the Bush proposal nor the leading congressional alternatives envisioned uniting the government's far-flung intelligence empire—the CIA, the FBI, the National Security Agency, as well as the intelligence operations of the departments of Defense and State—into the new department. All of these agencies retained their independence. Instead of giving DHS the responsibility for connecting the dots of threats to the homeland, the administration created a new Terrorist Threat Integration Center (TTIC) designed to improve the sharing of information but reporting to the head of the CIA.

Simply getting the new TTIC operation up and running proved no mean feat. Indeed, TTIC became a new arena in which the FBI and the CIA continued their ongoing scuffles over domestic and foreign intelligence. The irresistible campaign for establishing the DHS grew from the debate about coordinating intelligence, but after its creation, DHS largely found itself at the periphery of these issues. TTIC has demonstrated progress in coordinating intelligence, but as the federal government's primary user of homeland security intelligence, DHS's marginal role in the collection and analysis process has hindered its ability to lead homeland security policy.

It was the “connect the dots” problem on intelligence that provided the strongest push for creating the department. But the new department has been only one player—the junior partner, at that—in intelligence issues. Indeed, despite the arguments about the need to connect the dots, intelligence coordination remains one of the largest and most important unresolved issues in homeland security. There are several steps that DHS should take in attacking these issues.

Recommendations

- *Clarify the DHS relationship with TTIC.* Serious problems of overlapping responsibility continue within TTIC. While the nation's intelligence agencies should continue to work to strengthen TTIC, DHS

must clarify its own role in TTIC—and its working relationships with the other federal agencies responsible for collecting and analyzing intelligence.

- ***Clarify the DHS intelligence role.*** Through the work of Transportation Security Administration screeners, border patrol officials, and other department officials, DHS can collect a great deal of useful information, and this information should be made an integral part of the nation's intelligence assets. Once Congress and the president more clearly define the DHS intelligence priorities, the department must link intelligence information more effectively to the job of protecting the nation's critical infrastructure.
- ***Develop a clear protocol for sharing intelligence information with state and local officials.*** Officials in state and local governments repeatedly have complained that federal officials share little useful intelligence information. Indeed, some officials have said they rely more on CNN than on the DHS, FBI, and CIA. There are valid concerns about ensuring the security of intelligence information, but DHS should take the lead in establishing clear procedures for providing state and local officials with better information to help guide their own homeland security decisions.
- ***Clarify standards for collecting and retaining data.*** Through a wide variety of databases, DHS and TTIC are collecting substantial volumes of information about Americans. Congress, the Bush administration, and the courts need to provide clear guidance about what information can—and should—be collected, how it should be safeguarded, and how long this information should be retained.

IMMIGRATION GRADE: B-

Federal officials have been discussing immigration reform for many years. The Immigration and Naturalization Service has long been known as one of the

government's most troubled agencies, both under-resourced and under-managed. Millions of applicants wait for their applications to be resolved; millions of undocumented migrants reside within the United States with little likelihood of being apprehended.

The debate churned with little action—until the September 11 attacks pushed it to center stage. All 19 of the hijackers were non-citizens. Most had entered the United States legally, although it is possible that some had cleverly forged passports. At the time of the attacks, most were legally residing in the country. But some of the hijackers entered on student visas, even though they were no longer attending classes. Some were in the country illegally. And the information systems failed to connect the dots with the intelligence collected elsewhere in the government.

Months after they flew planes into the World Trade Center towers, immigration documents for two of the hijackers arrived at a Venice, Florida, flight school. The story stunned many officials, including President Bush, who called it inexcusable. The incident was misreported—the paperwork turned out to be copies of visas approved in July and August 2001. But the specter of a system where the paper flow was so badly out of sync with reality turned up the heat on the immigration system and further fueled the movement toward reform.

Reform of the immigration system—keeping people out of the country who might be a threat and ensuring that visitors do not overstay their visas—became a top priority.

In some areas, the Department of Homeland Security has made significant progress.

Tracking the entry and matriculation of foreign students. Efforts to improve the student tracking system have been long in the works, although the response to the September 11 attacks accelerated the process. The information system for tracking foreign students at American colleges, universities, and other educational institutions has vastly improved. There have been considerable complaints from

both students and the institutions, in part because of privacy fears, in part because of fears that implementation of the policy promoted racism, and in part because of the high cost. Nevertheless, the new system has strengthened the department's ability to track foreign students and their activities.

However, in other areas, DHS not only has failed to make progress, it has lost ground.

Reducing the backlog of immigration and naturalization cases. Visitors seeking green cards, work authorization, and naturalization have swamped immigration officials. Even the department's staunchest defenders agree that DHS has to do a far better job. But the situation has gotten worse. In March 2003, the department's Citizenship and Information Services (USCIS) faced a backlog of 5.2 million immigration applications that had to be processed and resolved. At the end of October 2003, the number was more than 5.4 million. The number of pending naturalization applications remained virtually unchanged, at more than 600,000, even though the number of filings fell by 25 percent in fiscal year 2003.

Recommendations

- ***Fix the immigration system.*** In large part, this is a matter of resources; it is also a matter of management. Long delays are unfair to those who have a right to legal status and to their families, employers, and communities. DHS is far away from achieving the administration's goal of reducing the backlog.
- ***Strengthen controls at the nation's land borders.*** One of the biggest problems in safeguarding the nation's borders has long been simply tracking who enters and leaves—and which short-term visitors have overstayed their visas. DHS has made progress in integrating the nation's immigration, customs, and security operations at the borders. But more progress needs to be made. New procedures for capturing biometric identifiers—fingerprints and photos electronically stored on the

government's computer system—apply only to a small percentage of non-citizens identified as high risk who enter the United States. Furthermore, no significant new steps have been taken to prevent or deter the flow of hundreds of thousands of undocumented immigrants across U.S. borders. DHS also needs to strengthen further the integration of these operations—and their connection to the databases that identify possible terrorists. The new Terrorist Screening Center is an important step toward the goal of linking the dozen watch lists kept by the nine different agencies that now track suspects.⁶

COORDINATION WITH STATE AND LOCAL GOVERNMENTS GRADE: C

The nation's response to the September 11 attacks is enshrined in the heroic tales of the first responders—local police, firefighters, paramedics, and other emergency workers—in New York and Washington who risked and, in hundreds of cases, sacrificed their lives to save thousands of people. The attacks drove home the importance to the nation of having a strong local first response. If terrorism can present a threat anytime and anywhere, the nation needs its state and local governments to create a well-integrated system of response.

Congress charged the new department with collecting and integrating information about critical infrastructure—bridges, roads, tunnels, airports, and highways—that might be vulnerable to attack. In short order, DHS has launched the Information Analysis and Infrastructure Protection Directorate, charged with this set of challenges.

But key federal promises to improve coordination with state and local governments have gone unmet. As a task force of the Markle Foundation put it:

⁶ Testimony of Robert F. Dacey, Director, Information Security Issues, U.S. General Accounting Office, *Homeland Security: Information Sharing Responsibilities, Challenges, and Key Management Issues*, GAO-03-1165T, September 17, 2003.

“DHS has yet to articulate a vision of how it will link federal, state, and local agencies in a communications and sharing network, or what its role will be with respect to the TTIC [Terrorist Threat Integration Center] and other federal agencies.”⁷

Federal aid to state and local governments. In the aftermath of the September 11 attacks, the federal government promised substantial aid to state and local governments to help support their first responders. However, the promised federal grants have been slow in flowing—and the money has been distributed more on the basis of pork than on the basis of need. In 2003, for example, the state of Wyoming received \$35 per capita, compared with New York and California, which received about \$5 per person.⁸ Because of the enormous political pressures in Congress, the nation risks sending money where it is less needed. And it risks underfunding areas that are most vulnerable to attack.

Aiding first responders. Of the money that has gone to state and local governments, relatively little has found its way to first responders—in part because of cumbersome DHS procedures in getting the money out. The recent Gilmore Commission (Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction) report found that 71 percent of law enforcement organizations and more than half of paid and volunteer fire departments reported no increases in funding, including from the federal government, following September 11, 2001.⁹ State and local governments,

⁷ Markle Foundation Task Force, *Creating a Trusted Network for Homeland Security: Second Report of the Markle Foundation Task Force* (New York, 2003), p. 3, at http://www.markletaskforce.org/Report2_Full_Report.pdf.

⁸ Mimi Hall, “Homeland Security Money Doesn’t Match Terror Threat: Does Zanesville, Ohio Need to Test for Nerve Agents while NY Struggles for Funds?” *USA Today* (October 29, 2003), cited at <http://hsc.house.gov/coverage.cfm?id=105>.

⁹ Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction (The Gilmore Commission), *V. Forging America’s New Normalcy: Securing Our Homeland, Preserving Our Liberty*, December 15, 2003, Appendix D-2-3, p. 81.

already severely pinched by the worst budget crisis in half a century, have struggled to strengthen their capacity to respond to terrorist attacks.

Recommendations

- ***Allocate scarce federal money to where it is most needed.*** Allowing federal homeland security grants to degenerate into pork-barrel politics would damage homeland security in two ways. It would waste scarce budget dollars in places where the money is needed less. And it would undermine the always uneasy political support for homeland security programs. The department has launched a quiet but important initiative to assess risk as a way to channel resources to where the money is needed most. That program ought to be put into overdrive.
- ***Strengthen the coordination of state and local governments.*** It is one thing to strengthen first responders. That is the cornerstone of the state and local homeland security effort. But that is not enough. Any serious terrorist attack will quickly overwhelm even the largest first-response systems, and it will overrun the systems of most small- and medium-sized communities. The federal and state governments need to focus far more on encouraging collaboration among local governments, especially in systems for communication among neighboring communities, mutual-aid agreements, and effective strategies for dealing with chemical and biological threats. The spring 2003 Top Officials exercise (TOPOFF), which simulated an attack using a dirty bomb in Seattle and the pneumonic plague in Chicago, tested the ability of federal, state, and local officials to coordinate their responses. The test revealed deep problems, including flaws in communication and uncertainty about who was responsible for what.¹⁰

¹⁰ See U.S. Department of Homeland Security, *Top Officials (TOPOFF) Exercise Series: TOPOFF 2—After Action Summary Report* (December 19, 2003), http://www.dhs.gov/interweb/assetlibrary/T2_Report_Final_Public.doc.

- *Devise a strategy for best making use of the Directorate of Emergency Preparedness (DEP; formerly the Federal Emergency Management Agency) and the Office of Domestic Preparedness.* These two units of DHS have overlapping responsibilities: the DEP distributes grants for public health, medical preparedness, and disaster response training, while the Office of Domestic Preparedness (ODP) does so for terrorism prevention and response. DHS needs to make a basic strategic decision between an “all-risk” strategy, which would combine terrorism and natural disaster efforts, and maintaining separate capabilities for those dangers. The all-risk approach would presume that the implications for first responders are nearly identical between terrorist attacks and events like earthquakes and tornadoes. If DHS followed that course, the work of DEP and ODP would need to be far more strongly integrated. On the other hand, settling on the strategy of maintaining distinct capabilities would require strengthening both agencies in pursuit of their separate challenges while improving their coordination. To date, however, the lack of a clear strategy has created confusion—and the risk of inadequate preparation and response.

DHS MANAGEMENT GRADE: C+

The creation of the new Department of Homeland Security has posed a management challenge of stunning—indeed, unprecedented—difficulty.

Scale. The number of agencies (22) moved into the new department ranks this effort among the largest reorganizations in American history. The number of employees (more than 170,000) merged into the new department is larger than for any other federal reorganization since the creation of the Department of Defense in 1947. Although the DOD reorganization involved more employees, the DHS restructuring was, in many ways, far more complex.

Risk. Not only is Secretary Tom Ridge charged with managing such an enormous restructuring but also he must do so at a time of great risk. Any error could increase the nation's vulnerability and increase the potential for a devastating attack. It is very much like trying to rebuild a car as it barrels down the highway at 80 miles per hour.

Location. The restructuring occurred without physically moving the related agencies to the same location. When the Department of Defense was created, the key agencies were already located in the Pentagon. But few of the agencies transferred to the new Department of Homeland Security actually changed locations. The secretary and the department's key staff work out of the headquarters on Nebraska Avenue, but the DHS empire stretches over miles of Washington real estate. One of the arguments for the creation of the new department was to bridge the barriers created by different organizational cultures. The lack of physical proximity has made it more difficult to solve this cultural problem. The fact that most DHS agencies continue to operate in their old locations has continued to reinforce the old, sometimes dysfunctional, cultures.

Personnel. A central battle in creating the new department was establishing a new, more flexible personnel system. The department has made progress, but the big political battles and many of the operating details still must be resolved.

Political management. While managing the department's internal operations, Secretary Ridge faces an enormous challenge in managing the department's vast and complex relationships with external political forces. American Enterprise Institute scholar Norman J. Ornstein counted 13 House and Senate committees with at least some jurisdiction over homeland security, along with more than 60

subcommittees.¹¹ In addition, the secretary and his senior staff spend a lot of time dealing with threat analysis, coordinating with other federal agencies, and increasingly working with foreign governments. Simply tending to the department's ongoing political relationships with key decisionmakers, coupled with the task of keeping on top of intelligence briefings, requires an enormous amount of senior managers' time.

Administrative management. Top officials have been able to devote relatively little time to the vast management problems of getting such a large operation up and running. Most of the department's senior officials are so buried under the pressing day-to-day operational issues that they have little energy and less time to devote to resolving the department's considerable management issues, which means that the issues are not resolved. The longer these issues fester, the worse the problems can become—and the greater the chance that they open the door to terrorists.

The following recommendations are reactions to several imbalances in the department's structure and operations.

Recommendations

The key to strengthening homeland security is devising new and more effective strategies for coordination: efforts to prevent attacks with tactics to enhance response should attacks occur; and efforts to assess threats with tactics to protect critical infrastructure. The primary reason for creating the department was to improve coordination. While there has been some progress on this front, much more needs to be done. In particular:

¹¹ Norman J. Ornstein, "Perspectives on House Reform of Homeland Security," testimony before the Subcommittee on Rules, Select Committee on Homeland Security, U.S. House of Representatives (May 19, 2003), at http://www.aei.org/news/newsID.17514/news_detail.asp.

- ***Mission and priorities.*** Even though the demand for better integration of intelligence prompted the creation of the department, DHS is a small player in relation to other government agencies engaged in homeland security. The department's purpose started muddy and remains so. Faced with so many cross-pressures, the department must articulate, far more clearly, its priorities. The only way to do its job better is to define better what its job is. Some of the confusion undoubtedly flows from political cross-pressures and, especially, from the conflicting demands of so many congressional overseers. But top departmental officials, led by the secretary, must more clearly articulate what it is the department seeks to do—and what its distinctive contribution to the nation's homeland security will be.

It might be asking too much for a wide-ranging department in its infancy to have clearly defined priorities. But at this point, *the department should have a strategy for creating its strategy*. If that is ever going to happen, it will have to be a process launched and guided by the secretary.

- ***Prevention versus response.*** Even though there was universal agreement on the need to strengthen the nation's ability to *respond* to terrorist attacks, DHS has invested most of its energy in *preventing* attacks. This is understandable—even, perhaps, correct, given the risks that the nation has faced. But the department shares responsibility for prevention, and it has primary responsibility for improving response. The fiscal year 2005 budget reflects this problem—there is more money for prevention efforts, but grants for state and local first responders are \$805 million less than in fiscal year 2004. Given the problems that state and local governments face, as outlined above, this is moving in the wrong direction.

DHS must continue its work on helping to prevent attacks, but it must strengthen its strategy for response as well. If it does not do the job on response, the whole job will not get done—and it *must* get done.

- **Management.** Where federal departments have had the most effective internal management, it has been through the deputy secretary. Separate management offices are typically ignored because management problems are woven into the very fabric of federal departments—and because solving them requires muscle from the top. There are numerous examples of deputy secretaries who have reshaped the management of their departments. Mortimer Downey in the Department of Transportation and T. J. Glauthier in the Department of Energy played such roles in the Clinton administration, and the President's Management Council has for a decade provided strong, ongoing support for such work. Secretary Ridge should strengthen the role of the department's deputy secretary in improving DHS management.
- **Rethink the department's building blocks.** Congress and President Bush created the Department of Homeland Security not just for functional reasons but, perhaps more important, to be seen to be taking action. Deciding what to move into the department—and what to leave out—preoccupied most of the debate. And the debate centered mostly on how the September 11 terrorists exploited holes in the system to launch their devastating attacks.

The great risk of this approach is that the department could find itself, in organizational and perhaps operational terms, focusing on responding to the last attack instead of focusing on how best to prevent the next. It risks concentrating on preventing another September 11–style attack just as terrorists seek new tactics that exploit other holes in the system. Moving organizational boxes is the traditional approach to administrative reorganization, but it risks being a twentieth-century approach to a twenty-first-century problem.

The nation is dealing not just with one terrorist foe but with many, and the terrorists are clever and creative. Any collection of agencies, no matter how structured, will leave some gaps, and the terrorists' goal is to

find these gaps. A solution based primarily on reorganization risks solving an old problem only to create new ones. If, in the process, top officials are so preoccupied by terrorist threats that they pay insufficient attention to departmental management, they risk breeding even more terrorist opportunities. Terrorists operate most effectively when they can identify and exploit gaps in the system. If management problems leave large gaps in communication and coordination, that can create critical openings for terrorists.

In management terms, better homeland security depends on enhanced capacity and stronger coordination. To do better on both fronts, the Department of Homeland Security should create an organizational “tiger team” with two goals: (1) to recommend how to improve the department’s organizational capacity for homeland security and (2) to explore alternatives, beyond the shifting of agencies, to enhance coordination.

CONCLUSION

Terrorism presents a new, asymmetric twenty-first-century threat. Government needs to respond with a new, more flexible, information-based and coordination-driven system. Bolstering the department’s structure with a “virtual” department linked by information systems could be one alternative. Much of homeland security—both prevention and response—relies on coordination, and much of the coordination hinges on information. Stronger information systems could make homeland security more flexible and, in turn, build more powerful partnerships among the federal, state, and local governments.

The key is to devise a governmental strategy for homeland security that matches the nature of the threat. Terrorism is, by its nature, unpredictable. To be effective, government must be light on its feet. Its organizational structure can limit its vision and hinder its response. If its structure for homeland security is in

turbulence, the problems multiply. Government needs new resources, like improved computer systems and better protective gear for first responders. It also needs to be engaged in the management imperatives that will enable the system to be just as lithe, creative, and flexible as the threat it faces.

Appendix: Organization of the Department of Homeland Security

