



**Testimony before the  
Select Committee on Homeland Security  
United States House of Representatives**

**“FINANCIAL MANAGEMENT AND  
PROGRAM EVALUATION IN THE  
DEPARTMENT OF HOMELAND SECURITY”**

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**A Statement by**

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Mr. Chairman, members of the Committee, thank you for inviting me to testify this afternoon before this distinguished body. I have been asked to address the issue of what a strategic planning system for the Department of Homeland Security might look like, based on my strategy and planning experience in the Pentagon.

Although the Department of Defense and the Department of Homeland Security are different in many ways, they do share some common challenges – challenges that underscore the need for and importance of strategic planning in each case. Both are:

- charged with missions that are vital to the health and welfare of the nation --protecting the American people and our way of life is a mission in which we cannot fail;
- facing persistent and resourceful enemies;
- large, complex bureaucracies comprised of a number of diverse and (in some cases, previously independent) organizations with their own cultures, traditions, and ways of doing business;
- responsible for spending billions of taxpayer dollars as efficiently and effectively as possible;
- perennially in the position of having more program than budget; and
- trying to balance near-term demands against long-term investments.

These challenges make it that much more important for each Department to have a unifying vision, a strategy for achieving its objectives, and a clear set of priorities to guide resource allocation and risk management. It is difficult, if not impossible, to create these absent an effective strategic planning process.

Strategic planning is even more crucial for a brand new department that is bringing together diverse cultures and personnel systems, finding its place in the interagency process, and dealing with very real and immediate threats and operational responsibilities while still trying to get its telephone and computer systems to work. Without a clear strategic planning process, directed from the top, and a cadre of professionals for whom this is their only responsibility, the immediate will always crowd out the long-term planning that is so critical to the Department's ultimate success and to the nation's security.

## **Strategic Planning in the Department of Homeland Security: Elements of Success**

In my view, strategic planning for homeland security must include five critical elements:

- *A comprehensive, integrated assessment of homeland security threats and vulnerabilities:* Such an assessment is critical to setting priorities, reconciling competing interests, and allocating resources effectively. If we try to protect equally against all possible threats, we will protect adequately against none. Although there has been significant discussion of threats and vulnerabilities, no one in government has yet conducted the kind of creative, integrated analysis that is necessary to determine which should be accorded the highest priority – and which should be

accorded the least. Without a regular, disciplined, and comprehensive threat and vulnerability assessment process that considers both the probability of various types of attacks and the severity of their consequences, decision makers will have little analytic basis for making tough strategy choices about where to place emphasis, where to accept or manage a degree of risk, and how best to allocate resources to improve America's security.

- *Development and refinement of the President's Homeland Security Strategy:* This strategy should define our homeland security objectives as well as the strategies, capabilities and processes necessary to achieve those objectives. It should also define a clear division of labor among all of the actors at the federal level, clearly identifying which agencies have lead responsibility in which areas, and which should be prepared to provide support. In short, the strategy should point the way toward well-defined roles and responsibilities, coordination processes, and operational procedures for enhancing the accountability and performance of the U.S. government across the homeland security domain. Based on the integrated threat-vulnerability assessment described above, the strategy should also clearly articulate priorities to guide resource allocation for homeland security across the nation's investment portfolio – creating a foundation for unifying the efforts of the federal government and establishing the conditions for effective cooperation and coordination with state and local governments and the private sector. Unfortunately, the administration's current Homeland Security Strategy falls short on a number of these counts and needs to be revised. In order to ensure that it remains a living and relevant document, the Homeland Security Strategy should be tied to the budget and performance review processes and reviewed, updated and submitted to Congress on an annual basis. The Department of Homeland Security should play a critical role in assisting the Office of Homeland Security in drafting this document for the President.
- *Development of a Five-Year Plan for the Department of Homeland Security:* Keying off the integrated threat-vulnerability assessment and the President's Homeland Security Strategy, the Secretary of Homeland Security should develop a five-year plan to guide the Department's activities and investments. Such a plan should clarify the Department's roles and responsibilities in supporting the Homeland Security Strategy, articulate the Department's objectives in its areas of responsibility, and develop strategies for achieving these objectives. It should provide the blueprint for developing the Department's budget, identifying and prioritizing capability shortfalls that need to be addressed, specifying short-term actions to be taken on a priority basis, and highlighting long-term investments to be made to enhance performance in critical areas. This plan should be a classified document issued by the Secretary to provide authoritative front-end planning and programming guidance to the Department's various components in developing their budget submissions. It should also be a living document that is reviewed and revised on an annual basis, though it could ideally form the basis for multi-year appropriations for the Department. The process of developing this plan should include all stakeholders within the Department, as well as close consultations with the White House Office of Homeland Security, relevant Congressional committees like this one, and key state, local and private sector

partners. The development of such a strategy-based, integrated, multi-year action plan will be critical to ensuring that the new Department – and the USG more broadly – gets the highest possible return on what is likely to be tens, if not hundreds, of billions of dollars invested in homeland security over the next several years.

- *An Annual Program and Budget Review Process:* In order to ensure that the Department's resources are being spent according to its priorities, the Secretary of Homeland Security should establish a rigorous program and budget review process whereby the activities and expenditures of the Department are reviewed annually in light of the Five-Year Plan's objectives and priorities. This review process would provide a mechanism for ensuring that the actions of various components accord with the Secretary's guidance, and would provide the Secretary with a critical mechanism for monitoring and enforcing implementation of his priorities and those of the President. It also would ensure that the most difficult and important resource decisions and trade-offs come to the Secretary's attention early rather than late in the budgeting process.
- *An Annual Execution Review:* The purpose of this review would be to examine how the Department's monies were actually spent in the previous year, particularly in the Secretary's highest priority areas in the Five-Year Plan, in order to identify areas in which resources were not allocated according to plan. This retrospective exercise is also an opportunity to identify gaps in previous planning, flag programs that are no longer a priority due to changing circumstances, and highlight new opportunities for investment that were not previously foreseen. This is a critical tool for the Secretary to identify issues and lessons learned for next program/budget cycle and to enforce accountability within the Department.

In order to be effective, a strategic planning process for the Department of Homeland Security would require several additional elements. First, it must be "owned" by the Secretary. That is, he must be engaged personally in leading the process and must communicate to the Department that this is the process he will use to set his priorities and make critical resource allocation decisions. Second, the process must include all internal stakeholders. Any office responsible for implementing an element of the Secretary's Five-Year Plan should be consulted during its formulation. Third, the process must be resource constrained. A strategic planning process that does not take resources into account will fail to help decision makers to make tough choices about where to place emphasis and where to accept or manage risk. In order to be useful and relevant, the strategic planning process must consider the fiscal guidance as a critical input. Fourth, outside stakeholders, ranging from key committees and members of Congress to key partners in state and local government, should be engaged in regular and substantive consultations as the strategic planning process unfolds. Although parts of the Department's Five-Year Plan may need to be classified, the process should not be conducted in secret. DHS will need to create unclassified fora and documents to enable public scrutiny and debate. Your views, as the committee of jurisdiction, should provide critical input to the Secretary as he devises and revises his Five-Year Plan. Finally, the Department's strategic planning effort should obviously take into account broader interagency efforts to enhance homeland security in order to create greater unity of effort

across the U.S. government. Ideally, the White House should conduct an annual review of all homeland security programs across the federal government.

## **Organizational Implications**

Putting such a strategic planning process in place would require empowering the Secretary of Homeland Security's office by creating a cadre of 50-75 professionals dedicated to and trained for this function. This small investment of resources would significantly leverage the Secretary's ability to fulfill his mandate.

First, the Secretary's office should include a *strategic planning office* whose mission would be to define and prioritize objectives for the Department and develop the Secretary's Five-Year Plan to meet those objectives. This office would also interact with the White House in the development of the President's Homeland Security Strategy. This office should include a small *threat assessment unit* specifically charged with "thinking like a terrorist" and researching likely ways in which the security of the United States could be breached in the future. In contrast to the near-term, operational focus of the more substantial information analysis directorate, this small analytical staff would focus on the mid- to longer- term, and would undertake disciplined reviews of evolving terrorist objectives, doctrine, and techniques in an effort to inform the development of longer-term strategy and investment priorities for the Department. This office should draw widely on the intelligence and research communities in both the United States and other countries.

Second, the Secretary's office should include a *program analysis and evaluation* office charged with undertaking assessments of homeland security mission areas and programs to identify priorities for resource allocation as well as orchestrating the Department's annual program and budget review process. This office could also participate in the annual cross-cutting interagency review of homeland security programs proposed above.

Third, the Secretary's office should include an office responsible for reviewing *program performance or execution* within the Department, as described above. Putting this office under the Chief Financial Officer, who controls the dollars, would likely enhance its effectiveness in being able to hold other parts of the Department accountable and enforce implementation of the Secretary's guidance.

Finally, the administration and Congress should strive to make the new Department as flexible and adaptive as possible. Given the dynamic nature of threats, the homeland security mission will require an ongoing reevaluation of strategy and possibly some rapid changes in programs and resource allocation to respond to new threats that emerge. That is why it is important to make the new Department more adaptive, flexible, and able to work across organizations than those of the past. More specifically, it is imperative that the new Secretary of Homeland Security be given the authorities to reprogram substantial monies in response to new threats, facilitate more rapid acquisition of high priority goods and services, and reform and reorganize offices within the Department with appropriate notice to Congress. This will obviously require an unusually close working relationship with this committee.

## **Conclusion**

Given the importance of its mission, the size of its budget, and the enormity of the challenges it faces, the Department of Homeland Security is in dire need of an effective strategic planning process. Based on lessons learned in the Department of Defense, the relatively minor process and organizational changes recommended here could have a substantial impact on the new Department's effectiveness. Absent such reforms, the Department is unlikely to be able to fulfill its mandate of making meaningful improvements in our homeland security. Concrete steps should be taken on an urgent basis to empower the Secretary of Homeland Security to establish an effective strategic planning process in the new Department.