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FBI REORGANIZATION

Initial Steps Encouraging but Broad Transformation Needed

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Mr. Chairman and Members of the Subcommittee:

I appreciate the opportunity to discuss the Federal Bureau of Investigation's proposed reorganization and realignment efforts. My testimony today will address five topics. First, it is very important to recognize that the FBI's reorganization efforts represent a subset of a larger need to fundamentally transform the federal government in light of recent trends and long-range fiscal challenges. This transformation should include a review, reassessment and reprioritization of what the government does, how it does business, and who does the government's business. Second, I will comment on major aspects of the FBI's approach to realign its resources, touching on both the promise of these efforts and the challenges yet to be faced. Third, I will surface other issues important to the success of the plan that are not specifically addressed in this phase of the FBI's reorganization. Fourth, as the FBI moves forward, I want to underscore the importance of adherence to some basic elements needed to ensure a successful transformation. Finally, I want to emphasize the importance of congressional oversight to the successful implementation of transformational changes like those planned by the FBI.

To prepare this testimony, we reviewed (1) the reorganization and reprogramming documents submitted by the Department of Justice (DOJ) to this Subcommittee on May 29, 2002; (2) our prior work on organization transformation and on the FBI; (3) studies of counterterrorism and/or FBI operations conducted by various commissions, an advisory panel[1], DOJ's Office of Inspector General, and a management consultant[2]; (4) strategic plans and other related documents developed by the Bureau and DOJ; and (5) pertinent press releases and congressional testimony by DOJ and FBI officials. We also interviewed selected current and former Justice and FBI officials concerning the reorganization and its context. We did our work between May 30, 2002 and June 20, 2002.

[1]*The Second Report of the Advisory Panel to Assess Domestic Response Capabilities for Terrorism Involving Weapons of Mass Destruction* (Gilmore Report), (Dec. 15, 2001).

[2]Arthur Anderson, *Management Study of the Federal Bureau of Investigation*, (Dec. 14, 2001).

Broader Transformation of Government Needed

As you know, our country's transition into the 21st Century is characterized by a number of key trends including global interdependence; diverse, diffuse, and asymmetrical security threats; rapidly evolving science and technologies; dramatic shifts in the age and composition of our population; important quality of life issues; and evolving government structures and concepts. Many of these trends are intertwined, and they call for a reexamination of the role of government in the 21st Century given changing public expectations.[3] Leading public and private organizations here in the United States and abroad have found that for organizations to successfully transform themselves they must often change their culture. Leading organizations also understand that their people, processes, technologies, and environments are the key enablers that drive cultural change. For governmental entities, this evolution generally entails shifts away from

- process to results;
- stovepipes to matrixes;
- hierarchical to flatter and more horizontal structures;
- an inward focus to an external (citizen, customer, and stakeholder) focus;
- management control to employee empowerment;
- reactive behavior to proactive approaches;
- avoiding new technologies to embracing and leveraging them;
- hoarding knowledge to sharing knowledge;
- avoiding risk to managing risk; and
- protecting turf to forming partnerships.

While transformation across government is critically important to successful transition into the 21st century, it is of utmost importance at the FBI. This is the agency at the front line of defending the public and our way of life from a new and lethal threat, that of terrorism against Americans. At the same time the FBI maintains the responsibility for investigations of other serious federal crimes. Every American has a stake in assuring the success of the FBI's efforts. The FBI is a unique organization comprised of thousands of devoted and capable public servants who live and breathe the agency's motto of fidelity, bravery, and integrity everyday. The FBI has a long and proud history, and it does many things well. But, times have changed, and the FBI must change with the times in considering what it does and how it does business. At the same time, the motto itself is timeless in nature. Any changes at the FBI must be

[3]U.S. General Accounting Office, *Strategic Plan 2002-2007 (June 2002)*.

part of, and consistent with, broader governmentwide transformations that are taking place. This is especially true as the establishment of a Department of Homeland Security is debated and put into place. Moreover, Director Mueller had noted that the FBI reorganization and realignment efforts that we are discussing today are just the second phase in a comprehensive effort that he is planning to address a broad range of management and organizational challenges. This is, in effect, a down payment on a huge undertaking.

Director Mueller has taken the first and most important step in successfully undertaking the needed transformation at the FBI—he has demonstrated his personal commitment through his direct involvement in developing and leading the Bureau's transformation efforts. He has recognized a need to refocus priorities to meet the demands of a changing world and is now taking first steps to realign resources to achieve his objectives. His continued leadership, coupled with the involvement of other senior executives at the FBI, and clear lines of accountability for making needed improvements will be critical if the effort is to succeed. These factors are prerequisites to overcoming the natural resistance to change, marshalling the resources needed to improve the Bureau's effectiveness, and building and maintaining the FBI-wide commitment to new ways of doing business. The Director is early in his 10-year term. This should prove very helpful because the experiences of leading organizations suggest that given the enormous challenges the FBI faces, successfully completing needed cultural and other transformations may take up to 7 or more years. At the same time, some steps are critical and time sensitive. As a result, the FBI needs to develop a comprehensive transformation plan with key milestones and assessment points to guide its overall transformation efforts.

Major Aspects of the FBI's Realignment Efforts

FBI Director Mueller unveiled the second phase of the reorganization at a news conference on May 29 and discussed it further at a hearing before the Senate Judiciary Committee on June 6, 2002. These proposed changes are designed to build on the initial reorganization actions Director Mueller took in December 2001. These earlier actions were to strengthen the FBI's top-level management structure, enhance accountability, reduce executive span of control, and establish two new divisions for Records Management and Security. The central thrust of this next phase of the reorganization plan is to build an FBI with a national terrorism response capability that is larger and more mobile, agile, and flexible. The key elements of this second installment of the reorganization include a shifting of some resources from long-standing areas of focus, such as drugs, to

counterterrorism and intelligence; building analytic capacity; and recruiting to address selected skill gaps.

In light of the events of September 11, 2001, this shift is clearly not unexpected and is, in fact, consistent with FBI's 1998 Strategic Plan as well as the current Department of Justice Strategic Plan. Since September 11, unprecedented levels of FBI resources have been devoted to counterterrorism and intelligence initiatives with widespread public approval. Indeed, the goals of this phase of the reorganization plan are not highly controversial. Enhancement of resources for counterterrorism, greater sharing of information with the Central Intelligence Agency (CIA) and others, improvements in analytic capacity, establishment of a centralized intelligence unit to make sense out of the gathered information, more training, and recruitment of specialists all seem to be rational steps to building agency capacity to fight terrorism. However, some specific aspects of the plan should be highlighted.

Realigning Staff

A key element of the reorganization is to "redirect FBI's agent workforce to ensure that all available energies and resources are focused on the highest priority threat to the nation, i.e. terrorism." This shift is intended to move the FBI from a reactive mode of operation to a more proactive orientation. The primary goal is to prevent terrorism rather than investigate and apprehend after an event occurs. The FBI has been involved in proactive counterterrorism work for some time. This reorganization is intended to make a greater commitment.

In accordance with the goal, some agents from drug, white collar, and violent crime investigative work will shift their focus to counterterrorism. Specifically, the plan calls for 518 agents to be shifted—400 agents from drug work and 59 each from white collar and violent crime to be reassigned to work on counterterrorism, security improvements, and training. Of the 518 agents being shifted, 480 will be permanently reassigned to counterterrorism work. In the case of drug enforcement, this shift moves about 30 percent of the staff currently assigned to this activity to counterterrorism work. For white collar and violent crime the shift is not as substantial representing about 2.5 percent and 3 percent of their staff years, respectively. Given the massive move of resources to counterterrorism following the events of September 11, this really represents fewer agents returning to their more traditional crime investigative work as opposed to agents moving away from current drug, white collar, and violent crime work. According to FBI data, the number of

field agents assigned to terrorism work jumped from 1,057 before September 11 to 6,390 immediately following the tragic events of that day.

FBI data show that a shift of 518 agents from drugs, white collar crime, and violent crime seems to do little to change the picture of the overall deployment of FBI special agent resources. Counterterrorism agent resources go from about 15 percent of total agent resources, to just under 20 percent. Thus, it seems that despite a change in priorities, most of the FBI resources will remain devoted to doing the same types of work they have been doing in the past. This realignment actually affects about five percent of the total FBI special agent workforce, and, therefore, represents a relatively modest change in the focus of the Bureau as a whole at least for the present time.

Is this the right amount of resources to shift to counterterrorism at this time? Is this too much? Perhaps the more salient question is, is this too little? It is probably unrealistic to ask the FBI or anyone else for the answer to this question at this time, given that the government's information about the nature and extent of the terrorist threat is still evolving. However, this is a question that must be answered in due course based on a comprehensive threat assessment and analysis, including the role the FBI and other government agencies should play in our future counterterrorism efforts.

According to the FBI, the Special Agents in Charge (SACs) of the 56 field offices were asked to indicate how many agents could be redirected into terrorism work in their locations without unduly jeopardizing other investigative work. In fact, SACs generally volunteered more agents to shift to counterterrorism work than were actually shifted. According to the FBI, SACs were given general guidance but not specific guidelines or other directives upon which to base their decisions concerning reallocation of resources. Thus, for good or ill, field offices may have used different criteria for determining how many resources could be reallocated. FBI headquarters made final reallocation decisions based on resource needs requested by the Executive Assistant Director for Counterterrorism/Counterintelligence. Careful monitoring will be needed to ensure that the agents to be devoted to counterterrorism can be appropriately utilized and to what extent additional resources will be needed.

Conversely, the impact of having fewer field agents working drug cases needs to be monitored and assessed over time. Prior to September 11, 2001, there was no indication from the FBI that their more traditional

crime areas were overstaffed. FBI officials advised us that agents will still participate in as many crime-fighting taskforces as they have in the past, but that the number of agents assigned to each effort will be fewer in order to free resources for counterterrorism work. FBI officials also indicated that agents would be made available to assist state and local law enforcement with short-term needs, such as adding agents when widespread arrests are planned.

In the drug area, which is the hardest hit in this reallocation, the Drug Enforcement Administration (DEA) is the major federal player. While DEA's resources have increased in recent years, at this time we are not aware of any plans by DOJ to request additional resources for DEA to fill any gap that may be left by withdrawal of substantial FBI drug enforcement resources. DEA has announced, though, that it will move some agents from headquarters to the field, which could potentially help fill any gaps in federal-level drug law enforcement.

The reorganization plan also calls for a build-up of the FBI headquarters Counterterrorism Division through the transfer of 150 counterterrorism agents from field locations to Washington, D.C. This seems consistent with the Director's intention of shifting from a reactive to a proactive orientation in addressing terrorism and making counterterrorism a national program with leadership and expertise in headquarters and a response capability that is more mobile, agile, and flexible in terms of assisting the field offices. These 150 positions would then be backfilled in the field through recruitment of new agents. According to the FBI, the enhancement of this headquarters' unit is intended to build "bench strength" in a single location rather than have expertise dispersed in multiple locations. When additional counterterrorism assistance is needed in field locations, headquarters staff would be deployed to help. Staff assigned to this unit would also be expected, and encouraged through incentives, to stay in counterterrorism work for an extended period of time. Staying in place would help to ensure increasing the depth of skills rather than following the more usual FBI protocol of more frequent rotations through a variety of assignments.

An important part of the build-up of the Counterterrorism Division and making headquarters more responsive to the field, according to the FBI, is the establishment of "flying squads" with national level expertise and knowledge to enhance headquarters' ability to coordinate national and international investigations and support field investigative operations. The flying squads are intended to provide a "surge capacity" for quickly responding to and resolving unfolding situations and developments in

locations, both within and outside the United States, where there is a need to augment FBI field resources with specialized personnel or there is no FBI presence.

Another important part of the build-up is the establishment of a National Joint Terrorism Task Force to facilitate the flow of information quickly and efficiently between the FBI and other federal, state, and local law enforcement and intelligence agencies. The national task force, which is to be comprised of members of the intelligence community, other federal law enforcement agencies, and two major police departments, is intended to complement and coordinate the already established 51 field office terrorism task forces.

Training is also essential to ensuring that resources shifted to counterterrorism work can be used most effectively. There is no doubt that some of the skills needed for criminal investigations and intelligence work overlap with the skills needed for counterterrorism work. There will, however, be a need for specialized training concerning terrorist organizations and tactics. The FBI plans to fill this training need.

Director Mueller is planning a number of steps in this phase of the reorganization to align resources with priorities. But, a broader assessment of the organization in relation to priorities may identify other realignment issues. Given the seeming disparity between priorities and resource allocation that will remain after the current realignment, more resource changes may be needed. Reconsideration may also be given to the field office structure. Is the 56 field office configuration the most effective spread of staff in terms of location to achieve results in relation to the priorities of the 21st Century? In December 2001, Director Mueller announced a headquarters reorganization that altered the number of layers of management. But, is more de-layering needed to optimize the functioning of the organization?

Director Mueller will also need to address significant succession planning issues. According to a 2001 Arthur Anderson management study on the FBI, about a quarter of the special agent workforce will be eligible to retire between 2001 and 2005. Of perhaps greater concern, 80 percent of the Senior Executive Corps was eligible for retirement at the time of the Arthur Anderson review. While the potential loss of expertise through retirements will be substantial, this turnover also affords Director Mueller the opportunity to change culture, skill mix, deployment locations, and other agency attributes.

Building Analytic Capacity

To build the capacity to prevent future terrorist attacks, the FBI plans to expand its Office of Intelligence with an improved and robust analytical capability. In the past, the FBI has focused on case-specific analysis and on terrorism enterprise intelligence investigations intended to discern the structure, scope, membership, and finances of suspect organizations. Shortcomings in its analytical capabilities were identified by the FBI as far back as its 1998 strategic plan. That plan stated that the FBI lacked sufficient quantities of high-quality analysts, most analysts had little or no training in intelligence analysis, and many lacked academic or other experience in the subject matter for which they were responsible. Furthermore, it stated that the FBI needed strategic analysis capability for spotting trends and assessing U.S. vulnerabilities to terrorist activities. The events of September 11 and subsequent revelations highlight several of these continuing weaknesses.

The Office of Intelligence, created in December 2001 as part of the first phase of the reorganization, supports both counterterrorism and counterintelligence. The Office will focus on building a strategic analysis capability and improving the FBI's capacity to gather, analyze, and share critical national security information. According to the FBI, a new College of Analytical Studies at the FBI Academy will support the new Office by training analysts on the latest tools and techniques for both strategic and tactical analysis. This is a long-term effort that is long overdue, as is the need for technology that can support the analysts' work. Our May 2000 review of the Justice Department's Campaign Finance Task Force found that the FBI lacked an adequate information system that could manage and interrelate the evidence that had been gathered in relation to the Task Force's investigations.[4] It is unclear how the FBI's proposed analytical efforts will interrelate with the planned analytical capability of the proposed Department of Homeland Security.

The National Infrastructure Protection Center

The National Infrastructure Protection Center (NIPC) at the FBI is the "national focal point" for gathering information on threats and facilitating the federal government's response to computer-based incidents. Specifically, NIPC is responsible for providing comprehensive analyses on threats, vulnerabilities, and attacks; issuing timely warnings on threats and

[4]U.S. General Accounting Office, *Campaign Finance Task Force: Problems and Disagreements Initially Hampered Justice's Investigation*, GAO/GGD-00-101BR (Washington, D.C.: May 31, 2000).

attacks; and coordinating the government's response to computer-based incidents. In April 2001, we reported that multiple factors have limited the development of NIPC's analysis and warning capabilities.[5] These include the lack of a comprehensive governmentwide or national framework for promptly obtaining and analyzing information on imminent attacks, a shortage of skilled staff, the need to ensure that NIPC does not raise undue alarm for insignificant incidents, and the need to ensure that sensitive information is protected. At that time, we recommended that NIPC develop a comprehensive written policy for establishing analysis and warning capabilities. Although the Director of NIPC generally agreed with GAO's findings and stated that the NIPC considers it of the utmost urgency to address the shortcomings identified, we are not aware of any actions to address this recommendation.

The FBI reorganization plan calls for NIPC to be housed in the Cyber Division, which is under the leadership of the Executive Assistant Director for Criminal Investigations. This location seems inconsistent with ensuring that it focuses proactively on early warning as opposed to reactively. The President's plans for the Department of Homeland Security call for NIPC to be moved out of the FBI and into this new department. Regardless of location, a focus on enhancing its capabilities as outlined in our 2001 report is critical.

Recruiting

The plan also calls for the recruitment of additional agents, analysts, translators, and others with certain specialized skills and backgrounds. In total, the FBI is expected to hire 900 agents this year—about 500 to replace agents who are projected to be leaving the agency and 400 to fill newly created positions. FBI officials stated that based on past experience they expect to be able to meet their agent-recruiting target and can accommodate the size of this influx at their training facilities. However, recruitment may become more difficult than in prior years because of the competing demand for qualified candidates, particularly those with specialized skills (e.g., technology, languages, and sciences), from other law enforcement and commercial entities that are also planning to increase their investigative capacity this year. This would include competition for qualified staff with the Transportation Security Administration and with the proposed Department of Homeland Security.

[5]U.S. General Accounting Office, *Critical Infrastructure Protection Significant Challenges in Developing National Capabilities*, GAO -01-323 (Washington, D.C.: April 2001).

In January 2002, we reported on the need for additional translators and interpreters in four federal agencies, including the FBI. [6] We reported that of a total of about 11,400[7] special agents at the FBI, just under 1,800 have some foreign language proficiency, with fewer than 800 (about 7 percent) having language skills sufficient to easily interact with native speakers. Hiring new agents with foreign language proficiency, especially those with skills in Middle Eastern and Asian languages, is essential but could be difficult given competing market demands for their skills. Obtaining security clearances and basic training will add additional time to the process of enhancing the FBI's strength in language proficiency.

The FBI also uses part-time contract staff to meet translation and interpretation needs and to augment its 446 authorized translator and interpreter positions (55 of which are vacant at this time). However, counterterrorism missions may require flexibility that contract staff working part-time schedules cannot provide, such as traveling on short notice or working extended and unusual hours. While the FBI has shared linguistic resources with other agencies, more opportunities for pooling these scarce resources should be considered.

Other Important Issues Related to the FBI Transformation

Transformations of organizations are multifaceted undertakings. The recently announced changes at the FBI focus on realignment of existing resources to move in the direction of aligning with the agency's new priorities. Earlier changes altered the FBI's top-level management structure, accountability, and span of control. A variety of issues will require the Director's attention, and that of others, including Attorney General Ashcroft, to successfully move the agency into the 21st Century.

These include

- major communications and information technology improvements,
- development of an internal control system that will ensure protection of civil liberties as investigative constraints are loosened, and
- management of the ripple effect that changes at the FBI will have on other aspects of the law enforcement community.

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

[7]This number includes special agents who are on reimbursable assignments.

Communications has been a longstanding problem for the FBI. This problem has included antiquated computer hardware and software, including the lack of a fully functional e-mail system. These deficiencies serve to significantly hamper the FBI's ability to share important and time sensitive information with the rest of the FBI and across other intelligence and law enforcement agencies. Sharing of investigative information is a complex issue that encompasses legal requirements related to law enforcement sensitive and classified information and its protection through methods such as encryption.[8] It is also a cultural issue related to a tradition of agents holding investigative information close so as not to jeopardize evidence in a case. Whereas, in a more proactive investigative environment, the need for more functional communication is of paramount importance and will be essential for partnering with other law enforcement agencies and the intelligence community. Stated differently, we do not believe the FBI will be able to successfully change its mission and effectively transform itself without significantly upgrading its communications and information technology capabilities. This is critical, and it will take time and money to successfully address.

In February 2002, as part of a governmentwide assessment of federal agencies, we reported on enterprise architecture management needs at the FBI.[9] Enterprise architecture is a comprehensive and systematically derived description of an organization's operations, both in logical and technical terms, that has been shown to be essential to successfully building major information technology (IT) systems. Specifically, we reported that the FBI needed to fully establish the management foundation that is necessary to begin successfully developing, implementing, and maintaining an enterprise architecture. While the FBI has implemented most of the core elements associated with establishing the management

[8]Our February 2001 report, entitled *Information Security: Advances and Remaining Challenges to Adoption of Public Key Infrastructure Technology* (GAO-01-277) discusses the challenges federal agencies face in implementing systems to protect the communication of such information. Of equal concern to the FBI and other law enforcement agencies is the use of commercially available, non-recoverable encryption products by terrorists and others engaged in serious criminal activity to prevent law enforcement from effectively using encrypted information obtained through electronic surveillances or seizure of electronic data. This is attributable to the fact that law enforcement agencies cannot always obtain the means necessary to decrypt the encrypted information.

[9]U. S. General Accounting Office, *Information Technology: Enterprise Architecture Use Across the Federal Government Can Be Improved*, GAO-02-6 (Washington, D.C.: Feb. 19, 2002).

foundation, it had not yet established a steering committee or group that has responsibility for directing and overseeing the development of the architecture.

While establishing the management foundation is an essential first step, important additional steps still need to be taken for the FBI to fully implement the set of practices associated with effective enterprise architecture management. These include, among other things, having a written and approved policy for developing and maintaining the enterprise architecture and requiring that IT investments comply with the architecture. The successful development and implementation of an enterprise architecture, an essential ingredient of an IT transformation effort for any organization and even more important for an organization as complex as the FBI, will require, among other things, sustained commitment by top management, adequate resources, and time. The Director has designated IT as one of the agency's 10 priorities.

Although the FBI wishes to become a more proactive agency, it needs to be cognizant of individuals' civil liberties. Guidelines created in the 1970's to stem abuses of civil liberties resulting from the FBI's domestic intelligence activities have recently been revised to permit agents to be more proactive. For example, these guidelines permit FBI presence at public gatherings, which generally had been inhibited by the prior guidelines. No information obtained from such visits can be retained unless it relates to potential criminal or terrorist activity. To better ensure that these new investigative tools do not infringe on civil liberties, appropriate internal controls, such as training and supervisory review, must be developed, implemented, and monitored.

Our central focus today is on the effects of changes at the FBI on the FBI itself, and we have also alluded to a potential impact on DEA of a shift in FBI drug enforcement activity. It is also important to remember that these changes may have a ripple effect on the nature and volume of work of other Justice Department units and their resource needs, including the Office of Intelligence Policy and Review, the U.S. Attorneys Offices, and the Criminal Division's Terrorism and Violent Crime Section. For example, if the volume of FBI counterterrorism investigations increases substantially and the FBI takes a more proactive investigative focus, one could expect an increased volume of Foreign Intelligence Surveillance Act

requests to the Office of Intelligence Policy and Review.[10] Moreover, should those requests be approved and subsequent surveillance or searches indicate criminal activity, U.S. Attorneys Offices and the Terrorism and Violent Crime Section would be brought in to apply their resources to those investigations. In addition, because of the FBI's more proactive investigations, one could expect more legal challenges to the admissibility of the evidence obtained and to the constitutionality of the surveillance or search.[11]

State and local law enforcement are also likely to be affected by a change in FBI focus. Although the major gap that state and local law enforcement may have to help fill as a result of this realignment is in the drug area, if additional FBI resources are needed for counterterrorism, state and local law enforcement may have to take on greater responsibility in other areas of enforcement as well.

Basic Elements of a Successful Transformation

As the FBI moves forward in its efforts to transform its culture and reexamine its roles, responsibilities, and desired results to effectively meet the realities and challenges of the post-September 11 environment, it should consider employing the major elements of successful transformation efforts that have been utilized by leading organizations both here and abroad. These begin with gaining the commitment and sustained attention of the agency head and all in senior-level leadership. It requires a redefinition and communication of priorities and values and a performance management system that will reinforce agency priorities. It will also require a fundamental reassessment of the organizational layers, levels, units, and locations. Any realignment must support the agency's strategic plan and desired transformation. Organizations that have successfully undertaken transformation efforts also typically use best practices for strategic planning; strategic human capital management;

[10]The Foreign Intelligence Surveillance Act of 1978, (P.L. 95-511), as amended, among other things, established legal standards and a process for seeking electronic surveillance and physical search authority in national security investigations seeking to obtain foreign intelligence and counterintelligence information within the United States.

[11]*FBI Intelligence Investigations: Coordination Within Justice on Counterintelligence Criminal Matters is Limited*, GAO-01-780 (Washington, D. C.: July 16, 2001).

senior leadership and accountability; realignment of activities, processes, and resources; and internal and external collaboration among others.[12]

Strategic Planning

It has long been understood that in successful organizations strategic planning is used to determine and reach agreement on the fundamental results the organization seeks to achieve, the goals and measures it will set to assess programs, and the resources and strategies needed to achieve its goals.[13] Strategic planning helps an organization to be proactive, anticipate and address emerging threats, and take advantage of opportunities to be reactive to events and crises. Leading organizations, therefore, understand that planning is not a static or occasional event, but a continuous, dynamic, and inclusive process. Moreover, it can guide decision making and day-to-day activities.

In addition to contributing to the overall DOJ Strategic Plan, the FBI has developed its own strategic planning document. Issued in 1998, and intended to cover a 5-year period, the plan emphasized the need for many of the changes we are talking about today. It is important to note that the 1998 plan called for a build up of expertise and emphasis in the counterterrorism area and a diminution of activities in enforcement of criminal law, which is consistent with the focus of the Director's current priorities. These priorities, as presented by the Director on May 29, 2002, lay the groundwork for a new strategic plan that FBI officials have indicated they will be developing.

A new strategic plan is essential to guide decision making in the FBI's transformation. The Director has set agency priorities, but the strategic plan can be the tool to link actions together to achieve success. The first step in developing a strategic plan is the development of a framework. This framework can act as a guide when the plan is being formulated.

[12]U.S. General Accounting Office, Management Reform: Elements of Successful Improvement Initiatives, GAO/T-GGD-00-26 (Washington. D.C.: Oct. 15, 1999) and U.S. General Accounting Office Executive Guide: Effectively Implementing the Government Performance and Results Act, GAO/GGD-96-118 (Washington, D.C.: June 1996).

[13]U.S. General Accounting Office, *Agencies' Strategic Plans Under GPRA: Key Questions to Facilitate Congressional Review*, GAO/GGD-10.1.16 (Washington, D.C.: May 1997) and U.S. General Accounting Office, *Agencies' Annual Performance Plans Under the Results Act: An Assessment Guide to Facilitate Congressional Decisionmaking*, GAO/GGD/AIMD-10.1.18 (Washington, D.C.: Feb. 1998).

Strategic Human Capital Management

The FBI's employees, or human capital, represent its most valuable asset. An organization's people define its character, affect its capacity to perform, and represent the knowledge base of the organization. We have recently released an exposure draft of a model of strategic human capital management that highlights the kinds of thinking that agencies should apply and steps they can take to manage their human capital more strategically.[14] The model focuses on four cornerstones for effective strategic human capital management—leadership; strategic human capital planning; acquiring, developing, and retaining talent; and results-oriented organizational culture—that the FBI and other federal agencies may find useful in helping to guide their efforts.

Director Mueller recognizes that one of the most basic human capital challenges the FBI faces is to ensure that it has staff with the competencies—knowledge, skills, and abilities—needed to address the FBI's current and evolving mission. The announced plan makes a number of changes related to human capital that should move the FBI toward ensuring that it has the skilled workforce that it needs and that staff are located where they are needed the most. Hiring specialists, developing added strength in intelligence and analytic work, and moving some expertise to headquarters so that it can be more efficiently shared across the agency are all steps in a positive direction toward maximizing the value of this vitally important agency asset. Given the anticipated competition for certain highly skilled resources, some hiring flexibility may be needed.

The FBI does not have a comprehensive strategic human capital plan. This plan, flowing out of an updated strategic plan, could guide the FBI as it moves through an era of transformation. A performance management system that encourages staff to focus on achieving agency goals is an important tool for agency transformation and leads to positive staff development.

Senior Leadership and Accountability

The importance of Director Mueller's personal commitment to change at the FBI cannot be overstated. His leadership and commitment is essential, but he needs help to be successful. Director Mueller has recently brought on board a Special Assistant to oversee the reorganization and re-

[14]U.S. General Accounting Office, *A Model of Strategic Human Capital Management*, GAO-02-373SP (Washington, D.C.: Mar. 15, 2002).

engineering initiatives. This individual brings a wide range of expertise to the position and will perform many of the functions of a Chief Operating Officer (COO).

The FBI can reinforce its transformation efforts and improve its performance by aligning institutional unit, and individual employee, performance expectations with planned agency goals and objectives. The alignment will help the FBI's employees see the connection between their daily activities and Bureau's success. High-performing organizations have recognized that a key element of an effective performance management system is to create a "line of sight" that shows how individual responsibilities and day-to-day activities are intended to contribute to organizational goals. Coupled with this is the need for a performance management system that encourages staff to focus on performing their duties in a manner that helps the FBI achieve its objectives. The FBI currently uses a pass/fail system to rate special agents' performance. This type of system does not provide enough meaningful information and dispersion in ratings to recognize and reward top performers, help everyone attain their maximum potential, and deal with poor performers. As a result, the FBI needs to review and revise its performance management system in a way that is in line with the agency's strategic plan, including results, core values, and transformational objectives.

Realignment of Activities, Processes, and Resources

An organization's activities, core processes, and resources must be aligned to support its mission and help it achieve its goals. Leading organizations start by assessing the extent to which their programs and activities contribute to meeting their mission and intended results. They often find, as the FBI's efforts are suggesting, that their organizational structures are obsolete and inadequate to meet modern demands and that levels of hierarchy or field to headquarters ratios, must be changed. As indicated earlier in this testimony, this FBI reorganization plan deals directly with reallocation of existing resources to more clearly realign with the agency's revised mission. The Director has taken a major step in relation to this aspect of transforming an organization. However, ultimately the FBI must engage in a fundamental review and reassessment of the level of resources that it needs to accomplish its mission and how it should be organized to help achieve the desired results. This means reviewing and probably revising the number of layers, levels, and units to increase efficiency and enhance flexibility and responsiveness.

Internal and External Collaboration

There is also a growing understanding that all meaningful results that agencies hope to achieve are accomplished through networks of governmental and nongovernmental organizations working together toward a common purpose. In almost no area of government is this truer than it is in the law enforcement arena. Effectiveness in this domain, particularly in relation to counterterrorism, is dependent upon timely information sharing and coordinated actions among the multiple agencies of the federal government, states, localities, the private sector, and, particularly with the FBI, the international community. In his plan, Director Mueller has indicated that he has taken and will take additional steps to enhance communication with the CIA and other outside organizations. It should be noted that the CIA has agreed to detail analysts to the FBI on a short-term basis to augment FBI expertise.

In the law enforcement setting, specifically at the FBI, there are certain legal restrictions concerning the sharing of information that set limits on communications. Recently, some of these restrictions have been eased. The USA PATRIOT Act, P.L. 107-56, contains a number of provisions that authorize information sharing and coordination of efforts relating to foreign intelligence investigations. For example, Section 905 of the PATRIOT Act requires the Attorney General to disclose to the Director of the CIA foreign intelligence information acquired by DOJ in the course of a criminal investigation, subject to certain exceptions.

Internally, leading organizations seek to provide managers, teams, and employees at all levels the authority they need to accomplish programmatic goals and work collaboratively to achieve organizational outcomes. Communication flows up and down the organization to ensure that line staff has the ability to provide leadership with the perspective and information that the leadership needs to make decisions. Likewise, senior leadership keeps line staff informed of key developments and issues so that the staff can best contribute to achieving the organizations goals. New provisions that provide more authority to FBI field offices to initiate and continue investigations is in keeping with this tenet of leading organizations.

The Importance of Continual Monitoring and Oversight for Success

Transforming an organization like the FBI with its deep-seated culture and tradition is a massive undertaking that will take considerable effort and time to implement. Specifically, the reorganization and realignment plan are important first steps; the implementation of the plan and the elements relating to a successful organizational transformation will take many years. A strategic plan and human capital plan are essential to keep the FBI on course. Continuous internal, and independent external, monitoring and oversight are essential to help ensure that the implementation of the transformation stays on track and achieves its purpose of making the FBI more proactive in the fight against terrorism without compromising civil rights. It was such oversight of the FBI's domestic intelligence activities in the 1970's that helped identify civil liberties abuses and helped lead to the more restrictive Attorney General guidelines for such activities.

The DOJ's Inspector General recently discussed several ongoing, completed, and planned reviews relating to counterterrorism and national security. But, it is equally important for Congress to actively oversee the FBI's proposed transformation. In its request for our testimony today, the Committee asked us to identify issues relating to the reorganization and realignment for follow-up review and said that it may want us to do further reviews of the implementation of the reorganization plan. We stand ready to assist this and other congressional committees in overseeing the implementation of this landmark transformation. There are, in fact, specific areas relating to the reorganization and realignment that might warrant more in-depth review and scrutiny, including (1) progress in developing a new strategic plan (2) a review of broader human capital issues, (3) FBI uses of the funds appropriated to fight terrorism, (4) measurement of performance and results, (5) the implementation of the Attorney General's revised guidelines, and (6) the upgrading of information technology and analytic capacity.

In closing, I would like to commend the Department of Justice and FBI officials for their cooperation and responsiveness in providing requested documentation and scheduling meetings needed to develop this statement within a tight timeframe.

Mr. Chairman, this concludes my prepared statement. I would be pleased to answer any questions you and the Subcommittee members may have.

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