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United States General Accounting Office  
Washington, DC 20548

April 30, 2004

The Honorable Don Young  
Chairman  
Committee on Transportation and Infrastructure  
United States House of Representatives

*Subject: Transfer of Budgetary Resources to the Department of Homeland Security (DHS)*

Dear Mr. Chairman:

The enactment of the Homeland Security Act of 2002<sup>1</sup> led to the most substantial reorganization of the federal government since the 1940s by creating the Department of Homeland Security (DHS). Established in January 2003, DHS combined 29 program functions that were transferred from 10 agencies, referred to as the legacy agencies (appendix I lists the functions, by agency, identified for transfer).<sup>2</sup> In addition, legacy agencies transferred resources for support functions, such as offices of inspectors general and management and support. DHS was created to improve the government's coordination of efforts to protect against threats to the homeland. According to the President's proposal to create DHS, the reorganization was also designed to, among other things, achieve future savings through the elimination of redundancies among the transferred programs. Given the breadth and magnitude of the reorganization, questions have been raised among members of Congress and in the media about whether the creation of DHS would prompt increases in the size of the workforces at the agencies affected by the reorganization.

This report responds to your request that we examine how the transfer of full-time equivalent (FTE) positions—a workforce measure equal to one work year or 2,080 nonovertime hours—to DHS was conducted at the agencies involved in the transfer. Specifically, in this report, we (1) identify the budgetary resources and number of FTEs transferred from the legacy agencies to DHS, (2) compare the number of FTEs at DHS with the number of FTEs transferred from functions at legacy agencies, (3) identify differences between legacy agency fiscal year 2003 FTE balances after the transition and their fiscal year 2004 FTE requests, and (4) discuss any DHS efforts to identify opportunities to achieve personnel cost savings related to the reorganization.

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<sup>1</sup>P.L. 107-296 (Nov. 25, 2002).

<sup>2</sup>As of March 1, 2003, the Federal Emergency Management Agency (FEMA) transferred to DHS and no longer exists as a stand-alone federal agency. Therefore, there are nine legacy agencies currently in existence.

As agreed with your office, we are not reporting on changes to the contractor workforce because reliable data on the total number of contractor employees are not available. Except for cases involving certain cost reimbursement contracts, the government generally does not require its contractors to report on the number of employees involved in performing government contracts. We are not aware of any source from which complete and reliable data on this matter would be readily available. Similarly, we are also not providing information on the dollar value of contracts transferred by legacy agencies to DHS because, according to DHS officials, such information is not readily available for the inventory of contracts that DHS inherited from legacy agencies.<sup>3</sup> DHS officials report that they have created a contract transfer list based on on-going contract obligations, which at the time of the DHS transfer was the government-wide standard for reporting procurement actions to the Federal Procurement Data System (FPDS), the federal government's central source of statistical information on federal contracting.<sup>4</sup> DHS officials said that to obtain total contract value information for contracts transferred into the Department, DHS would have to compile these data from a variety of sources, most of which are manual, and they would not have a high degree of confidence in the data.

According to DHS officials, FPDS does not provide data on total contract value for legacy agency contracts transferred to DHS in fiscal year 2003. Consistent with expected changes to FPDS, DHS officials stated that they are now tracking contract dollar value data for DHS's new contracts executed in fiscal year 2004 and future years.<sup>5</sup>

The transfer of programs, funding, and personnel resources from legacy agencies to DHS began on March 1, 2003.<sup>6</sup> OMB had and continues to have responsibility for overseeing the transfer of FTEs, positions, and budget authority from legacy agencies to the new department.<sup>7</sup> OMB staff said that they worked with legacy agencies to

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<sup>3</sup>According to DHS officials, total contract value represents the total amount estimated to be spent under a contract, often over multiple years.

<sup>4</sup>According to DHS officials, contract obligations are actions that financially bind the federal government. DHS officials said that there is no direct correlation between total contract value and contract obligation amounts. DHS officials said that internal controls to ensure contract obligations do not exceed total contract values are in place and controlled at the local level by individual contracting officers.

<sup>5</sup>In March 2004, the Department of Homeland Security's Office of Inspector General issued a report entitled "Review of the Status of Department of Homeland Security Efforts to Address Its Major Management Challenges," which stated that a major challenge for DHS is the identification and management of its procurements. The report states that DHS has struggled to prepare a sufficiently detailed and accurate listing of its procurements and that data that DHS has received to date come from 22 different sources and do not provide total contract award information. In a report to the Director of the Office of Management and Budget (OMB), we conveyed our serious and continuing concerns with the reliability of data contained in FPDS and recommended steps to help improve data reliability as the successor system, FPDS-Next Generation, is implemented. See U.S. General Accounting Office, *Reliability of Federal Procurement Data*, GAO-04-295R (Washington D.C.: Dec. 30, 2003).

<sup>6</sup>The Department of Homeland Security Reorganization Plan, required under Section 1502 of the Homeland Security Act of 2002, specified that transfers were to begin on March 1, 2003.

<sup>7</sup>Under 5 U.S.C. 5102(a)(3), position is defined as the work, consisting of the duties and responsibilities, assignable to an employee. Positions can represent full-time or part-time employees or can be vacant and do not represent actual full-time equivalent employment. Budget authority is the authority provided by law to enter into financial obligations that will result in immediate or future

determine the functions, number of corresponding FTEs and positions, and budget dollars to be transferred to DHS.<sup>8</sup> Given that the transfer occurred midway through fiscal year 2003, OMB estimated DHS's "gross discretionary budget authority," which, according to OMB, represented a projection of what DHS's budget authority would have been if DHS had been operating for the entire fiscal year 2003. OMB also estimated the corresponding number of fiscal year 2003 FTEs DHS would have needed to operate for the entire fiscal year. Once OMB developed these estimates, it directed the legacy agencies to reduce their fiscal year 2003 budget authority and FTEs by amounts equal to the amounts transferred from them to DHS. For example, according to OMB staff, OMB directed the Department of the Treasury to reduce its budget authority and FTEs from its Office of Inspector General budget account for fiscal year 2003, and these resources were then transferred to DHS's Office of Inspector General budget account.<sup>9</sup> OMB also used the estimates it prepared for DHS's transition in fiscal year 2003 as the basis for developing DHS's 2004 budget request.<sup>10</sup>

To meet our objectives, we reviewed available data and documentation and interviewed officials from DHS, OMB, the nine legacy agencies still in existence, and the Office of Personnel Management (OPM) in Washington, D.C.<sup>11</sup> To identify information on the number of FTEs and budgetary resources transferred from the legacy agencies to DHS, we obtained OMB estimates of fiscal year 2003 FTEs and "gross discretionary budget authority" transferred to DHS. To compare the number of FTEs at DHS after the transfer with decreases in FTEs at legacy agencies, we identified legacy agency functions and related budget accounts affected by the transfer, obtained and compiled by function and budget account FTE data from each legacy agency before and after the transfer, compared the results of our compilation with OMB estimates, and asked OMB and legacy agencies to confirm whether our compilations were correct.<sup>12</sup> To identify differences between legacy agency fiscal year 2003 FTE balances after the transition and their fiscal year 2004 FTE requests, we obtained available legacy agency FTE data for functions and budget accounts affected by the transfer and compared these data with the fiscal year 2004 FTE requests developed by legacy agencies for the President's budget. Finally, to discuss

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outlays involving federal government funds. Budget authority includes the credit subsidy cost for direct loan and loan guarantee programs, but does not include authority to ensure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority include (1) appropriations, (2) borrowing authority, (3) contract authority, and (4) authority to obligate and expend offsetting receipts and collections.

<sup>8</sup>On January 7, 2003, OMB issued a directive that asked heads of selected departments and agencies to, among other things, identify financial, logistical, and human resources that could be transferred to DHS as part of the reorganization.

<sup>9</sup>For purposes of this report, we used the term budget account in the same context as OMB, described in OMB Circular A-11, Section 20.11.

<sup>10</sup>The President's fiscal year 2004 budget request presented DHS as a freestanding agency and constructed comparable estimates from legacy agency budget accounts for fiscal years 2002 and 2003.

<sup>11</sup>Since FEMA became part of DHS on March 1, 2003, and no longer exists as a stand-alone agency, we met with former FEMA officials in DHS's Emergency Preparedness and Response Directorate who were responsible for the FEMA transfer process.

<sup>12</sup>Our comparison focused only on functions with budget accounts in the nine legacy agencies that existed after the transfer occurred.

DHS efforts to identify opportunities to achieve personnel cost savings related to the reorganization, we interviewed DHS officials from the Office of the Undersecretary for Management and reviewed available DHS documents on cost savings opportunities. We also asked OMB to review our comparisons of OMB and legacy agency-provided data on FTEs to explain any differences between the OMB-provided numbers and those from the legacy agencies. In comments on this report, OMB staff explained that FTE estimates are made as point-in-time estimates and can change, but did not specifically comment on the differences between legacy agency and OMB data.

In addition to analyzing FTE data on the transfer, during our review, we sought to analyze whether there were increases in positions, budget authority, and personnel at legacy agencies after the transition. However, we did not report on increases in these other data because some of the information obtained was either incomplete or we were unable to reconcile differences in data provided by OMB, OPM, and the legacy agencies. According to OMB staff, differences could occur because (1) estimates on positions were in flux at the time the transfer occurred and (2) budget authority estimates could have been collected at different points in time and were subject to change. OPM officials said that OPM's data on personnel could differ from legacy agency personnel data because (1) OPM's personnel data included both those personnel who were part of the formal DHS transfer as well as those personnel who voluntarily left their positions at legacy agencies and were hired by DHS during the time of the DHS transition and (2) data on personnel could have been collected at different points in time.

Because of generally corresponding FTE data from OMB and legacy agencies and basic confirmation during interviews with knowledgeable officials, we determined the FTE data used to develop this report to be sufficiently reliable to meet our objectives for this report. We did our work from May 2003 to April 2004 in accordance with generally accepted government auditing standards. Appendix II discusses our scope and methodology in greater detail.

## ***Results in Brief***

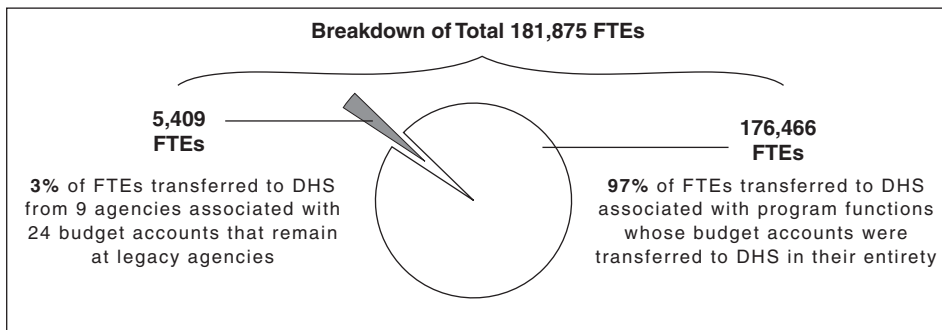
OMB estimated that of the \$38.28 billion transferred from 10 legacy agencies to DHS, \$24.76 billion would support DHS's fiscal year 2003 needs, including funding for the 181,875 FTEs transferred from legacy agencies. Ninety-seven percent of the FTEs transferred were associated with seven program functions whose budget accounts were transferred to DHS in their entirety, including the functions of a former stand-alone agency, the Federal Emergency Management Agency. The nine remaining legacy agencies reported FTE decreases in their fiscal year 2003 budgets that generally matched OMB estimates of FTEs transferred to DHS. Only limited information was available to identify differences between legacy agency FTE balances after the transfer and their fiscal year 2004 requests. For the 24 budget accounts that were the source of the remaining 3 percent of FTEs transferred to DHS, the nine legacy agencies reported that, for their fiscal year 2004 requests:

- 17 of 24 budget accounts included requests for FTEs less than or equal to the number of FTEs remaining after the transfer,<sup>13</sup> and
- 7 of 24 budget accounts included requests for FTEs greater than the number of FTEs remaining after the transfer.

All legacy agencies reported that requested increases in FTEs were unrelated to the transfer of FTEs to DHS.

Figure 1 shows the FTEs transferred to DHS, by budget accounts, for accounts that were transferred in their entirety, and for accounts with remaining balances at legacy agencies.

**Figure 1: Percentage of FTEs Transferred to DHS Associated with Budget Accounts Transferred in their Entirety and Those That Remain at Legacy Agencies**



Source: GAO analysis of fiscal year 2003 estimated FTEs transferred to DHS provided by OMB on August 7, 2003.

DHS officials told us that while it was too early to identify personnel savings from the consolidation of legacy agency program functions in DHS, the department is beginning to examine some opportunities that may lead to such savings. They also said that these savings opportunities will have to be balanced with new departmental mission needs as yet to be determined.

### **Resource Transfer to DHS**

According to OMB, a total of \$38.28 billion in unobligated funding—including fiscal year 2003 funding and funds from prior budget years—was transferred from the 10 legacy agencies to DHS. Given that DHS was established midway through fiscal year 2003, OMB estimated a transfer of \$24.76 billion from legacy agencies to DHS in fiscal year 2003 “gross discretionary budget authority”—which represented current year funding DHS would have needed during fiscal year 2003. This included funds for an estimated 181,875 FTEs transferred from legacy agencies. OMB data also showed that the transfer included 209,105 full- and part-time positions.<sup>14</sup> Table 1 shows

<sup>13</sup>U.S. Department of Agriculture (USDA) officials provided fiscal year 2003 FTE data for the Animal and Plant Health Inspection Service—Plant Protection and Quarantine Program.

<sup>14</sup>Positions can be part-time, full-time, or vacant and do not equate to the number of FTEs, e.g., one FTE can include two or more part-time positions. According to DHS and legacy agency officials, additional positions were scheduled to transfer to DHS after the official transfer date of March 1, 2003. They said position data are expected to be adjusted based on continuing negotiations between DHS and legacy agency offices. Some of the legacy agencies are still providing support services to DHS via

OMB's March 2003 estimates of the legacy agency resources that would have been needed to operate DHS during all of fiscal year 2003.

**Table 1: Estimated Legacy Agency Resources Needed to Operate the Department of Homeland Security during Fiscal Year 2003**

| Legacy agency                                    | Fiscal year 2003 estimated FTEs transferred <sup>a</sup> | Estimated positions <sup>b</sup> | Fiscal year 2003 "gross discretionary budget authority" transferred (in millions of dollars) <sup>c</sup> |
|--|--|----------------------------------|---|
| Agriculture                                      | 2,690  | 2,655 <sup>d</sup>               | \$56.0  |
| Commerce   | 35 <sup>e</sup>  | 50                               | 8.0   |
| Defense  | 92   | 105                              | 500.0   |
| Energy   | 101  | 101                              | 148.0   |
| Federal Emergency Management Agency <sup>f</sup> | 5,330  | 8,542                            | 2,830.0   |
| General Services Administration                  | 1,497  | 1,713                            | 450.0   |
| Health and Human Services                        | 110  | 91 <sup>g</sup>                  | 500.0   |
| Justice  | 40,053   | 37,154 <sup>h</sup>              | 5,500.0   |
| Transportation                                   | 103,073  | 129,302                          | 10,348.0  |
| Treasury   | 28,894   | 29,392                           | 4,417.0   |
| <b>Total</b>                                     | <b>181,875<sup>i</sup></b>                               | <b>209,105</b>                   | <b>\$24,757.0</b>   |

Source: GAO analysis of OMB data as of March 2003.

<sup>a</sup>Based on estimates provided by OMB on August 7, 2003. Although the transfer of legacy agency resources began on March 1, 2003, OMB estimates of FTEs are projected for the entire fiscal year 2003. This allows comparisons with other fiscal years that cover a 12-month period. For civilian employees in the executive branch, one FTE is equal to one work year or 2,080 nonovertime hours.

<sup>b</sup>Based on data compiled by OMB as of February 28, 2003. Positions are the specific duties and responsibilities assignable to an employee and can be full-time, part-time, or vacant. Positions do not represent actual full-time equivalent employment.

<sup>c</sup>Based on estimates provided by OMB as of August 7, 2003. Given that the transfer occurred midway through fiscal year 2003, OMB estimated DHS's "gross discretionary budget authority," which, according to OMB, represented a projection of what DHS's budget authority would have been if DHS had been operating for the entire fiscal year 2003. According to OMB data, a total of \$38.28 billion in unobligated funding was transferred to DHS's budget.

<sup>d</sup>According to OMB staff, the number of positions could be lower than the number of FTEs for these agencies because OMB position data were not necessarily complete at the time the OMB estimates of FTEs were compiled.

<sup>e</sup>Although OMB FTE estimates show that 35 FTEs were transferred from the Department of Commerce to DHS for the Critical Infrastructure Assurance Office (CIAO), according to Department of Commerce officials, Commerce reduced the number of FTEs associated with this budget account by 50 FTEs because of the transfer. Commerce officials said that 50 FTEs have been associated with CIAO since its inception in Commerce.

<sup>f</sup>FEMA became a part of DHS on March 1, 2003, and no longer exists as a freestanding agency.

<sup>g</sup>An additional 100 new FTEs were allocated to DHS to establish a budget for departmental operations in fiscal year 2003.

Ninety-seven percent of the estimated FTEs (176,466 FTEs) transferred were associated with seven program functions whose budget accounts were transferred to DHS in their entirety, and budget accounts for these functions no longer exist at the legacy agencies.<sup>15</sup> For example, the Coast Guard was transferred from the Department of Transportation (DOT), and the Immigration and Naturalization Service (INS) was abolished and its functions were transferred from the Department of Justice (DOJ).<sup>16</sup> In addition, FEMA, formerly a stand-alone agency, was merged into

memorandums of agreement. As of March 31, 2003, DHS had 160,201 full- and part-time civilian employees on board, according to OPM's Central Personnel Data File.

<sup>15</sup>These seven program functions are the Federal Emergency Management Agency, Secret Service, Federal Law Enforcement Training Center, Customs Service, U.S. Coast Guard, Transportation Security Administration, and Immigration and Naturalization Service.

<sup>16</sup>In comments on this report, DOJ noted that functions delegated to INS transferred to DHS, but that the Attorney General did not delegate to INS every function under the Immigration and Naturalization Act. Specifically, according to DOJ, the Attorney General continues to manage those functions that he

DHS in its entirety. The remaining 3 percent of the estimated FTEs (5,409 FTEs) were associated with transfers from 24 budget accounts that remain at the legacy agencies. For example, FTEs for the Federal Protective Service were formerly included in the General Services Administration's (GSA) Real Property Activities—Federal buildings fund—budget account and are now with DHS. In another instance, some FTEs were transferred from offices of inspectors general budget accounts at DOT, Treasury, DOJ, GSA, and USDA for a new office of inspector general budget account at DHS. Appendix III provides information on OMB estimates of fiscal year 2003 FTE transfers, by function, for each legacy agency.

In addition to the resources transferred, for DHS's fiscal year 2003 budget, OMB allocated DHS an additional 100 FTEs for management staff. In fiscal year 2003, DHS also received \$6.61 billion in budget authority through supplemental appropriations for a total of \$31.37 billion in budget authority.

The Homeland Security Act of 2002 requires the legacy agencies to transfer identified programs, personnel, and funding resources to DHS within one year of the department's creation.<sup>17</sup> According to DHS and legacy agency officials, the transfer of funding, FTEs, and positions is not complete; legacy agencies are still providing support services to DHS through memorandums of agreement. According to DHS and legacy agency officials, these agreements—of which there are at least 50—cover a variety of services such as mail and messenger services, payroll processing, computer network services, building security, and shuttle bus services. DHS and legacy agency officials told us that some of the agreements may have extended beyond the one-year period, and additional personnel could be transferred when these agreements end. However, DHS officials said that, so far, as agreements have ended, DHS has absorbed the additional workload without increasing FTEs or personnel because of DHS's consolidation of support services.

Our discussions with legacy agency officials indicated that it would be difficult to estimate (1) the number of FTEs associated with existing agreements at legacy agencies and (2) how FTEs might be affected once memorandums of agreement end. Officials said that some of the agreements were shared service arrangements where DHS agreed to pay a proportionate share of the total cost of services rendered; the agreements did not include a dedicated number of personnel providing services to DHS. Officials stated other agreements included staff hour cost estimates that could not be readily converted to FTEs.

Legacy agency officials also indicated that legacy agencies vary in their plans for reassigning personnel after the agreements end. For example, officials at the Department of Commerce, the Department of Defense (DOD), DOJ, and GSA said that they do not plan to reassign staff after the agreements end because dedicated

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did not delegate to INS, e.g., the management of certain law enforcement responsibilities related to visas that were delegated to DOJ's Criminal Division.

<sup>17</sup>Section 1502(d) of the Act states that the Department of Homeland Security Reorganization Plan shall become effective for an agency by the date specified in the plan or by the end of the transition period, whichever is earlier. Pursuant to Section 1501(2), the end of the "transition period" is January 24, 2004, 12 months following the effective date of the Act as specified in Section 4. The Reorganization Plan specified an earlier date for the transfers to begin, March 1, 2003.

staff are not providing these services or the amount of support provided is small. Treasury officials said that they might need to reduce staff if DHS decided to discontinue receiving working capital fund services, such as those for telephone operator services, and no other client required additional support.

### ***Legacy Agencies Fiscal Year 2003 FTE Decreases Generally Matched FTEs Transferred to DHS***

All legacy agencies reported FTE decreases in their fiscal year 2003 budgets, and these decreases generally matched OMB's data on the number of FTEs transferred to DHS.<sup>18</sup> Specifically, data provided to us by the legacy agencies for those budget accounts still existing at the agencies showed that all nine legacy agencies decreased their budgeted FTEs by amounts that generally corresponded to OMB data on the FTEs transferred to DHS. Three of the nine agencies—USDA, DOT, and GSA—provided data that showed that their FTE decreases were the same as OMB data on the transfer. Four of the nine agencies—Commerce, Department of Energy (DOE), Department of Health and Human Services (HHS), and Treasury—said that their FTE decreases were slightly greater than OMB's data on FTEs transferred.<sup>19</sup> The number of FTEs over and above the amounts transferred by OMB ranged from 1 FTE at DOE to 45 FTEs at Treasury. DOD said that it decreased its FTE budget by 1 FTE less than the number of FTEs in OMB's data.<sup>20</sup>

Finally, the ninth legacy agency, DOJ, provided data showing FTE decreases that differed from OMB estimates associated with three budget accounts:

- General Administration—Office of Inspector General (OIG) budget account

DOJ said that it transferred 15 FTEs to DHS, rather than 55 FTEs as shown in OMB's data. DOJ said that originally, the Treasury OIG was to transfer 155 FTEs to DHS and 40 FTEs to the DOJ OIG for the transfer of the Bureau of Alcohol, Tobacco, and Firearms to DOJ.

However, under a second plan agreed to by DOJ, Treasury, DHS, OMB, and OPM, the Treasury OIG transferred 195 FTEs directly to DHS's OIG, reducing to 15 the number of FTEs that DOJ's OIG transferred to DHS's OIG.<sup>21</sup>

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<sup>18</sup>Our analysis did not include budget decreases that legacy agencies made for FEMA, the Secret Service, Federal Law Enforcement Training Center, Customs Service, U.S. Coast Guard, Transportation Security Administration, and Immigration and Naturalization Service transfers to DHS because budget accounts for these program functions no longer existed at legacy agencies after the March 1, 2003, transfer. Our analysis included other program function transfers, such as the Critical Infrastructure Assurance Office and Federal Protective Service because their former budget accounts still exist at the legacy agencies.

<sup>19</sup>In addition to transferring the amounts identified by OMB, DOE transferred one additional FTE for DHS support activities. Also, HHS transferred an additional seven FTEs from the Office of Inspector General, Centers for Disease Control and Prevention, Food and Drug Administration, and National Institutes of Health.

<sup>20</sup>According to DOD, all FTEs for the National Communication System function were transferred to DHS.

<sup>21</sup>According to DOJ, the original transfer plan would have resulted in DOJ's OIG receiving 40 individuals from Treasury's OIG while at the same time transferring 55 of its personnel to DHS's OIG.



- General Administration—Salaries and expenses budget account

DOJ said that it transferred 10 FTEs in fiscal year 2003, rather than 93 as shown in OMB's data. DOJ said that only 10 of the 93 FTEs for the General Administration—Salaries and expenses budget account were planned for transfer in 2003 and the remaining 83 FTEs were transferred in the fiscal year 2004 budget submission.

- Office of Justice Programs—Justice assistance budget account

DOJ said that it transferred 55 FTEs, rather than no FTEs as shown in OMB's data.

OMB staff explained that, as discussed earlier, FTE estimates are made as point in time estimates and can change.

### ***Limited Information Available to Identify Differences between Legacy Agency FTE Balances after the Transfer and Requested FTEs***

As mentioned earlier, 97 percent of the estimated FTEs (176,466 FTEs) transferred were associated with seven program functions that were transferred to DHS in their entirety, and their budget accounts no longer exist at the legacy agencies. For the 24 budget accounts that were the source of the remaining 3 percent of FTEs transferred to DHS, the nine legacy agencies reported that, for their fiscal year 2004 requests,

- 17 of 24 budget accounts included requests for FTEs less than or equal to the number of FTEs remaining after the transfer,<sup>22</sup> and
- 7 of 24 budget accounts included requests for FTEs greater than the number of FTEs remaining after the transfer.

Figure 2 shows a breakdown of FTEs transferred by agency and budget account.

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DOJ stated that the inspectors general for DOJ, the Department of Treasury, and DHS agreed that the transfers originally directed by OMB would have been inefficient and would have caused undue personal and mission-related disruptions, particularly to the personnel and field offices affected by the transfers. DOJ said that the three inspectors general conferred and agreed to a proposal that would avoid such disruptions but still accomplish the same overall number of transfers.

<sup>22</sup>USDA officials provided fiscal year 2003 FTE data for the Animal and Plant Health Inspection Service—Plant Protection and Quarantine Program.

**Figure 2: Breakdown of FTEs Transferred to DHS, by Agencies and Budget Account**

| Agency and Budget Account   | FTEs transferred to DHS | FY 2003 FTEs before transfer | FY 2003 FTEs after transfer | FY 2004 FTE request | Difference between FY 2004 request and FY 2003 FTEs after transfer | Increase in fiscal year 2004 FTEs related to transfer? |
|---|-------------------------|------------------------------|-----------------------------|---------------------|--|--|
| <b>Agriculture (USDA)</b>   |                         |                              |                             |                     |  |  |
| Animal and Plant Health Inspection Service — Salaries and expenses <sup>a</sup>                     | 2,684                   | 3,974                        | 1,290                       | 1,290               | 0  | N/A  |
| Departmental Administration   | 2                       | 807                          | 805                         | 801                 | -4   | N/A  |
| Executive Operations — Office of Chief Information Officer  | 2                       | 344                          | 342                         | 342                 | 0  | N/A  |
| Office of Inspector General   | 2                       | 723                          | 721                         | 721                 | 0  | N/A  |
| <b>Commerce (Commerce)</b>  |                         |                              |                             |                     |  |  |
| Bureau of Industry and Security — Operations and administration                                     | 35 <sup>b</sup>         | 504                          | 454                         | 470                 | +16  | Unrelated  |
| <b>Defense (DOD)</b>  |                         |                              |                             |                     |  |  |
| Operations and Maintenance — Operation and Maintenance, Defense-wide                                | 92 <sup>c</sup>         | 65,950                       | 61,797 <sup>d</sup>         | 64,686              | +2,889   | Unrelated  |
| <b>Energy (DOE)<sup>e</sup></b>   |                         |                              |                             |                     |  |  |
| Environmental and Other Defense Activities — Defense environmental restoration and waste management | 57                      | 2,401                        | 2,344                       | 1,972               | -372   | N/A  |
| Environmental and Other Defense Activities—Other defense activities                                 | 22                      | 30                           | 8                           | 8                   | 0  | N/A  |
| National Nuclear Security Administration — Office of the Administrator                              | 22                      | 2,009                        | 1,987                       | 1,697               | -290   | N/A  |
| <b>General Services Administration (GSA)</b>  |                         |                              |                             |                     |  |  |
| Real Property Activities — Federal buildings fund   | 1,452                   | 7,080                        | 5,628                       | 5,574               | -54  | N/A  |
| General Activities — Operating expenses   | 25                      | 398                          | 373                         | 433                 | +60  | Unrelated  |
| General Activities — Working capital fund   | 16 <sup>f</sup>         | 1,361                        | 1,345                       | 1,355               | +10  | Unrelated  |
| General Activities — Office of Inspector General  | 4                       | 302                          | 298                         | 298                 | 0  | N/A  |
| <b>Health and Human Services (HHS)<sup>g</sup></b>  |                         |                              |                             |                     |  |  |
| Departmental Management — General departmental management   | 110                     | 1,646                        | 1,536                       | 1,532               | -4   | N/A  |
| <b>Justice (DOJ)</b>  |                         |                              |                             |                     |  |  |
| Federal Bureau of Investigation—Salaries and expenses   | 307                     | 25,179                       | 24,872                      | 26,740              | +1,868   | Unrelated  |
| Office of Justice Programs—Justice assistance   | .. <sup>h</sup>         | 804                          | 804                         | 729                 | -75  | N/A  |
| General Administration—Salaries and expenses  | 93 <sup>i</sup>         | 686                          | 599                         | 658                 | +59  | Unrelated  |
| General Administration—Office of Inspector General  | 55 <sup>j</sup>         | 496                          | 441                         | 409                 | -32  | N/A  |
| <b>Transportation (DOT)</b>   |                         |                              |                             |                     |  |  |
| Office of Inspector General—Salaries and expenses   | 40                      | 470                          | 430                         | 430                 | 0  | N/A  |
| Office of the Secretary—Transportation, planning, research, and development                         | 1                       | 32                           | 31                          | 31                  | 0  | N/A  |
| Office of the Secretary—Office of Civil Rights  | 3                       | 70                           | 67                          | 64                  | -3   | N/A  |
| Office of the Secretary—Salaries and expenses   | 9                       | 467                          | 458                         | 480                 | +22  | Unrelated  |
| <b>Treasury (Treasury)</b>  |                         |                              |                             |                     |  |  |
| Departmental Offices—Salaries and expenses  | 221 <sup>k</sup>        | 1,086                        | 860                         | 860                 | 0  | N/A  |
| Departmental Offices—Office of Inspector General  | 155 <sup>l</sup>        | 282                          | 87                          | 87                  | 0  | N/A  |
| <b>Total</b>  | <b>5,409</b>            | <b>117,101</b>               | <b>107,577</b>              | <b>111,667</b>      | <b>+4,090</b>  | <b>--</b>  |

| Agency and budget accounts                                      | FY 2003 FTEs before transfer | FY 2003 FTEs after transfer | FY 2004 FTE request |
|---|------------------------------|-----------------------------|---------------------|
| <b>Federal Emergency Management Agency (FEMA)<sup>l</sup></b>   | 5,330                        | N/A                         | N/A                 |
| <b>Justice (DOJ)</b>  |                              |                             |                     |
| <b>Immigration and Naturalization Service (INS)<sup>m</sup></b> | 39,598                       | N/A                         | N/A                 |
| <b>Transportation (DOT)</b>                                     |                              |                             |                     |
| U.S. Coast Guard (USCG) <sup>n</sup>                            | 43,508                       | N/A                         | N/A                 |
| Transportation Security Administration (TSA) <sup>n</sup>       | 59,512                       | N/A                         | N/A                 |
| <b>Treasury (Treasury)</b>                                      |                              |                             |                     |
| U.S. Customs <sup>o</sup>                                       | 21,570                       | N/A                         | N/A                 |
| U.S. Secret Service <sup>o</sup>                                | 6,111                        | N/A                         | N/A                 |
| Federal Law Enforcement Training Center <sup>o</sup>            | 837                          | N/A                         | N/A                 |
| <b>Total</b>  | <b>176,466</b>               | <b>N/A</b>                  | <b>N/A</b>          |

Source: GAO analysis of OMB, USDA, Commerce, DOD, DOE, GSA, HHS, DOT, DOJ, and Treasury data.

Legend: N/A = Not applicable.

**Notes:**

<sup>a</sup>USDA officials provided fiscal year 2003 FTE data for the Animal and Plant Health Inspection Service—Plant Protection and Quarantine Program.

<sup>b</sup>According to the Department of Commerce, Commerce reduced FTEs by 50 because of the transfer.

<sup>c</sup>According to DOD, 91 FTEs, representing all FTEs for the National Communication System, were transferred to DHS.

<sup>d</sup>According to DOD, the fiscal year 2003 FTE balance for the DOD—Operations and Maintenance—Operation and maintenance, Defense-wide budget account after the transfer included a larger decrease (-4,153 FTEs) than the 91 FTEs transferred to DHS because it reflects FY 2003 actual data submitted in the FY 2005 budget cycle and decreases occurred for other management and budgetary reasons.

<sup>e</sup>In addition to transferring the amounts identified by OMB, DOE transferred 1 additional FTE for DHS support activities.

<sup>f</sup>According to GSA, 1 FTE was transferred to DHS immediately and 15 FTEs are being retained at GSA to provide support services for DHS while the GSA/DHS support services are in effect. GSA's total reduction to the working capital fund account as a result of the transfer is 16 FTEs.

<sup>g</sup>HHS transferred an additional 7 FTEs from the Office of Inspector General, Centers for Disease Control and Prevention, Food and Drug Administration, and National Institutes of Health.

<sup>b</sup>According to DOJ officials, FTEs were transferred from the Office of Justice Programs to DHS in 2002. According to DOJ, 55 FTEs were transferred from the Office of Justice Programs to DHS.

DOJ officials stated that only 10 of the 93 FTEs for the General Administration—Salaries and expenses budget account were planned for transfer in 2003. According to DOJ, the remaining 83 FTEs were transferred in the fiscal year 2004 budget submission.

<sup>i</sup>According to DOJ officials, as part of the formation of DHS, the Office of Management and Budget (OMB), directed the Treasury Office of Inspector General (OIG) to transfer 155 FTEs to DHS's OIG and directed the DOJ OIG to transfer 55 FTEs to DHS's OIG. At the same time, OMB directed the Treasury OIG to transfer 40 FTEs to the DOJ OIG to compensate for the transfer of the Bureau of Alcohol, Tobacco, and Firearms from the Department of the Treasury to DOJ. According to DOJ, this would have resulted in the DOJ OIG receiving 40 individuals from the Treasury OIG while at the same time transferring 55 of its personnel to DHS's OIG. DOJ said that the inspectors general for DOJ, the Department of the Treasury, and DHS agreed that the series of transfers originally directed by OMB was inefficient and would cause undue personal and mission-related disruptions, particularly to the personnel and field offices affected by the proposed transfers. According to DOJ, the three inspectors general conferred and agreed to a proposal that would avoid such disruptions but still accomplish the same overall number of transfers. Under this plan, DOJ said that the Treasury OIG transferred 195 FTEs directly to DHS's OIG (the 155 FTEs it was required to transfer to DHS's OIG as well as the 40 it was required to transfer to DOJ's OIG). This reduced to 15 (55 minus 40) the number of FTEs that DOJ's OIG had to directly transfer to DHS's OIG.

<sup>k</sup>According to the Department of the Treasury, Treasury transferred 226 FTEs from the Departmental Offices—Salaries and expenses budget account to DHS.

FEMA became a part of DHS on March 1, 2003, and no longer exists as a freestanding agency with its own budget accounts.

<sup>m</sup>Under the Homeland Security Act of 2002, P.L. 107-296 (Nov. 25, 2002), the Immigration and Naturalization Service was abolished and its functions were transferred from the Department of Justice. In its technical comments, DOJ noted that functions delegated to INS transferred to DHS, but that the Attorney General did not delegate to INS every function under the Immigration and Naturalization Act. Specifically, according to DOJ, the Attorney General continues to manage those functions that he did not delegate to INS, e.g., the management of certain law enforcement responsibilities related to visas that were delegated to DOJ's Criminal Division.

<sup>n</sup>U.S. Coast Guard, Transportation Security Administration, U.S. Customs, U.S. Secret Service, and Federal Law Enforcement Training Center budget accounts were transferred to DHS in their entirety, and budget accounts for these functions no longer exist at the legacy agencies.

We asked the five agencies that provided data showing that they requested increased FTEs associated with seven budget accounts to explain why they requested these increases. For all seven budget accounts, agency officials said that requested increases in FTEs were for programmatic or mission changes in the programs. Specifically, for those budget accounts:

- GSA requested 10 additional FTEs for its working capital fund. A GSA official explained that the additional FTEs were requested to staff GSA's Human Capital Strategy and Competitive Sourcing Initiatives related to the President's Management Agenda and for other programmatic changes unrelated to the transfer.<sup>23</sup>
- GSA requested 60 additional FTEs for its General Activities—Operating expenses budget account. A GSA official said that the requested increase was a result of the restructuring of the GSA budget internally, which would have occurred regardless of the transfer of FTEs to DHS and is unrelated to the transfer.<sup>24</sup>

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<sup>23</sup>The President's Management Agenda (PMA), announced in fiscal year 2002, is the President's strategy for improving management and performance of the federal government. Under PMA, the President identified five government-wide management initiatives—budget and performance integration, strategic human capital management, improved financial performance, expanded electronic government, and competitive sourcing.

<sup>24</sup>For fiscal year 2004, the General Activities—Operating expenses budget account FTE request included the transfer of funding for the Office of Citizen Services and Communications (OCSC) from the Policy and Citizen Services account. The GSA official told us that GSA requested this reorganization because of inherent differences in the Office of Government-wide Policy and the OCSC programs, and the diverse budgetary and accounting requirements needed to properly manage them.

- DOT requested 22 additional FTEs for its Office of the Secretary—Salaries and expenses budget account. A DOT official said that the requested increase included FTEs for the Office of Intelligence and Security, which, among other things, coordinates DOT transportation security issues with DHS. The official said that the requested increase was not related to the transfer.
- Commerce requested 16 additional FTEs for its Bureau of Industry and Security—Operations and administration budget account. A Commerce official said that the requested FTEs were for the bureau’s core export enforcement and export regulation missions and not related to the missions that were transferred.
- DOD requested 2,889 additional FTEs for its Operations and Maintenance—Operation and maintenance, Defense-wide budget account. A DOD official said that the requested increase is related to changes in the composition of the budget account and the conversion of military positions to civilian positions and is unrelated to the transfer.<sup>25</sup>
- DOJ requested 1,868 additional FTEs for its Federal Bureau of Investigation—Salaries and expenses budget account. A DOJ official said that the requested increase is associated with Counterterrorism and Operations Support, Counterintelligence, Cybercrime Investigations, Security, Technology Investments, and Criminal Investigations and is unrelated to the transfer.
- DOJ requested 59 additional FTEs for its General Administration—Salaries and expenses account. A DOJ official said that the requested increase is associated with transfers from the Department of Treasury and increases in the Office of Intelligence Policy and Review and is unrelated to the DHS transfer.

### ***DHS Officials Identified a Preliminary Plan They Hope Will Achieve Personnel Cost Savings***

In November 2003, officials with DHS’s Office of the Undersecretary for Management said that they had developed a plan that could lead to potential personnel cost savings through the consolidation of DHS-wide support services. According to these officials, DHS had begun to implement a tri-bureau initiative, which is a plan to identify and reorganize support services to achieve management efficiencies in the Bureaus of Immigration and Customs Enforcement, Citizenship and Immigration Services, and Customs and Border Protection. As part of this initiative, DHS said it was evaluating (1) how and where support services were currently being provided within the department; (2) what the optimal service level should be, based on quality

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According to the official, GSA also transferred functions from the Public Buildings Service to OCSC in the General Activities—Operating expenses budget account and the management of the FirstGov Web site function from the General activities—operating expenses budget account to the Federal Citizen Information Center Fund.

<sup>25</sup> A DOD official said that the requested increase was related to (1) the stand-up, or transfer in, of two defense agencies into the budget account—the National Defense University and Counter-Intelligence Field Activity; (2) transfers in of other subfunctions, such as continuity of government functions, into the budget account; and (3) the conversion of military positions to civilian positions as part of the Secretary of Defense’s plan to ensure military members serve military purposes rather than fulfill functions that can be performed by civilians.

and cost considerations; and (3) what was the best approach for realigning and reorganizing support services. For example, officials said they had begun to examine how motor vehicle fleet management in particular locations was currently being provided and how it could be reorganized at these locations so that customers could share services.

Officials from the Office of the Undersecretary for Management said the reorganization and consolidation of these services through the tri-bureau initiative should yield efficiencies and cost savings, including possible personnel savings. However, these officials said that they were still in the early stages of identifying and assessing the agency's support service needs and how they should be provided. Thus, DHS was not at the point of realizing savings in the support service area. In addition, they said that although there may be opportunities to realize personnel cost savings, DHS would have to consider personnel needs as new missions arise.

In the meantime, for fiscal year 2004, DHS requested a total of 179,241 FTEs—2,634 FTEs less than the number of FTEs transferred in fiscal year 2003. According to DHS officials, DHS's fiscal year 2004 enacted appropriation will support 179,917 FTEs.

### ***Agency Comments and Our Evaluation***

On January 14, 2004 and April 14, 2004, we requested comments on this report from the Attorney General, Secretary of Agriculture, Secretary of Commerce, Secretary of Defense, Secretary of Energy, Secretary of Health and Human Services, Secretary of Homeland Security, Secretary of Transportation, Secretary of the Treasury, Director of the Office of Management and Budget, Director of the Office of Personnel Management, and the Administrator of the General Services Administration. The Department of Defense, in a letter, which is included in appendix IV, stated that it concurred with our report. The Department of Justice provided comments that are discussed below and included in appendix V. The Departments of Agriculture, Energy, Treasury; the Office of Personnel Management; and the General Services Administration stated that they had no comments on our draft report. The Departments of Commerce, Justice, Health and Human Services, Transportation, and Homeland Security and Office of Management and Budget also provided technical comments that we have incorporated where appropriate.

In written comments dated February 6, 2004, DOJ stated that it was concerned that the draft report, as written, could be misconstrued when trying to discern what resources DOJ provided to DHS. DOJ provided data showing that FTEs transferred to DHS differed from OMB estimates for transfers associated with three DOJ budget accounts. We included additional language in the report to reflect the information provided by DOJ. DOJ also stated that while the draft report referred to the transfer of INS to DHS, the functions of INS were transferred to DHS and INS was abolished. We included additional language in the report to clarify how INS functions were transferred. Regarding differences in OMB and DOJ provided data on FTEs transferred to DHS, in comments provided during an interview with us on March 12, 2004, OMB staff said that there could be differences between these data because

OMB gave agencies flexibility and discretion to determine “what made sense” for the transfer of functions.

DHS officials commented that DHS has made “significant progress” in consolidating services under fewer service providers within the department. Specifically, these officials said that DHS had reduced the number of financial management service providers from 19 to 10, separate contracting offices from 13 to 8, human resource offices from 22 to 7, and property management systems from 22 to 3. In addition, they also indicated that DHS had reduced its payroll systems from 8 to 3, and it expects to pay all of its employees using one system by the end of the year. DHS officials said that they believe that their continued focus on consolidation and integration of services and service providers will aid DHS in realizing further savings and efficiencies in support of its overall mission. Because DHS provided this information after the completion of our review, we were not able to assess these DHS efforts.

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As agreed with your office, unless you publicly announce the contents of this report earlier, we plan no further distribution until 15 days from the report date. At that time, we will send copies of this report to other interested congressional committees and to the agencies included in our review. We will also make copies available to others upon request. In addition, the report will be available at no charge on the GAO Web site at <http://www.gao.gov>.

If you have any questions about this report, please contact my Assistant Director, John F. Mortin, or me at (202) 512-8777. Key contributors to this report were Vickie Miller, Barbara Stolz, Chelsa Kenney, Julian King, Christine Davis, Katherine Davis, Jenna Aurand, Denise Fantone, Bill Woods, Michele Mackin, and Gregory Wilmoth.

Sincerely yours,



Paul L. Jones, Director  
Homeland Security and Justice Issues

## Appendix I

### Program Functions Transferred to the Department of Homeland Security

List of program functions transferred to the Department of Homeland Security (DHS) under the Homeland Security Act of 2002, P.L. 107-296 (Nov. 25, 2002). For program functions in italics, budget accounts no longer exist at legacy agencies because these functions were transferred in their entirety to DHS.

#### **Department of Agriculture**

1. Specified agricultural import and entry inspection activities from the Animal and Plant Health Inspection Service<sup>a</sup>
2. Plum Island Animal Disease Center<sup>b</sup>

#### **Department of Commerce**

3. Critical Infrastructure Assurance Office<sup>c</sup>
4. Integrated Hazard Information System (to be renamed “FIRESAT”)<sup>d</sup>

#### **Department of Defense**

5. National Communications System<sup>e</sup>
6. National Bio-Weapons Defense Analysis Center<sup>e</sup>

#### **Department of Energy**

7. Chemical and biological national security program and supporting programs and activities of the nonproliferation and verification research and development program<sup>e</sup>
8. Nuclear smuggling programs and activities within the proliferation detection program of the nonproliferation and verification research and development program<sup>e,m</sup>
9. Nuclear assessment program and activities of the assessment, detection, and cooperation program of the international materials protection and cooperation program<sup>e</sup>
10. Such life sciences activities of the biological and environmental research program related to microbial pathogens as the President may designate for transfer to DHS<sup>e</sup>
11. Advanced scientific computing research and program activities at Lawrence Livermore National Laboratory<sup>e</sup>
12. Environmental Measurements Laboratory<sup>e</sup>
13. National Infrastructure Simulation and Analysis Center and the energy security and assurance program<sup>c</sup>
14. Nuclear Incident Response Team<sup>f</sup>

15. ***Federal Emergency Management Agency***<sup>d</sup>

**General Services Administration**

16. Federal Protective Service<sup>g</sup>

17. Federal Computer Incident Response Center<sup>c</sup>

**Department of Health and Human Services**

18. Office of Emergency Preparedness, the National Disaster Medical System, and the Metropolitan Medical Response System<sup>d</sup>

19. Strategic National Stockpile<sup>d,n</sup>

**Department of Justice**

20. *Immigration and Naturalization Service*<sup>i</sup>

21. National Infrastructure Protection Center (other than the Computer Investigations and Operations Section)<sup>c</sup>

22. National Domestic Preparedness Office<sup>d</sup>

23. Domestic Emergency Support Teams<sup>d,j</sup>

24. Office for Domestic Preparedness<sup>g</sup>

**Department of Transportation**

25. *Coast Guard*<sup>k</sup>

26. *Transportation Security Administration*<sup>g</sup>

**Department of the Treasury**

27. *U.S. Customs Service*<sup>g,h</sup>

28. *U.S. Secret Service*<sup>l</sup>

29. *Federal Law Enforcement Training Center*<sup>g</sup>

Source: GAO analysis of the Homeland Security Act of 2002, P.L. 107-296 (Nov. 25, 2002).

<sup>a</sup>P.L. 107-296, § 421.

<sup>b</sup>P.L. 107-296, § 310. This section authorizes the Department of Agriculture to continue research, diagnostic, and other activities at the Plum Island Animal Disease Center after its transfer to DHS.

<sup>c</sup>P.L. 107-296, § 201(g).

<sup>d</sup>P.L. 107-296, § 503.

<sup>e</sup>P.L. 107-296, § 303.

<sup>f</sup>P.L. 107-296, § 504. This section provides that at the direction of the Secretary of Homeland Security (in connection with an actual or threatened terrorist attack, major disaster, or other emergency in the United States), the Nuclear Incident Response Team of the Department of Energy shall operate as an organizational unit of DHS. The Secretary of Energy and the Administrator of the Environmental Protection Agency shall exercise direction, authority, and control over the team when it is not operating as a unit of DHS.

<sup>g</sup>P.L. 107-296, § 403.

<sup>h</sup>Certain customs revenue functions did not transfer to DHS under the Homeland Security Act, although Section 412 authorizes the Secretary of the Treasury to delegate such functions to DHS.

<sup>i</sup>P.L. 107-296, §§ 441, 451(b). Certain federal immigration functions relating to the care of unaccompanied alien children transferred to the Department of Health and Human Services under the Act rather than DHS. P.L. 107-296, § 462.

<sup>j</sup>Interagency group mobilized in response to major incidents.

<sup>k</sup>P.L. 107-296, § 888(b).

<sup>l</sup>P.L. 107-296, § 821.



"Section 303(1)(B) of the Homeland Security Act of 2002 authorizes the President to designate the nuclear smuggling programs and activities either for transfer to the Department of Homeland Security or for joint operation by the Homeland Security and Energy Departments.

"In its technical comments, HHS noted that Section 1705 of the Homeland Security Act divides responsibilities for the Strategic National Stockpile between DHS and HHS, with HHS retaining management authority over the stockpile. DHS, on the other hand, is to "maintain" the stockpile under Section 1705 and direct its response in the event of a terrorist attack or major disaster under Section 502(3)(B). Because of the agencies' respective spheres of authority under the Homeland Security Act, the agencies have entered a memorandum of agreement interpreting the Act's stockpile transfer provision, Section 503(6), to require the transfer of stockpile assets, except for personnel, who are to remain with HHS to carry out the agency's statutory management responsibilities.

## Appendix II

### Scope and Methodology

Our objectives were to determine the number of full-time equivalent<sup>26</sup> (FTE) positions and amount of funding transferred from the legacy agencies to the Department of Homeland Security (DHS), compare the number of FTEs at DHS after the transfer with decreases in FTEs from affected programs at the legacy agencies, identify differences between legacy agency fiscal year 2003 FTE balances after the transition and their fiscal year 2004 FTE requests, and describe any DHS efforts to identify opportunities to achieve personnel cost savings related to the reorganization.

To meet our objectives, we conducted our work in Washington, D.C., at DHS, the Office of Management and Budget (OMB), the Office of Personnel Management (OPM), and the nine agencies that were required to transfer program functions to DHS under the Homeland Security Act of 2002. Referred to as legacy agencies and remaining after the transition, the nine agencies were the Department of Agriculture, Department of Defense, Department of Energy, Department of Commerce, Department of Justice, Department of Health and Human Services, Department of the Treasury, Department of Transportation, and the General Services Administration. A tenth agency, the Federal Emergency Management Agency (FEMA) was transferred in its entirety and became part of DHS on March 1, 2003. At each agency, we interviewed budget and program officials and obtained and reviewed documentation related to the transfer. In addition, we obtained and reviewed applicable laws and documents related to the reorganization.

To determine the number of FTEs and amount of funding transferred from the legacy agencies to DHS, we met with officials at DHS, OMB, and the nine legacy agencies to discuss the approach OMB and DHS used to carry out the transfer.<sup>27</sup> For each of the nine legacy agencies and FEMA, OMB provided estimates of the number of fiscal year 2003 FTEs<sup>28</sup> and fiscal year 2003 “gross discretionary budget authority”<sup>29</sup> transferred to DHS. OMB also provided data on the number of positions that were transferred to DHS from the legacy agencies.<sup>30</sup> We also met with OPM officials to discuss their role in the transfer.

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<sup>26</sup>For civilian employees in the executive branch, one FTE is equal to one work year or 2,080 nonovertime hours.

<sup>27</sup>Funding may include support for FTEs or program funds.

<sup>28</sup>Although the transfer of legacy agency resources began on March 1, 2003, OMB estimates of FTEs transferred from legacy agencies are projected for the entire fiscal year 2003.

<sup>29</sup>Budget authority is the authority provided by law to enter into financial obligations that will result in immediate or future outlays involving federal government funds. Budget authority includes the credit subsidy cost for direct loan and loan guarantee programs, but does not include authority to ensure or guarantee the repayment of indebtedness incurred by another person or government. The basic forms of budget authority include (1) appropriations, (2) borrowing authority, (3) contract authority, and (4) authority to obligate and expend offsetting receipts and collections. Given that the transfer occurred midway through fiscal year 2003, OMB estimated DHS’s “gross discretionary budget authority,” which, according to OMB, represented a projection of what DHS’s budget authority would have been if DHS had been operating for the entire fiscal year 2003.

<sup>30</sup>FTE and position data are not comparable. Under 5 U.S.C. 5102 (a)(3), position is defined as the work, consisting of the duties and responsibilities, assignable to an employee. Positions can represent

To compare the number of FTEs at DHS with decreases in FTEs from programs at the legacy agencies remaining after the transfer, we obtained OMB estimates of DHS and legacy agency budgeted FTEs and available data from each legacy agency on fiscal year 2003 FTE balances, before and after the transfer. We compiled OMB data by agency and asked each legacy agency to confirm whether our compilations were correct. In order to provide the most accurate data on these transfers, we compared OMB estimates with legacy agency data to determine whether any differences existed between them. We also asked OMB to review this information and to explain any differences between the OMB-provided numbers and those from the legacy agencies. OMB staff explained that FTE estimates are made as point-in-time estimates and can change, but did not specifically comment on differences between legacy agency and OMB data. In addition to analyzing FTE data, during our review, we also sought to analyze whether there were increases in positions, budget authority, and personnel after the transition. Some of the position, budget authority, and personnel information obtained were incomplete, and we also were unable to reconcile all the differences in data provided by OMB, OPM, and the legacy agencies. According to OMB staff, differences in position and budget authority data could occur because estimates on positions were in flux at the time the transfer occurred, and budget authority estimates could have been collected at different points in time and were subject to change. OPM officials said that OPM and legacy agency personnel data could differ because of what the data include and the point in time the data were collected.

To identify differences between legacy agency fiscal year 2003 FTE balances after the transition and their fiscal year 2004 budget requests, we obtained available data from the legacy agencies associated with their fiscal year 2003 FTE budget balances after the transfer and fiscal year 2004 FTE requests when budget accounts remained at the legacy agency. We then compared agencies' fiscal year 2003 balances after the transition with their fiscal year 2004 requests to determine any differences. Once we did our comparison, we focused on those cases where legacy agencies' fiscal year 2004 requested FTEs were greater than their fiscal year 2003 balances after the transition and asked agency officials to provide explanations for the increases.

To describe any DHS efforts to identify opportunities to achieve personnel cost savings related to the reorganization, we interviewed DHS officials from the Office of the Undersecretary for Management about their efforts to identify such opportunities and barriers in the support services area. We obtained and reviewed the plans that they had developed to consolidate support services and that may result in cost savings. DHS did not, however, respond to our request to meet with those agency officials who could discuss with us the steps DHS is taking to identify opportunities and barriers to personnel cost savings in program offices.

Because of generally corresponding FTE data from OMB and legacy agencies and basic confirmation during interviews with knowledgeable officials, we determined the FTE data used to develop this report to be sufficiently reliable to meet our

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full-time or part-time employees or can be vacant and do not represent actual full-time equivalent employment.

objectives for this report. We conducted our work from May 2003 to April 2004 in accordance with generally accepted government auditing standards.

## Appendix III

### Fiscal Year 2003 Estimated FTEs Transferred to the Department of Homeland Security by Legacy Agency Function and Budget Account

The full-time equivalent (FTE) data included in tables III.1 to III.10 below are based on estimates provided by the Office of Management and Budget (OMB) on August 7, 2003. Although the transfer of legacy agency resources to the Department of Homeland Security (DHS) began on March 1, 2003, OMB estimates are projected for the entire fiscal year of 2003. For civilian employees in the executive branch, one FTE is equal to one work year, or 2,080 nonovertime hours.

**Table III.1: Fiscal Year (FY) 2003 Estimated FTEs Transferred from the Department of Agriculture (USDA) to DHS by Legacy Agency Function and Budget Account**

| Legacy agency function and budget account  | Total FY 2003 FTE transfer |
|--|----------------------------|
| <b>Agriculture<sup>a</sup></b>   | 2,690                      |
| Animal Plant and Health Inspection Service<br>[USDA—Animal and Plant Health Inspection Service—Salaries and expenses budget account]       | 2,684                      |
| Departmental Administration<br>[USDA—Departmental administration budget account]   | 2                          |
| Executive Operations—Office of Chief Information Officer<br>[USDA—Executive Operations—Office of Chief Information Officer budget account] | 2                          |
| Office of the Inspector General<br>[USDA—Office of the Inspector General budget account]   | 2                          |

Source: GAO analysis of OMB estimates.

<sup>a</sup>According to a USDA official, on March 17, 2004, 17 FTEs and personnel were transferred from the USDA's Agricultural Research Service to DHS as part of the transfer of the Plum Island Animal Disease Center. Although the Plum Island Animal Disease Center facility was transferred to DHS on June 1, 2003, under the Homeland Security Act of 2002, USDA and DHS agreed that the transfer of personnel resources to operate the center should be delayed to a later date. USDA entered into a reimbursable agreement with DHS to provide operating personnel for the center until March 17, 2004.

**Table III.2: FY 2003 Estimated FTEs Transferred from the Department of Commerce (Commerce) to DHS by Legacy Agency Function and Budget Account**

| Legacy agency function and budget account   | Total FY 2003 FTE transfer |
|---|----------------------------|
| <b>Commerce</b>   | 35                         |
| Critical Infrastructure Assurance Office (CIAO)<br>[Commerce—Bureau of Industry and Security—Operations and administration budget account] <sup>a</sup> | 35 <sup>b</sup>            |

Source: GAO analysis of OMB estimates.

<sup>a</sup>According to OMB data, 15 FTEs were transferred from Commerce's Bureau of Industry and Security—Operations and administration budget account to DHS's Department-wide Technology Investments budget account.

<sup>b</sup>According to the Department of Commerce, 50 FTEs have been associated with CIAO since its inception in Commerce.

**Table III.3: FY 2003 Estimated FTEs Transferred from the Department of Defense (DOD) to DHS by Legacy Agency Function and Budget Account**

| Legacy agency function and budget account   | Total FY 2003 FTE transfer |
|---|----------------------------|
| <b>Defense</b>  | 92                         |
| National Communications System<br>[DOD—Operations and Maintenance—Operation and maintenance, Defense-wide budget account] | 92                         |

Source: GAO analysis of OMB estimates.

**Table III.4: FY 2003 Estimated FTEs Transferred from the Department of Energy (DOE) to DHS by Legacy Agency Function and Budget Account**

| Legacy agency function and budget account   | Total FY 2003 FTE transfer |
|---|----------------------------|
| <b>Energy</b>   | 101                        |
| Environmental Measurements Laboratory [portion of Environmental Management Program Direction]<br>[DOE—Environmental and Other Defense Activities—Defense environmental restoration and waste management budget account] | 57                         |
| Energy Security and Assurance and National Infrastructure Simulation Center<br>[DOE—Environmental and Other Defense Activities—Other defense activities budget account]   | 22                         |
| Program Direction, Defense Nuclear Nonproliferation, Office of the Administrator, National Nuclear Security Administration<br>[DOE—National Nuclear Security Administration—Office of the Administrator budget account] | 22                         |

Source: GAO analysis of OMB estimates.

**Table III.5: FY 2003 Estimated FTEs Transferred from the Federal Emergency Management Agency (FEMA) to DHS**

| Legacy agency function and budget account   | Total FY 2003 FTE transfer |
|---|----------------------------|
| <b>Federal Emergency Management Agency</b><br>[FEMA budget accounts] <sup>a</sup> | 5,330                      |

Source: GAO analysis of OMB estimates.

<sup>a</sup>According to OMB data, 42 FTEs were transferred from the FEMA—Salaries and expenses budget account to DHS's Departmental Operations budget account; 206 FTEs were transferred from the FEMA—Working capital fund to DHS's Working capital fund; and 200 FTEs were transferred from the FEMA—Office of the Inspector General budget account to DHS's Office of the Inspector General budget account.

**Table III.6: FY 2003 Estimated FTEs Transferred from the General Services Administration (GSA) to DHS by Legacy Agency Function and Budget Account**

| Legacy agency function and budget account   | Total FY 2003 FTE transfer |
|---|----------------------------|
| <b>General Services Administration</b>  | <b>1,497</b>               |
| Federal Protective Service  |                            |
| [GSA—Real Property Activities—Federal buildings fund budget account] <sup>a</sup> | 1,452                      |
| Federal Computer Incident Response Center   |                            |
| [GSA—General Activities—Operating expenses budget account]                        | 25                         |
| Working Capital Fund  |                            |
| [GSA—General Activities—Working capital fund account]                             | 16 <sup>b</sup>            |
| Office of the Inspector General   |                            |
| [GSA—General Activities—Office of the Inspector General budget account]           | 4                          |

Source: GAO analysis of OMB estimates.

<sup>a</sup>According to OMB data, 29 FTEs were transferred from the GSA—Real Property Activities—Federal buildings fund budget account to DHS’s Departmental Operations budget account.

<sup>b</sup>According to GSA, 1 FTE was transferred to DHS immediately and 15 FTEs are being retained at GSA to provide support services for DHS while the GSA/DHS support services are in effect. GSA’s total reduction to the working capital fund account as a result of the transfer is 16 FTEs.

**Table III.7: FY 2003 Estimated FTEs Transferred from the Department of Health and Human Services (HHS) to DHS by Legacy Agency Function and Budget Account**

| Legacy agency function and budget account   | Total FY 2003 FTE transfer |
|---|----------------------------|
| <b>Health and Human Services</b>  | <b>110</b>                 |
| Office of Emergency Preparedness  |                            |
| —National Disaster Medical System   |                            |
| —Metropolitan Medical Response System   |                            |
| [HHS—Departmental Management—General departmental management budget account]              | 107                        |
| Departmental Management   |                            |
| [HHS—Departmental Management—General departmental management budget account] <sup>a</sup> | 3                          |

Source: GAO analysis of OMB estimates.

<sup>a</sup>According to OMB data, 3 FTEs were transferred from the HHS Departmental Management—General departmental management budget account to DHS’s Departmental Operations budget account.

**Table III.8: FY 2003 Estimated FTEs Transferred from the Department of Justice (DOJ) to DHS by Legacy Agency Function and Budget Account**

| Legacy agency function and budget account  | Total FY 2003 FTE transfer |
|--|----------------------------|
| <b>Justice</b>   | 40,053                     |
| Immigration and Naturalization Service<br>[DOJ—INS budget accounts] <sup>a</sup>   | 39,598                     |
| National Infrastructure Protection Office<br>[DOJ—Federal Bureau of Investigation—Salaries and expenses budget account]                      | 307                        |
| Office for Domestic Preparedness (from DOJ Office of Justice Programs)<br>[DOJ—Office of Justice Programs—Justice assistance budget account] | -- <sup>b</sup>            |
| General Administration—Salaries and expenses<br>[DOJ—General Administration—Salaries and expenses budget account]                            | 93 <sup>c</sup>            |
| Office of the Inspector General<br>[DOJ—General Administration—Office of the Inspector General budget account]                               | 55 <sup>d</sup>            |

Source: GAO analysis of OMB estimates.

<sup>a</sup>According to OMB data, 87 FTEs were transferred from the Immigration and Naturalization Service—Immigration Enforcement budget account to DHS’s Departmental Operations budget account.

<sup>b</sup>According to DOJ officials, FTEs were transferred from the Office of Justice Programs to DHS in 2002. According to DOJ, 55 FTEs were transferred from the Office of Justice Programs to DHS.

<sup>c</sup>DOJ officials stated that only 10 of the 93 FTEs for the General Administration—Salaries and expenses budget account were planned for transfer in 2003. According to DOJ, the remaining 83 FTEs were transferred in the fiscal year 2004 budget submission.

<sup>d</sup>According to DOJ officials, as part of the formation of DHS, OMB directed the Treasury Office of Inspector General (OIG) to transfer 155 FTEs to DHS’s OIG and directed the DOJ OIG to transfer 55 FTEs to DHS’s OIG. At the same time, OMB directed the Treasury OIG to transfer 40 FTEs to the DOJ OIG to compensate for the transfer of the Bureau of Alcohol, Tobacco, and Firearms from the Department of the Treasury to DOJ. According to DOJ, this would have resulted in the DOJ OIG receiving 40 individuals from the Treasury OIG while at the same time transferring 55 of its personnel to DHS’s OIG. DOJ said that the inspectors general for DOJ, the Department of the Treasury, and DHS agreed that the series of transfers originally directed by OMB was inefficient and would cause undue personal and mission-related disruptions, particularly to the personnel and field offices affected by the proposed transfers. According to DOJ, the three inspectors general conferred and agreed to a proposal that would avoid such disruptions but still accomplish the same overall number of transfers. Under this plan, DOJ said that the Treasury OIG transferred 195 FTEs directly to DHS’s OIG (the 155 FTEs it was required to transfer to DHS’s OIG as well as the 40 it was required to transfer to DOJ’s OIG). This reduced to 15 (55 minus 40) the number of FTEs that DOJ’s OIG had to directly transfer to DHS’s OIG.



**Table III.9: FY 2003 Estimated FTEs Transferred from the Department of Transportation (DOT) to DHS by Legacy Agency Function and Budget Account**

| <b>Legacy agency function and budget account</b>   | <b>Total FY 2003 FTE transfer</b> |
|--|-----------------------------------|
| <b>Transportation</b>  | <b>103,073<sup>a</sup></b>        |
| U.S. Coast Guard (USCG)<br>[USCG budget accounts] <sup>b</sup>   | 43,508 <sup>a</sup>               |
| Transportation Security Administration (TSA)<br>[TSA budget accounts] <sup>c</sup>   | 59,512                            |
| Office of the Inspector General<br>[DOT—Office of the Inspector General—Salaries and expenses budget account]              | 40                                |
| Office of the Secretary<br>[DOT—Office of the Secretary—Salaries and expenses budget account]                              | 9                                 |
| Office of the Secretary<br>[DOT—Office of the Secretary—Office of Civil Rights budget account]                             | 3                                 |
| Office of the Secretary<br>[DOT—Office of the Secretary—Transportation planning, research, and development budget account] | 1                                 |

Source: GAO analysis of OMB estimates.

<sup>a</sup>Includes 37,074 military FTEs.

<sup>b</sup>According to OMB data, 44 FTEs were transferred from the USCG—Operating expenses budget account to DHS's Departmental Operations budget account.

<sup>c</sup>According to OMB data, 18 FTEs were transferred from TSA budget accounts to DHS's Departmental Operations budget account.

**Table III.10: FY 2003 Estimated FTEs Transferred from the Department of the Treasury (Treasury) to DHS by Legacy Agency Function and Budget Account**

| <b>Legacy agency function and budget account</b>  | <b>Total FY 2003 FTE transfer</b> |
|---|-----------------------------------|
| <b>Treasury</b>   | <b>28,894</b>                     |
| U.S. Customs<br>[U.S. Customs budget accounts] <sup>a</sup>   | 21,570                            |
| U.S. Secret Service<br>[U.S. Secret Service budget accounts] <sup>b</sup>                                 | 6,111                             |
| Federal Law Enforcement Training Center (FLETC)<br>[FLETC budget accounts] <sup>c</sup>                   | 837                               |
| Departmental Offices—Salaries and expenses<br>[Departmental Offices—Salaries and expenses budget account] | 221                               |
| Office of the Inspector General<br>[Departmental Offices—Office of the Inspector General budget account]  | 155 <sup>d</sup>                  |

Source: GAO analysis of OMB estimates.

<sup>a</sup>According to OMB data, 97 FTEs were transferred from the U.S. Customs Service—Salaries and expenses budget account to DHS's Departmental Operations budget account.

<sup>b</sup>According to OMB data, 45 FTEs were transferred from the U.S. Secret Service—Salaries and expenses budget account to DHS's Departmental Operations budget account.

<sup>c</sup>According to OMB data, 4 FTEs were transferred from the Federal Law Enforcement Training Center—Salaries and expenses budget account to DHS's Departmental Operations budget account.

<sup>d</sup>According to DOJ officials, as part of the formation of DHS, OMB directed the Treasury Office of Inspector General (OIG) to transfer 155 FTEs to DHS's OIG and directed the DOJ OIG to transfer 55 FTEs to DHS's OIG. At the same time, OMB directed the Treasury OIG to transfer 40 FTEs to the DOJ OIG to compensate for the transfer of the Bureau of Alcohol, Tobacco, and Firearms from the Department of the Treasury to DOJ. According to DOJ, this would have resulted in the DOJ OIG receiving 40 individuals from the Treasury OIG while at the same time transferring 55 of its personnel to DHS's OIG. DOJ said that the inspectors general for DOJ, the Department of the Treasury, and DHS agreed that the series of transfers originally directed by OMB was inefficient and would cause undue personal and mission-related disruptions, particularly to the personnel and field offices affected by the proposed transfers. According to DOJ, the three inspectors general conferred and agreed to a proposal that would avoid such disruptions but still accomplish the same overall number of transfers. Under this plan, DOJ said that the Treasury OIG transferred 195 FTEs directly to DHS's OIG (the 155 FTEs it was required to transfer to DHS's OIG as well as the 40 it was required to transfer to DOJ's OIG). This reduced to 15 (55 minus 40) the number of FTEs that DOJ's OIG had to directly transfer to DHS's OIG.

## Appendix IV

### Comments from the Department of Defense



DEFENSE INFORMATION SYSTEMS AGENCY  
701 S. COURTHOUSE ROAD  
ARLINGTON, VIRGINIA 22204-2199

IN REPLY  
REFER TO:

Comptroller (CFE)

APR 20 2004

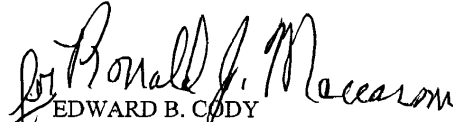
Mr. Paul Jones  
U.S. General Accounting Office  
441 G. Street NW  
Washington, DC 20548

Dear Mr. Jones:

This is the Department of Defense response to the GAO draft report, "Transfer of Budgetary Resources to the Department of Homeland Security," dated April 14, 2004 (Code 440212/ GAO-04-329R).

The Department concurs with the report's recommendations. If you have any questions concerning this matter please contact Mrs. Darlene B. Ramseur at 703-681-0321 or via e-mail at ramseurd@ncr.disa.mil.

Sincerely,

  
EDWARD B. CODY  
Comptroller

# Appendix V

## Comments from the Department of Justice



U.S. Department of Justice

Washington, D.C. 20530

FEB 06 2004

Paul Jones  
Director, Homeland Security and Justice  
General Accounting Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Jones:

On January 14, 2004, the General Accounting Office (GAO) provided the Department of Justice (DOJ) with a copy of its draft report entitled "Transfer of Budgetary Resources to the Department of Homeland Security" (GAO-04-329R/440212) with a request for comments by February 6, 2004. We appreciate the opportunity to review the draft report and are providing formal comment for incorporation into the final report. We are concerned that the report, as written, could be misconstrued when trying to discern what resources the DOJ provided to the Department of Homeland Security (DHS). We believe further details concerning the various full time equivalent (FTE) transfers will enhance the readers' comprehension of the actual changes that took place. We are providing the following information for this purpose.

The draft report contains Office of Management Budget (OMB) data on the transfers of budgetary resources to the DHS that is inconsistent with our data. Specifically, regarding the paragraph found on page 8 of the draft report that begins "Finally, the ninth legacy agency, DOJ, provided data that showed it transferred 40 fewer FTEs. . ."

As part of the formation of the DHS, the OMB directed the Department of Treasury's Office of the Inspector General (OIG) and DOJ OIG to transfer personnel to the DHS to help form the DHS OIG. The OMB directed Treasury OIG to transfer 155 FTE to DHS OIG and directed the DOJ OIG to transfer 55 FTE to DHS OIG. At the same time, the OMB directed the Treasury OIG to transfer 40 FTE to the DOJ OIG to compensate for transfer of the Bureau of Alcohol, Tobacco and Firearms (ATF) from the Department of Treasury to the DOJ. In effect, this would have resulted in the DOJ OIG receiving 40 individuals from the Treasury OIG while at the same time transferring 55 of its personnel to the DHS OIG. The Inspectors General for the DOJ, Department of the Treasury, and DHS agreed that the series of transfers originally directed by the OMB was inefficient and would cause undue personal and mission-related disruptions, particularly to the personnel and field offices affected by the proposed transfers. Therefore, the three Inspectors General conferred and agreed to a proposal that would avoid such disruptions

Mr. Paul Jones

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but still accomplish the same overall number of transfers. Under this plan, the Treasury OIG transferred 195 FTE directly to the DHS OIG (the 155 FTE it was required to transfer to DHS OIG as well as the 40 it was required to transfer to DOJ OIG). This reduced to 15 (55 minus 40) the number of FTE the DOJ OIG had to directly transfer to DHS OIG. However, in total the DOJ OIG contributed 55 FTE to DHS OIG.

This simple and efficient plan was approved by the OMB and Office of Personnel Management and subsequently implemented. Therefore, contrary to the information in the GAO report, the DOJ OIG did contribute 55 FTE to the DHS OIG.

Further in that paragraph the report notes, "DOJ data showed the DOJ transferred 83 fewer FTE. . .", the report should note that only ten of the 93 FTE for General Administration were planned for transfer in 2003 the remaining 83 FTE were transferred in the FY2004 budget submission.

The data on FTE transfers presented in this report, the report in Appendix III, Table III.8 does not reflect the Department's transfer of 55 FTE from the Office of Justice Programs to the DHS.

Finally, the draft report refers to the transfer of the Immigration and Naturalization Service (INS) to the DHS. While this may appear to be what happened, in actuality the functions of the INS were transferred to the DHS and the INS was abolished. This wording reflects a critical legal difference because the functions assigned to the Attorney General by the Immigration and Nationality Act that he did not delegate to the INS were not transferred, e.g. the management of certain law enforcement responsibilities related to visas that were delegated to the Criminal Division and not the INS continue to be managed by the Attorney General.

We hope these comments will be beneficial in preparing your final report. If you have any questions concerning the Department's comments in this matter, please feel free to contact Vickie L. Sloan, Director, Audit Liaison Office, Justice Management Division on (202) 514-0469.

Sincerely,



Paul R. Corts  
Assistant Attorney General  
for Administration

Attachments

(440212)

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GAO-04-329R FTE Transfers to DHS