



Department of Homeland Security Citizens' Report

Fiscal Year 2008 Summary of Performance and
Financial Results



Homeland
Security

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The Department of Homeland Security's FY 2008 Citizens' Report is available at the following website:

http://www.dhs.gov/xabout/budget/editorial_0430.shtm

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About this Report

The Department of Homeland Security *Citizens' Report* for Fiscal Year 2008 offers a high-level summary of performance results and financial information. The *Citizens' Report* is designed for use by a wide variety of audiences and stakeholders within and outside government.

The report presents the Department's performance relative to our mission and stewardship of resources entrusted to us. It also provides readers with a sense of the Department's priorities, and our strengths and challenges in implementing programs that enhance the safety of our Nation.

The Department is in its second year of an OMB pilot program to produce its Performance and Accountability Reports using an alternative approach. The pilot for FY 2008 consists of the following three reports:

- **DHS Annual Financial Report** –
Published November 17, 2008
- **DHS Annual Performance Report** –
Published by January 15, 2009
- **DHS Citizens' Report** –
Published by January 15, 2009

All three reports are located at our public website at the address to the left of this box.



Department of Homeland Security Citizens' Report

Fiscal Year 2008 Summary of Performance and
Financial Results



Homeland
Security

Message from the Secretary

December 12, 2008



I am pleased to submit the Department of Homeland Security (DHS) Citizens' Report for Fiscal Year (FY) 2008. It is no accident that we have not suffered a major terrorist attack on U.S. soil since September 11, 2001. It is the result of the President's leadership and the hard work and constant vigilance of hundreds of thousands of men and women who work tirelessly both at home and overseas to protect our country.

This report presents a high-level summary of performance results and financial information related to our mission. For more detailed information, please see our Annual Financial Report and our Annual Performance Report which are available at our public website: http://www.dhs.gov/xabout/budget/editorial_0430.shtm.

DHS has made tremendous progress in protecting our Nation from dangerous people and goods, protecting the Nation's critical infrastructure on which our lives and economic prosperity depend, strengthening the Nation's preparedness and emergency response capability, and unifying departmental operations and management. Among our significant accomplishments toward achieving these five primary goals are:

We are ***protecting our Nation from dangerous people*** by effectively controlling our borders, protecting our interior, and strengthening the screening of travelers and workers. DHS uses a multi-layered approach to keep dangerous people out of our country, while we welcome those who seek to legally come to the United States. U.S. Customs and Border Protection continues to train and equip new Border Patrol agents and has constructed 358 miles of fencing, with 204 miles of primary pedestrian fence and 154 miles of vehicle fence in place as of the end of FY 2008. We are well on our way to the goal of constructing 661 miles of fencing along our borders in areas identified as priorities by the Border Patrol. To control our maritime borders, the U.S. Coast Guard interdicted nearly 5,000 undocumented migrants attempting to enter the United States illegally in the maritime environment. Additionally, U.S. Immigration and Customs Enforcement removed or returned more than 360,000 illegal aliens and dramatically increased the penalties against employers whose hiring process violates the law. We continue to ensure aviation security and strengthened airport screening operations through the efforts of the Transportation Security Administration.

We are ***protecting our Nation from dangerous goods*** that could be used to attack our Nation by detecting and preventing radiological, nuclear, biological, chemical, and other explosive materials from entering our country. We are also preventing illicit contraband from crossing our borders while facilitating trade. DHS has deployed more than 1,000 radiation detection devices to the Nation's land and seaports of entry. We are scanning 97 percent of inbound cargo at border crossing points and seaports through fixed radiation detection monitors. DHS has deployed biological monitoring units in over 30 jurisdictions across the Nation to provide critical early detection of dangerous biological pathogens. In the event of a widespread biological agent release, early detection will be critical to saving lives. We have invested in new technology to develop innovative ways to identify and defeat improvised explosive devices, a weapon of choice of our

enemies. And DHS continued to thwart those wishing to smuggle drugs, guns, and other illicit contraband into our country.

We are **protecting critical infrastructure** while ensuring continuity of government communications and operations, improving cyber security and protecting transportation sectors. Under the direction of the National Protection and Programs Directorate, we have implemented protective measures in 100 percent of the Nation's high-risk key infrastructure. Our cyber intrusion detection system, Einstein, is now deployed at 15 Federal agencies. Having to await necessary infrastructure improvements, we fell short of our Einstein deployment target this year, but we plan to continue deployment in the coming year. Additionally, we deployed a new Travel Document Checking process that adds a layer of defense for aviation security by ensuring only passengers with authentic boarding passes can access the sterile area of airports and board aircraft.

We are **strengthening our Nation's preparedness and emergency response capabilities** by empowering Americans and governments at all levels to be prepared, capable, and ready to respond to adverse incidents. The recent coordinated response by the Federal, State, and local communities during this year's hurricane season is a testament to the level of preparedness our Nation has achieved. It is also a demonstration of the soul of this country – as countless individuals put themselves in harm's way to lend a helping hand to those in need. The Federal Emergency Management Agency took steps to ensure we were prepared for Hurricane Ike, without leaving those recovering from Gustav, Hanna, Fay, Edouard, and Dolly behind. We had a plan that allowed us to respond to multiple events. We supported Texas and Louisiana with millions of meals, water and ice, hundreds of generators, and hundreds of thousands of blankets and cots.

We are **strengthening and unifying DHS operations and management** by improving Department governance and performance, advancing intelligence and information sharing, and integrating policy, planning, and operations coordination. A central part of our efforts to improve operations and unify the Department is reducing the number of worksite locations in the National Capital Region. Plans are in place to establish a single headquarters location at St. Elizabeths in Washington, D.C. DHS has also demonstrated significant progress implementing a comprehensive set of security controls for all information technology systems and security controls design is now embedded in the Department's System Engineering and Life Cycle process. Additionally, a significantly enhanced security operations program now ensures that security controls remain effective throughout a system's life cycle. Security incidents are identified in real-time, investigated, and addressed as quickly as possible. To advance the use of intelligence and information sharing, we are working more effectively within DHS and with external intelligence agencies and our state and local partners. And, we are instituting more rigorous analytical processes to ensure we fund programs that effectively reduce the risk to the American public.

Together, we will continue to improve our operations and strengthen the Department to make our Nation safer everyday.

Sincerely,



Michael Chertoff



DEPARTMENT OF HOMELAND SECURITY

Budget, Performance, and Financial Snapshot

Fiscal Year 2008

Who We Are

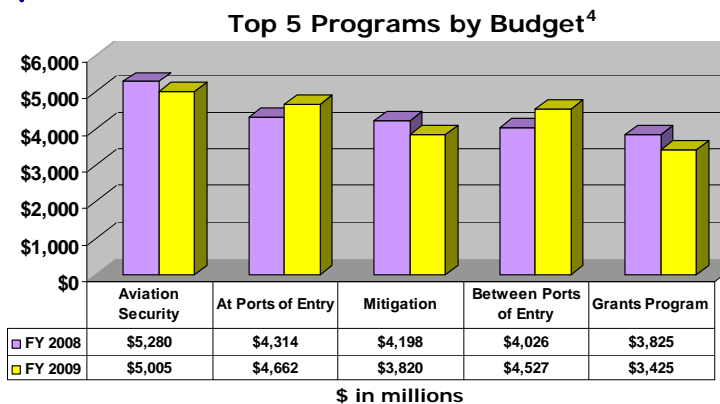
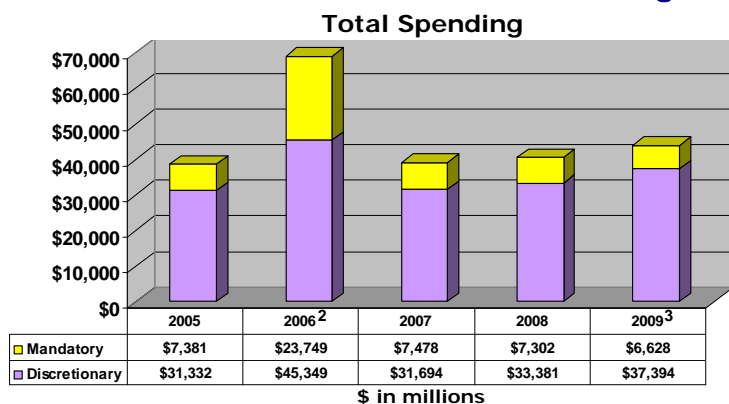
Mission: We will lead the unified national effort to secure America. We will prevent and deter terrorist attacks and protect against and respond to threats and hazards to the Nation. We will ensure safe and secure borders, welcome lawful immigrants and visitors, and promote the free-flow of commerce. Please see our strategic plan located at <http://www.dhs.gov/xabout/strategicplan>.

Organization: Homeland Security leverages resources within Federal, State, local, and tribal governments, coordinating the transition of multiple agencies and programs into a single, integrated agency focused on protecting the American people and their homeland. For more information visit our website at <http://www.dhs.gov/xabout/structure>.

Personnel: The creation of DHS brought together the workforces of 22 distinct agencies and programs, representing hundreds of occupations – from chemists to agents and officers to economists to law enforcement personnel. The Department's workforce of 218,501 employees (81% civilian and 19% military) is united in carrying out the Department's mission (DHS Career Opportunity Area http://www.dhs.gov/xabout/careers/content_multi_image_0014.shtm).

Budgetary Resources: The budgetary resources for FY 2008 totaled \$61.3¹ billion or \$203 per person.

Budget Snapshot



Performance Snapshot

Accomplishments: DHS continues to increase the size of the border patrol and extend fencing and tactical infrastructure along the border to improve our control of the border in high priority areas. We have also demonstrated accomplishments in preparedness and response through our response to Hurricanes Gustav and Ike. For another year, we have ensured there was not an attack on American soil.

Challenges: DHS continues to face challenges in enhancing the screening of high-risk cargo in relevant modes of transportation. Cyber security threats have increased in frequency and sophistication, and the challenges of addressing these threats with a well-coordinated public-private response are ongoing. The Department also faces ongoing challenges due to disperse worksite locations in the National Capital Region, and continues to plan for a unified campus to facilitate the operations and unity of the Department.

Financial Snapshot

Clean Opinion on Financial Statements	No
Timely Financial Reporting	Yes
Material Weaknesses	6
Improper Payment Rate	2.74%
Total Assets	\$ 87,895
Total Liabilities	\$ 74,415
Net Cost of Operations	\$ 48,158

\$ in millions

Note 1: The figure of \$61.3 billion in budgetary resources includes \$52.9 billion in appropriated dollars and \$8.4 billion in emergency supplemental.
 Note 2: Total spending for FY 2006 includes \$36.1 billion in emergency supplemental funding for Hurricanes Katrina and Rita. Note 3: FY 2009 total spending is a projection. Note 4: FY 2009 program decreases reflect shifting support dollars to other programs and do not reflect potential future emergency supplementals.

Summary of DHS Performance Ratings for Fiscal Year 2008

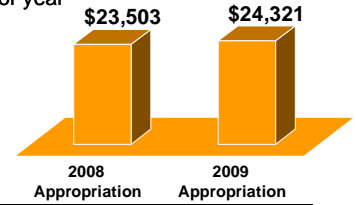
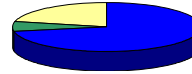
FY 2008 Performance Results per Strategic Goal

- Met/Exceeded
- Not met but improved over prior year
- Not met
- Data not yet available

Budget per Strategic Goal (\$ in millions)

Strategic Goal 1: Protect our Nation from Dangerous People

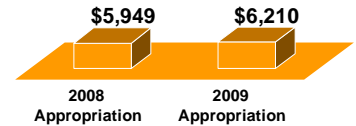
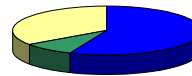
Our objectives are to: Achieve Effective Control of Our Borders; Protect Our Interior and Enforce Immigration Laws; Strengthen Screening of Travelers and Workers; and Improve Security through Enhanced Immigration Services.



Performance Measure	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Border miles under effective control	499	599	674	757	Met	815

Strategic Goal 2: Protect our Nation from Dangerous Goods

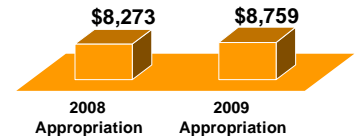
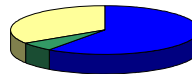
Our objectives are to: Prevent and Detect Radiological/Nuclear Attacks; Prevent, Detect, and Protect against Biological Attacks; Prevent and Detect Chemical and Explosive Attacks; and Prevent the Introduction of Illicit Contraband while Facilitating Trade.



Performance Measure	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Percent of cargo, by volume, that passes through fixed radiation portal monitors at land and sea ports of entry	85%	94%	95%	97%	Met	98%

Strategic Goal 3: Protect Critical Infrastructure

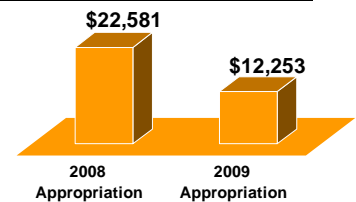
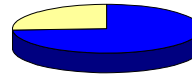
Our objectives are to: Protect and Strengthen the Resilience of the Nation's Critical Infrastructure and Key Resources; Ensure Continuity of Government Communications and Operations; Improve Cyber Security; and Protect Transportation Sectors.



Performance Measure	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Percent of high priority critical infrastructure and key resources where a vulnerability assessment has been conducted and enhancement(s) have been implemented	---	---	95%	100%	Met	95%

Strategic Goal 4: Strengthen Our Nation's Preparedness and Emergency Response Capabilities

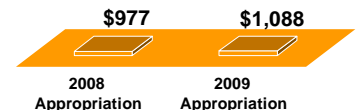
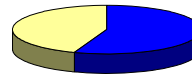
Our objectives are to: Ensure Preparedness; and Strengthen Response and Recovery.



Performance Measure	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Percent of respondents reporting they are better prepared to deal with disasters and emergencies as a result of training	90%	89%	90%	92.9%	Met	92%

Strategic Goal 5: Strengthen and Unify DHS Operations and Management

Our objectives are to: Improve Department Governance and Performance; Advance Intelligence and Information Sharing; and Integrate DHS Policy, Planning, and Operations Coordination.



Performance Measure	2006 Results	2007 Results	2008 Target	2008 Results	2008 Results	2009 Target
Total instances of material weakness conditions identified by the independent auditor in their report on the DHS financial statements	25	16	< 16	13	Met	< 12

Note: The selected measure presented is one of many that gauge the accomplishment of each strategic goal. The pie chart shows results for all performance measures associated with this goal. Dashes (---) are used if historical targets and/or results are not available as the measure was not part of the DHS Annual Performance Plan for the fiscal year indicated.

Mission and Organization

Our Mission

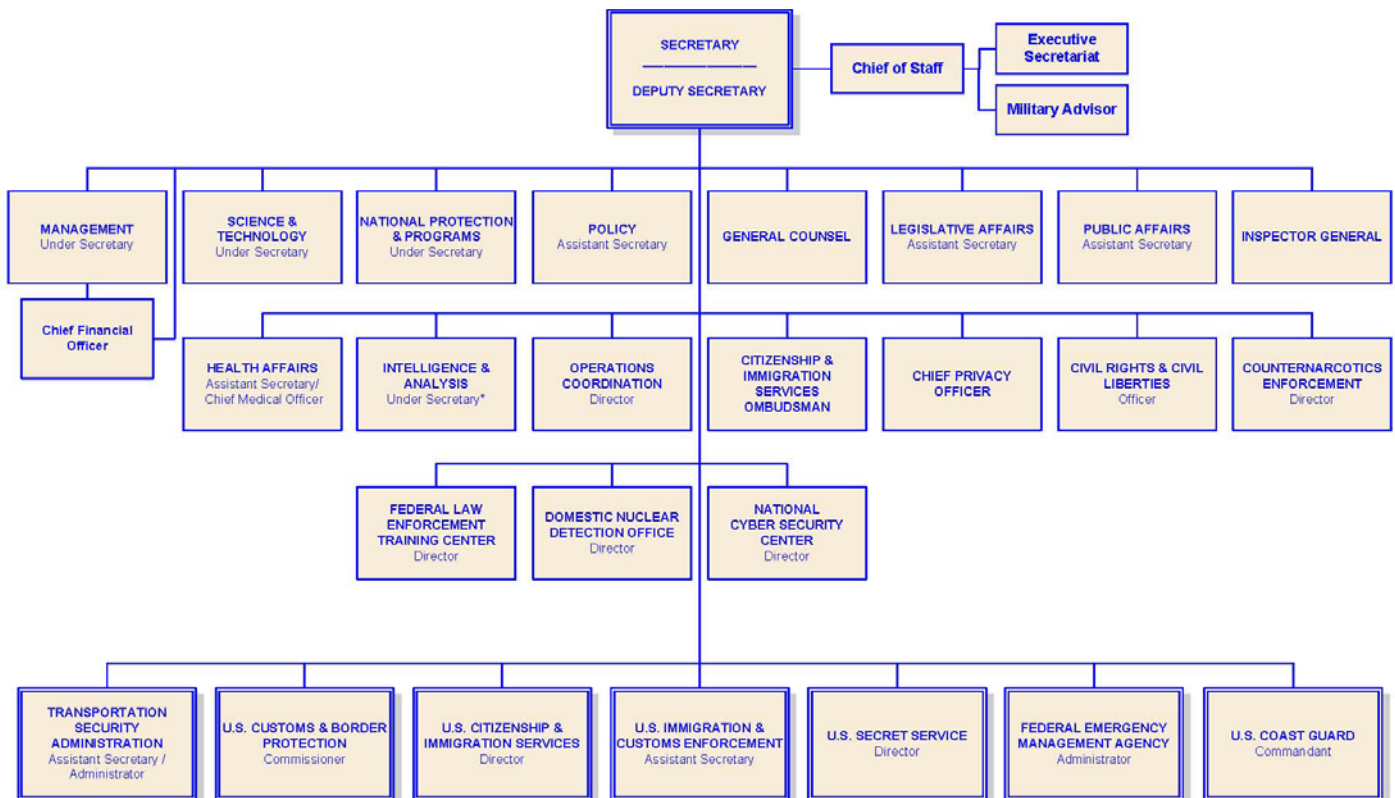
We will lead the unified national effort to secure America. We will prevent and deter terrorist attacks and protect against and respond to threats and hazards to the Nation. We will secure our national borders while welcoming lawful immigrants, visitors, and trade.

See our Strategic Plan at <http://www.dhs.gov/xabout/strategicplan>.

Our Organization

Homeland Security leverages resources within Federal, State, local, and tribal governments, coordinating the transition of multiple agencies and programs into a single, integrated agency focused on protecting the American people and their homeland. The seven front-line Components, listed along the bottom of the chart below, provide the bulk of the operational efforts the Department puts forth on a daily basis to protect the Nation. The remainder of the organization provides key resources, analysis, equipment, research, policies, and support to ensure the front-line organizations have the means to accomplish the DHS mission. For more information visit our website at <http://www.dhs.gov/xabout/structure>.

Figure 1. DHS Organizational Chart



* Under Secretary for Intelligence & Analysis title created by Public Law 110-53, Aug. 3rd, 2007

A Day in the Life

Every day DHS works diligently to:

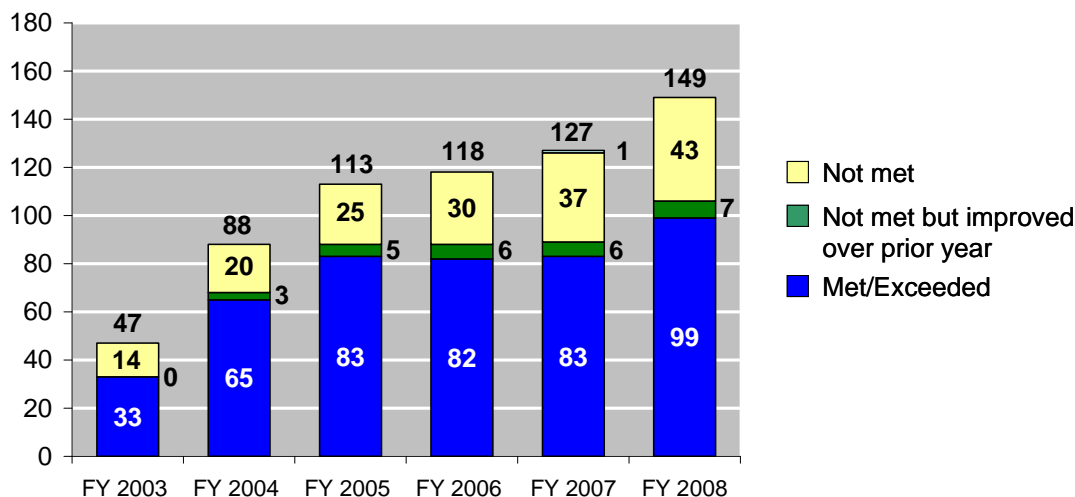
- Process an average of 1.1 million passengers and pedestrians, including 670,000 foreign visitors arriving through our Nation's ports of entry;
- Screen approximately 2 million passengers, 1.8 million pieces of checked baggage, intercept nearly 18,000 prohibited items, including 3,000 knives and 200 other dangerous items at airport security checkpoints;
- Screen more than 100,000 foreign visitors against the biometric watch list containing more than 4.8 million known or suspected terrorists, criminals and immigration violators;
- Scan more than 71,000 incoming cargo containers and trucks at ports of entry for radiological/nuclear material;
- Protect dozens of high profile government officials including the President, the Vice President, visiting heads of state, and former Presidents;
- Seize more than \$110,000 in counterfeit currency worldwide and open 20 new financial crimes and counterfeit investigations worldwide;
- Apprehend an average of 1,983 people crossing illegally into the United States;
- Make an average of 189 administrative arrests, 78 criminal arrests, and remove over 900 aliens from the United States;
- Provide real-time situational awareness and monitoring of the Homeland 24/7 through the National Operations Center;
- Retrieve filters, analyze samples, and report results from hundreds of biological monitoring units;
- Board 16 vessels at sea to enforce domestic fisheries and laws protecting marine species;
- Save an average of 13 lives, 84 people in distress, and conduct 6 search and rescue missions in the maritime environment;
- Enhance the security preparedness of the Nation's hazardous liquids and natural gas that flow through approximately 160,000 miles of pipeline;
- Train more than 3,500 Federal law enforcement officers and agents from more than 80 different Federal agencies, as well as those State, local, tribal and international entities;
- Serve as a central training resource for thousands of emergency responders through more than 45 training partners such as the U.S. Fire Administration, the Emergency Management Institute, and the Center for Domestic Preparedness;
- Naturalize an average of 4,207 individuals;
- Conduct an average of 135,000 security background checks and process an average of 26,290 applications for immigration benefits; and
- Perform on-going research on approximately 200 capabilities to improve homeland security.

Performance Highlights

Performance Results and Trends

DHS has continued to make progress in improving the set of performance measures used to assess the achievement of our program and strategic goals. Figure 2 summarizes the results for the set of measures comprising the DHS Annual Performance Plan for each fiscal year. We have consistently met or exceeded at least 65 percent of our performance measure targets since the inception of DHS. More importantly, we continue to enhance the Department's ability to measure the outcomes of our programs with reliable information. A complete list of all the performance measures in use during FY 2008, with full descriptions and explanations, is available in the Annual Performance Report for Fiscal Years 2008 – 2010, which will be available no later than January 15, 2009 at our public website http://www.dhs.gov/xabout/budget/editorial_0430.shtm.

Figure 2. FY 2008 Performance Summary



Note: FY 2008 includes estimated results for one measure where actual results were not yet available. FY 2007 includes one biennial measure with no results for FY 2007.

The table below summarizes the FY 2008 resources devoted to each DHS goal and its overall performance rating.

Table 1. FY 2008 Budget Resources and Performance by Strategic Goal

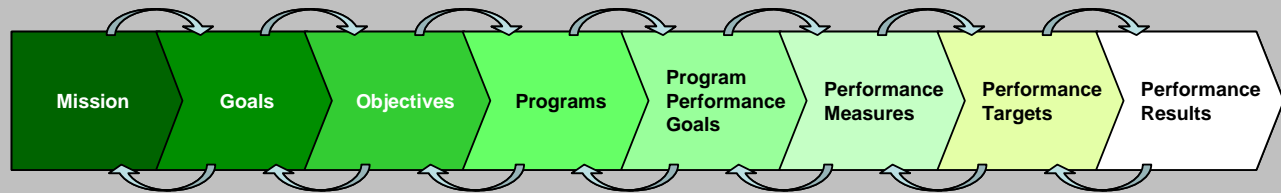
Strategic Goals	FY 2008		
	Full-Time Equivalent (FTE)	Dollars in Millions	Performance Rating
Goal 1. Protect our Nation from Dangerous People	110,282	\$23,502.8	
Goal 2. Protect our Nation from Dangerous Goods	34,132	\$5,948.9	
Goal 3. Protect Critical Infrastructure	38,711	\$8,272.7	
Goal 4. Strengthen Our Nation's Preparedness and Emergency Response Capabilities	13,975	\$22,580.9	
Goal 5. Strengthen and Unify DHS Operations and Management	2,177	\$977.0	
Total	199,277	\$61,282.3	

Note. The percent of performance measures that met their target for the year are noted on the colored bar by an inverted triangle. Blue (●) is achieved by meeting 75% or more of performance targets, green (▲) 50 to 74%, and orange (■) less than 50%.

Performance Management Framework

DHS is committed to strengthening our ability to report on performance results in achieving our goals and delivering value to the American public. Figure 3 presents the DHS performance management framework used to tie Department-wide strategic goals and objectives to mission-oriented programs, their associated program performance goals, and their performance measures and targets. Terms used in the framework are defined below.

Figure 3. DHS Performance Management Framework



Mission:	Describes at the highest level what the Department aims to achieve.
Goal:	A goal is a statement of aim or purpose included in the Department's strategic plan. In the DHS Annual Performance Plan, goals are the overarching structure used to group multiple Department objectives and their associated program performance goals. In their aggregate, program performance goals and Department objectives influence achievement of Department goals.
Objective:	An objective is an outcome-oriented statement in the Department strategic plan that describes a targeted area of action to support achievement of the Department goals.
Program:	A program is a group of activities acting together to accomplish a specific high-level outcome external to DHS. Programs are our means and strategies to accomplish the Department's strategic objectives and goals. Programs also provide the operational processes, skills, technology, human capital, and other resources to achieve program performance goals.
Program Performance Goal:	This is an outcome-oriented statement for each major DHS program that describes the value the program intends to deliver to its beneficiaries and the American public. Program performance goals are understood in terms of their associated performance measures and performance targets, which express the tangible, measurable objective against which actual achievement can be compared.
Performance Measure:	This is an indicator, statistic, or metric used to gauge program performance and assess progress in meeting the program performance goal, and in turn, the objectives and goals of the Department.
Performance Target:	A target is the projected level of performance for each performance measure during a fiscal year. A target is a quantifiable or measurable characteristic that communicates how well or at what level a program aspires to perform.
Performance Result:	A result is the actual level of performance for each performance measure achieved during a fiscal year. Results are compared to targets to determine how well actual performance measured up to that which was planned.

Goal 1. Protect our Nation from Dangerous People

<i>Objective 1.1: Achieve Effective Control of Our Borders</i>
<u>Achieves outcome of:</u> Reducing the risk of potential terrorists, instruments of terrorism, or other unlawful activities from entering the United States through our borders.
<i>Objective 1.2: Protect Our Interior and Enforce Immigration Laws</i>
<u>Achieves outcome of:</u> Improving the protection of our Nation by enforcing immigration laws.
<i>Objective 1.3: Strengthen Screening of Travelers and Workers</i>
<u>Achieves outcome of:</u> Reducing the risk that potential terrorists or others who pose a threat will exploit travel and employment opportunities to harm our Nation.
<i>Objective 1.4: Improve Security through Enhanced Immigration Services</i>
<u>Achieves outcome of:</u> Preventing terrorists or others who pose a threat from exploiting our immigration process while enhancing immigration services.

Public Benefit

Protecting our Nation from dangerous people is one of the key priorities of the Department. To accomplish this goal, control of our borders is essential to ensure dangerous people are not entering the country. We continue to increase the number of [border patrol agents](#) and miles of [fencing and barriers](#) in areas of highest risk for illegal crossings. We also work to enforce our maritime security to prevent illegal encroachment of the United States Exclusive Economic Zone (EEZ). By continued enforcement of our immigration laws, we find illegal aliens already in our country and work to ensure the proper enforcement consequence occurs. Efforts continue to ensure that those entering the country at land ports of entry are compliant with laws, rules, and regulations. While we strive to keep out dangerous people, we also work diligently to enhance our immigration services in a timely manner for those who qualify. These combined efforts focus resources in those areas of highest risk to bring a multi-layered approach to keeping dangerous people out of our country, while welcoming those who seek to come through legal channels.

Below are a small set of highlighted performance measures to communicate our accomplishments related to Goal 1. A complete list of all the performance measures in use during FY 2008, with full descriptions and explanations, is available in the Annual Performance Report for Fiscal Years 2008 – 2010 which will be available no later than January 15, 2009 at our public website http://www.dhs.gov/xabout/budget/editorial_0430.shtm.

Table 2. Highlighted Performance Measures for Goal 1

Performance Measure	Objective Supported	FY 2006 Results		FY 2007 Results		FY 2008 Results	
		Target	Result	Target	Result	Target	Result
Border miles under effective control	1.1	388	449	524	599	674	757
Percent of at-risk miles under strategic air surveillance	1.1	50%	55%	60%	60%	70%	84%
Number of incursions into the U.S. Exclusive Economic Zone	1.1	< 199	164	< 199	119	< 195	81
Percent of closed investigations which have an enforcement consequence (arrest, indictment, conviction, seizure, fine, or penalty)	1.2	38.5%	36.4%	36.5%	35.8%	36.6%	46.3%
Land border passengers compliant with laws, rules, and regulations	1.3	99.9%	99.9%	99.9%	99.97%	99.9%	99.9%
Average cycle time to process form N-400 (Application for Naturalization)	1.4	≤ 6 months	5.58 months	≤ 7 ¹ months	6.2 months	≤ 5 months	8.7 ² months

1. Target increased due to change in measurement to include time for the actual citizenship ceremony.

2. Target not met predominantly due to a record number of applications in advance of fee increases enacted late FY 2007.

Controlling the Border

DHS has made steady progress toward protecting our country from the threats of global terrorism, illegal migration, and trafficking of narcotics and other contraband; protecting our economy by enforcing trade laws, intellectual property rights, and collection of revenue on goods imported into the United States; protecting our food supply and agricultural industry from pests and disease; and increasing the security of our airspace. Significant investments in personnel, tactical infrastructure, technology, and air assets have led to a decrease in attempted illegal border crossings, as seen by the reduction in overall apprehensions. U.S. Customs and Border Protection's (CBP) Border Patrol expanded to over 17,000 agents by the end of FY 2008. CBP's Air and Marine is the largest civilian law enforcement air and marine force in the world, operating 270 aircraft to include unmanned aircraft systems, and 181 marine vessels from 73 locations throughout the United States. In addition, through the Secure Border Initiative (SBI) Program Office, CBP has constructed a total of 204 miles of pedestrian fence and 154 miles of vehicle fence to protect the border through the end of FY 2008.



Secure Communities Initiative Unveiled



U.S. Immigration and Customs Enforcement ([ICE](#)) unveiled the [Secure Communities](#) initiative in March 2008 which is a comprehensive plan to enforce our immigration laws. Secure Communities is a multi-year initiative to more effectively identify, detain, and return removable criminal aliens incarcerated in Federal, State and local prisons and jails. ICE's plan will apply risk-based methodologies, use expanded integration technology, and build upon the relationships with State and local law enforcement agencies to

ensure that incarcerated criminal aliens are removed from the country instead of being released into our communities after their time in custody.

Addressing Successes and Challenges

A total of 26 of our 65 mission-oriented programs contribute to achieving Goal 1. While a subset of 6 performance measures are highlighted here, a full set of 47 performance measures are used to gauge the effectiveness in achieving Goal 1. The results for these performance measures and corrective actions for those not meeting their performance measure targets may be found in the DHS Annual Performance Report for Fiscal Years 2008 – 2010.

Progress continues in increasing the miles of the United States border where illegal crossings are detected and responded to with the appropriate law enforcement action, increasing our ability to protect our Nation from dangerous people who attempt to cross into the country illegally. Strategic air surveillance of the border also was delivered beyond targeted levels of performance so as to provide up-to-the minute information and intelligence to operators on the ground. Deterrence efforts resulted in a drop in the number of attempts to enter our Exclusive Economic Zone along our Nation's sea borders. Efforts to ensure passengers crossing into our country via land borders continue to demonstrate a high level of compliance with laws, rules, and regulations.

In terms of challenges, emphasis on process improvements continues to be the focus to be able to meet the cycle time to process applications for Naturalization and other immigration benefits. Areas for improvement include continuing to meet targets for border security fencing, increased surveillance and new tactics to eliminate the flow of undocumented migrants via maritime routes, improving processing times for various citizenship application forms, implementing the Transportation Workers Identification Credential spot checks, and setting targets appropriately.

Goal 2. Protect our Nation from Dangerous Goods

<i>Objective 2.1: Prevent and Detect Radiological/Nuclear Attacks</i>
<u>Achieves outcome of:</u> Reducing the risk of a nuclear or radiological attack in the United States.
<i>Objective 2.2: Prevent, Detect, and Protect Against Biological Attacks</i>
<u>Achieves outcome of:</u> Reducing the risk of a biological attack in the United States.
<i>Objective 2.3: Prevent and Detect Chemical and Explosive Attacks</i>
<u>Achieves outcome of:</u> Reducing the risk of a chemical or explosive attack in the United States.
<i>Objective 2.4: Prevent the Introduction of Illicit Contraband while Facilitating Trade</i>
<u>Achieves outcome of:</u> Reducing the amount of illicit contraband that enters the United States while facilitating trade.

Public Benefit

Protecting our Nation from dangerous goods is another crucial element to our national security. One of the most devastating attacks could come in the form of a nuclear or radiological weapon. To counter this threat, the Department is scanning over 97 percent of all inbound cargo, using [radiation portal monitors](#) at our land and sea ports of entry, for nuclear and radiological materials that could be used to harm our Nation. We are also continuing our collaboration with other countries to scan cargo overseas prior to departure for the United States and to improve the security of the international cargo supply chain. To prevent, detect, and protect against [biological attacks](#), the Department is using risk-based threat assessments to prioritize efforts to detect, characterize, and respond to biological attacks. The Department is also focused on improving our ability to reduce the risk of chemical and explosive attacks, and to guard against unlawful goods entering the United States with minimal impact to legitimate trade. Below are a small set of highlighted performance measures to communicate our accomplishments related to Goal 2.

Table 3. Highlighted Performance Measures for Goal 2

Performance Measure	Objective Supported	FY 2006 Results		FY 2007 Results		FY 2008 Results	
		Target	Result	Target	Result	Target	Result
Percent of cargo, by volume, that passes through fixed radiation portal monitors at land and sea ports of entry	2.1	---	85%	90%	94%	95%	97%
Percent of worldwide U.S.-destined containers processed through Container Security Initiative (CSI) ports	2.1	81%	82%	86%	86%	86%	86.1%
Compliance rate of Customs–Trade Partnership Against Terrorism (C-TPAT) members with established C-TPAT security guidelines	2.1	90%	98%	95%	98%	95.5%	99.9%
Percent of the population in BioWatch jurisdictions covered by outdoor biological monitoring units	2.2	---	---	---	---	*	*
Percent completion of an effective restoration technology to restore key infrastructure to normal operation after a chemical attack	2.2	25%	25%	35%	30%	40%	58%
Baggage security screening assessment results	2.3	---	---	*	*	*	*
Percent of truck and rail containers screened for contraband and concealed people	2.4	10.25%	32.8%	33%	40%	42%	35.8% ¹
Border vehicle passengers in compliance with agricultural quarantine regulations	2.4	94.6%	92.9%	94.6%	95.7%	94.6%	97.7%

Note: Dashes (---) are used if historical targets and/or results are not available as the measure was not part of the DHS Annual Performance Plan for the fiscal year indicated.

* This information is classified or unclassified controlled information; however, the measure met its fiscal year target.

1. Targeting rules underwent refinement in FY 2008 resulting in an overall reduction in the number of mandatory examinations required.

Integrated Strategy for Radiation Detection



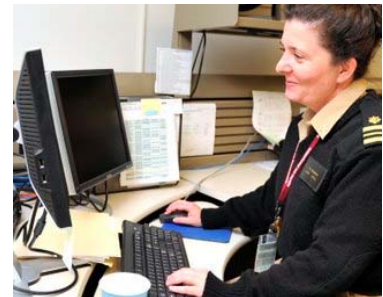
The Department, in cooperation with Federal, State, local, territorial, and international partners, has developed and is implementing a comprehensive Global Nuclear Detection Architecture to prevent the entry of radiological and nuclear weapons or materials into the United States. This architecture is risk-based, intelligence-driven, and built around a multi-layered strategy that starts overseas, continues at our borders, and is maintained within the U.S. interior to thwart terrorist use of

nuclear and radiological materials.

Just a few years ago, we did not scan any of this cargo for radiation. We are currently scanning cargo at home ports of entry and closing gaps along the land, air, and sea borders. In total, through the efforts of the [CBP](#) field offices and the Domestic Nuclear Detection Office ([DNDO](#)), we now scan over 97 percent of the millions of containers entering our ports of entry each year. In an effort to extend our radiological detection efforts overseas, DHS is piloting the [Secure Freight Initiative](#) where our officers are working with their foreign counterparts overseas to scan U.S.-bound containers for radiation at international ports.

National Biosurveillance Integration Center

The Department opened the first-of-its-kind [biosurveillance center](#) in September 2008 that gives the Nation the ability to detect fast-moving, potential health threats. Whether it is food contaminated with salmonella, the first waves of illness from a [pandemic flu](#), or an anthrax attack by terrorists, spotting biological threats sooner means that thousands of lives might be saved.



The center will combine multiple sources of information – from classified material shared in a secure environment, to transportation and border data, to local media reports – so that events around the country and the world can be connected and analyzed more closely and quickly, and emerging threats can be detected earlier than ever before.

Being able to identify emerging threats earlier was one of the key recommendations from the [9/11 Commission](#). As the Japanese learned in 1995 when the Aum Shinrikyo religious sect [released](#) sarin nerve gas on subway lines killing 12 and injuring 5,500 people, biological attacks are a modern global reality.

Addressing Successes and Challenges

A total of 11 of our 65 mission-oriented programs contribute to achieving Goal 2. While a subset of 8 performance measures are highlighted here, a full set of 23 performance measures are used to gauge the effectiveness in achieving Goal 2. The results for these performance measures and corrective actions for those not meeting their performance measure targets may be found in the DHS Annual Performance Report for Fiscal Years 2008 – 2010.

Continued efforts to increase the security of the cargo supply chain and screen incoming cargo for radiological material were successful in FY 2008. Protection from potential biological attacks continues through coverage by outdoor biological monitoring units. Compliance with agricultural quarantine regulations met targeted levels of performance in FY 2008. Our largest Goal 2 challenge areas include screening of truck, rail, and sea containers for contraband and concealed people, conducting required site visits to maritime ports, deploying the next generation biological monitoring units, and obtaining full participation from partner agencies with sharing biosurveillance information.

Goal 3. Protect Critical Infrastructure

<i>Objective 3.1: Protect and Strengthen the Resilience of the Nation's Critical Infrastructure and Key Resources</i>
<u>Achieves outcome of:</u> Ensuring the protection and resiliency of the Nation's critical infrastructure and key resources.
<i>Objective 3.2: Ensure Continuity of Government Communications and Operations</i>
<u>Achieves outcome of:</u> Ensuring the Federal Government can perform essential functions if an emergency occurs.
<i>Objective 3.3: Improve Cyber Security</i>
<u>Achieves outcome of:</u> Reducing the risk of successful cyber attacks on Federal networks and the Nation's critical infrastructure.
<i>Objective 3.4: Protect Transportation Sectors</i>
<u>Achieves outcome of:</u> Ensuring the protection and safety of transportation sectors.

Public Benefit

Protecting and ensuring the continuity of the critical infrastructure and key resources ([CIKR](#)) of the United States is essential to the Nation's security, public health and safety, economic vitality, and our way of life. Strides have been made in prioritizing the protection of critical infrastructure and key assets using a [risk-based](#) approach. Critical infrastructure includes things such as buildings, bridges, chemical facilities, energy plants, and financial systems so vital to the United States that the incapacity or destruction of such assets would have a debilitating impact. Protecting key resources such as our national leaders, key government personnel, and our communications systems are vital to maintaining government operations during unforeseen incidents. Protecting our computer networks through the use of tools such as network sensors is another component of protecting our critical infrastructure. Ensuring the protection and safety of our airports and waterways is also an emphasis of our activities in this area. Below are a small set of highlighted performance measures to communicate our accomplishments related to Goal 3.

Table 4. Highlighted Performance Measures for Goal 3

Performance Measure	Objective Supported	FY 2006 Results		FY 2007 Results		FY 2008 Results	
		Target	Result	Target	Result	Target	Result
Percent of high priority critical infrastructure and key resources where a vulnerability assessment has been conducted and enhancement(s) have been implemented	3.1	---	---	---	---	95%	100%
Percent of instances protectees arrive and depart safely	3.2	100%	100%	100%	100%	100%	100%
Priority services call completion rate during emergency communications periods	3.2	---	---	---	---	90%	97%
Percent of Federal departments and agencies with fully operational Continuity of Operations (COOP) capabilities	3.2	90%	95%	100%	100%	100%	100%
Percent of planned Einstein sensors deployed on-time annually throughout the Federal government (cyber security)	3.3	---	---	---	---	100%	26% ¹
Percent of airports in compliance with leading security indicators	3.4	---	95.7%	98%	95.5%	95%	95%
Five-year average number of Collisions, Allisions, and Groundings (CAG)	3.4	< 1,748	1,816 ²	< 1,664	1,823 ²	< 1,756	1,857 ²

Note: Dashes (---) are used if historical targets and/or results are not available as the measure was not part of the DHS Annual Performance Plan for the fiscal year indicated.

1. Deployment of sensors delayed at many locations because they did not have the required Trusted Internet Connections to complete installations.
2. While the FY 2004 and FY 2005 results met their targets, ambitious targets with the expectation to reduce CAGs were not met in FY 2006, FY 2007 or FY 2008.

Financial Crimes Investigation

The [U.S. Secret Service](#) (USSS) initiated an investigation that led to the identification and indictment of 11 perpetrators involved in the hacking of 8 major U.S. retailers, and the theft and sale of over 40 million credit and debit card numbers. This transnational group of criminals used these cards to withdraw tens of thousands of dollars from ATMs, and concealed and laundered their fraud proceeds by using anonymous internet-based currencies, and by channeling funds through bank accounts in Eastern Europe.



As a result of a 3-year undercover USSS investigation, and through ongoing cooperation with domestic and international law enforcement partners, the defendants were charged with computer fraud, wire fraud, access device fraud, aggravated identity theft, and conspiracy on August 5, 2008. This case is the largest and most complex case of its type in U.S. history.

Aviation Security Inspections



The Transportation Security Administration ([TSA](#)) deploys nearly 1,000 Aviation Security Inspectors to evaluate security at over 450 U.S. airports, 550 foreign airports, and over 1,500 domestic and international air carriers operating in the United States. Inspectors participate in covert tests, airport employee credential checks, compliance inspections with TSA regulations, and security directives at airports and indirect air carriers, and investigate violations. In FY 2008, Transportation Security Inspectors (TSI) conducted 6,000 Aviation Screening Assessment Program tests, over 1,100 airport inspections, and as part of Operation Airport Strike, participated in a

week-long, full-scale airport and aircraft operator inspections in Boston, Philadelphia, Denver, Seattle, Chicago O'Hare, Cincinnati, and Phoenix. Results from TSI activities help identify vulnerabilities that can be improved by revising processes, procedures, staffing, and technology to evolve and improve the security of our air transportation systems.

Addressing Successes and Challenges

A total of 23 of our 65 mission-oriented programs contribute to achieving Goal 3. While a subset of 7 performance measures are highlighted here, a full set of 35 performance measures are used to gauge the effectiveness in achieving Goal 3. The results for these performance measures and corrective actions for those not meeting their performance measure targets may be found in the DHS Annual Performance Report for Fiscal Years 2008 – 2010.

Protecting our high priority critical infrastructure and key resources through vulnerability assessments and implementation of enhancements continued in FY 2008. Results were achieved to support the continuity of government communications and operations by securing domestic protectees in the United States, having fully operational Continuity of Operations capabilities for Federal Departments and Agencies, and ensuring emergency communications through the priority services call system. Challenges remain in Federal Government cyber security as reflected in the lower than expected deployment of Einstein sensors to detect intrusions because locations did not have the required Trusted Internet Connections. Other challenges in this area relate to implementing the Chemical Facility Anti-Terrorism Standards regulatory process, and encouraging mass transit and passenger rail agencies to implement recommended security improvements. Efforts are planned in FY 2009 to continue to work with stakeholders regarding marine safety, along with ports, waterways, and coastal security.

Goal 4. Strengthen Our Nation's Preparedness and Emergency Response Capabilities

Objective 4.1: Ensure Preparedness

Achieves outcome of: Ensuring the Federal Government, State and local governments, and all Americans are prepared, capable, and ready to respond to adverse incidents.

Objective 4.2: Strengthen Response and Recovery

Achieves outcome of: Ensuring Americans and their governments at all levels effectively respond to and recover from catastrophic incidents.

Public Benefit

One of the core missions of DHS is to enhance the ability to protect against, respond to, and recover from terrorist attacks and other disasters. The National Incident Management System works to integrate and coordinate incident management efforts among Federal, State, local, and tribal governments. Other preparedness efforts have focused on deploying biological monitoring units that indicate if harmful substances have been released in high-risk areas. Training our law enforcement community is another key tenet of preparing our Nation to respond to adverse incidents. When disasters do occur, many Components of DHS respond to those in need, providing the appropriate response assistance. For instance, having teams ready to respond at a moment's notice in the event of a catastrophic incident helps mitigate negative consequences. Also, providing resources and other assistance for those who have fallen in harm's way through individual recovery assistance demonstrates our response capability. Below are a small set of highlighted performance measures to communicate our accomplishments related to Goal 4.

Table 5. Highlighted Performance Measures for Goal 4

Performance Measure	Objective Supported	FY 2006 Results		FY 2007 Results		FY 2008 Results	
		Target	Result	Target	Result	Target	Result
Percent of Federal, State, local, and tribal governments compliant with the National Incident Management System (NIMS)	4.1	100%	100%	100%	100%	100%	100%
Time between an outdoor monitoring unit exposure to a biological agent and the declaration of a confirmed positive result	4.1	---	---	---	---	< 36 hrs	36 hrs ¹
Percent of Partner Organizations that respond "agree" or "strongly agree" that Federal Law Enforcement Training Center training programs address the right skills needed for their officers/agents to perform their law enforcement duties	4.1	73%	71%	74%	79.75%	75%	79.75%
Percent of response teams reported at operational status	4.2	85%	85%	88%	88%	91%	93%
Percent of customers satisfied with Individual Recovery Assistance	4.2	90%	91%	91%	92.2%	92%	92.67%

Note: Dashes (---) are used if historical targets and/or results are not available as the measure was not part of the DHS Annual Performance Plan for the fiscal year indicated.

1. The deviation from the target was slight and there was no effect on overall program performance.

Commitment to Preparedness, Response, and Recovery Saves Lives

On August 31, 2008 the Federal Emergency Management Agency's (FEMA) commitment to ensuring [preparedness](#) and [response](#) was tested. Hurricane [Gustav](#) formed on August 25, 2008 about 260 miles southeast of Port-au-Prince, Haiti with a predicted 3 to 5 days before reaching the U.S. Gulf Coast. With limited time, FEMA set in motion several proactive initiatives in coordination with its State and local partners. Throughout the Gulf Coast, FEMA pre-stocked distribution centers with over 2.4 million liters of water, 4 million meals ready to eat, 141 truckloads of tarps, 267 truckloads of blankets and cots, and 478 emergency generators. FEMA also deployed its emergency teams and resources and strategically positioned them for a coordinated response. The largest evacuation in U.S. history was initiated during Hurricane Gustav, with over 90 percent of New Orleans residents leaving the city. As a result of FEMA's efforts, in coordination with State and local communities, evacuation of all areas in Gustav's path was successful.



U.S. Coast Guard Alaska Warrior Saves Crew of Alaska Ranger



The U.S. Coast Guard and fishing vessel Alaska Warrior recovered 46 of 47 crewmembers from the sinking fishing vessel Alaska Ranger 120 miles west of Dutch Harbor. Four crewmembers died and one is missing. "Saving 42 people in the Bering Sea in the winter is an incredible accomplishment," said Commander Todd Trimpert, 17th U.S. Coast Guard District Incident Management Chief and experienced Alaska rescue pilot. Crews from an H-60 Jayhawk helicopter from

St. Paul, an H-65 Dolphin helicopter deployed aboard the U.S. Coast Guard Cutter (CGC) Munro, a C-130 Hercules airplane from Air Station Kodiak and CGC Munro from Kodiak rescued 20 crewmembers in 10-foot seas and 25-knot winds while the fishing vessel Alaska Warrior rescued 22 crewmembers. "When we got on scene there was a spread, at least a mile long, of 13 survivors in gumby suits with strobe lights," said Aviation Survival Technician 2nd Class O'Brien Hollow, U.S. Coast Guard Air Station Kodiak, "I went down without disconnecting from the helicopter and picked them up one at a time."

Addressing Successes and Challenges

A total of 20 of our 65 mission-oriented programs contribute to achieving Goal 4. While a subset of 5 performance measures are highlighted here, a full set of 35 performance measures are used to gauge the effectiveness in achieving Goal 4. The results for these performance measures and corrective actions for those not meeting their performance measure targets may be found in the DHS Annual Performance Report for Fiscal Years 2008 – 2010.

Achieving Federal, State, local, and tribal governments' compliance with the National Incident Management System ensures we are prepared, capable, and ready to respond to adverse incidents. Preparedness efforts in the area of response time for biological outdoor monitoring units came close to meeting its target, and continued emphasis will be placed on deploying more sophisticated technology to improve response times. Disaster response teams met their targets for operational status and customer satisfaction with Individual Recovery Assistance after a disaster. Although not included in Table 5, the FY 2008 target was not met and challenges continue in improving detection times for biological monitoring units used in indoor settings. The introduction of technical standards by DHS fell far short of its target in FY 2008, and closer coordination with stakeholders is the emphasis in FY 2009. Developing effective measures for response logistics management is another challenge for the upcoming year, as is implementing an oil removal measure to reflect marine environmental protection efforts.

Goal 5. Strengthen and Unify DHS Operations and Management

Objective 5.1: Improve Department Governance and Performance
<u>Achieves outcome of:</u> Improving and integrating Department structure, processes, leadership, and culture.
Objective 5.2: Advance Intelligence and Information Sharing
<u>Achieves outcome of:</u> Reducing the risk of emerging terrorist threats through intelligence and information sharing.
Objective 5.3: Integrate DHS Policy, Planning, and Operations Coordination
<u>Achieves outcome of:</u> Improving coordination of Department-wide policy and non-routine, cross-cutting operations requiring multiple Component activities.

Public Benefit

An agile and effective Department is essential to the rapid implementation of homeland security priorities, policies, and objectives to support our front-line Components as they protect our Nation every day. It has been a challenge to take 22 separate agencies, each with their own culture and way of operating, and merge them together into a unified Department with a common mission of securing the homeland from terrorist and other threats. However, progress has been and continues to be made. For instance, we have moved forward in the area of financial management by decreasing the number of material weakness conditions across the Department identified by the independent financial audit of DHS. Follow-on efforts to the DHS employee survey results included holding a series of focus groups to better identify issues and design interventions to improve employee morale. Scores on the President's Management Agenda demonstrate progress is being made in other important support areas such as acquisition, information technology, human capital, and performance improvement. Efforts continue to share intelligence, security, and operations information with our key partners and stakeholders.

Many of our Components who functioned autonomously in the past are now working collaboratively within and outside the Department to provide the synergy our Nation needs to address the many threats we face in today's unsettling environment. Below are a small set of highlighted performance measures to communicate our accomplishments related to Goal 5.

Table 6. Highlighted Performance Measures for Goal 5

Performance Measure	Objective Supported	FY 2006 Results		FY 2007 Results		FY 2008 Results	
		Target	Result	Target	Result	Target	Result
Total instances of material weakness conditions identified by the independent auditor in their report on the DHS financial statements	5.1	<25	25	<25	16	< 16	13
Percent of favorable responses by DHS employees on the annual employee survey	5.1	---	---	---	49%	50%	50%
Percent of President's Management Agenda initiatives that receive a green progress score from the Office of Management and Budget	5.1	---	53.6%	---	35.5%	50%	46.9% ¹
Number of Homeland Intelligence Reports disseminated	5.2	1,200	1,734	1,500	2,722	2,776	3,563
Percent of active Homeland Security Information Network (HSIN) users	5.3	---	---	90%	38%	50%	24% ²

Note: Dashes (---) are used if historical targets and/or results are not available as the measure was not part of the DHS Annual Performance Plan for the fiscal year indicated.

1. Target not achieved primarily due to the delayed completion of the DHS Strategic Plan.

2. The program did not achieve the number of active users due to limited Homeland Security Information Network (HSIN) outreach resources to conduct needed training.

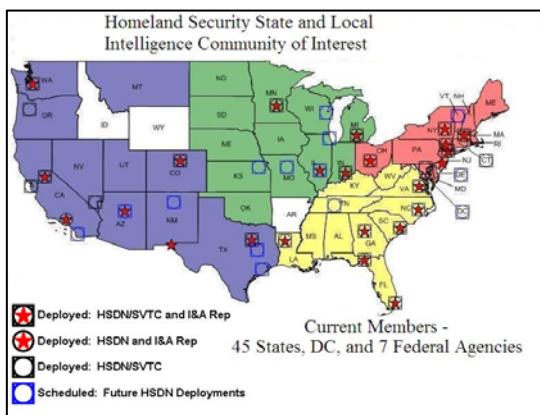
Integrated Strategy for High-Risk Management

In FY 2008, DHS continued to make concerted efforts to ensure the preparedness of the American people. With the issuing of the [Integrated Strategy for High-Risk Management](#), DHS brings together all of the Components of DHS in order to more effectively monitor ongoing corrective action plans. This was accomplished by improving organizational integration and cohesiveness.



The Integrated Strategy for High-Risk has several intended outcomes: clear accountability and responsibility; improved execution of strategic objectives; prompt and proper resolution of identified material weaknesses; and established guidelines and processes for the Department to integrate risk analysis into other management systems, such as budget and program reviews. For more information, see [ExpectMore.gov](#) or http://www.dhs.gov/xabout/budget/gc_1214229806734.shtm. The Government Accountability Office's (GAO) High-Risk reports are located at <http://www.gao.gov/docsearch/featured/highrisk.html>.

Expanding Sensitive and Classified Information Sharing to Thwart our Enemies



The Office of Intelligence and Analysis (I&A) expanded the Homeland Security State and Local Intelligence Community of Interest (HS SLIC) in FY 2008. HS SLIC supports the National Strategy for Information Sharing, a first of its kind to create and foster a culture of [sharing critical intelligence information](#) with our Federal, State, local, tribal, and territorial stakeholders. HS SLIC, a comprehensive community of more than 1,700 intelligence analysts in 45 States and 7 Federal agencies, communicates and collaborates by exchanging sensitive but unclassified information on the Homeland Security Information Network (HSIN) Intelligence Portal.

I&A is also aggressively deploying the Homeland Secure Data Network (HSDN) to extend secret-level communications to strategically important [State and local Fusion Centers](#). HSDN is live at 23 centers as of August 2008, with another 22 centers planned for deployment over the next year. HSDN also is available to agencies that are not part of the statutory Intelligence Community and has gateways to other secret-level networks to allow information sharing across multiple partners.

Addressing Successes and Challenges

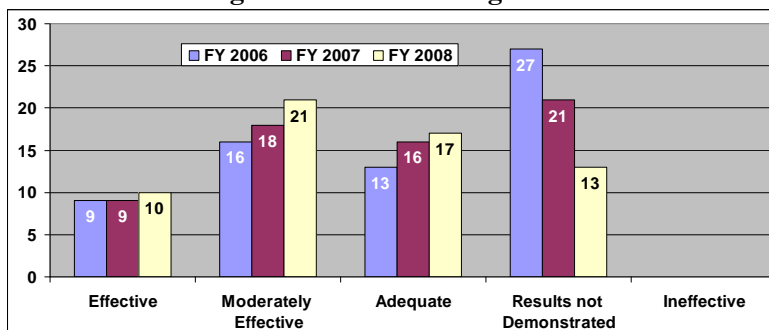
A total of 3 of our 65 mission-oriented programs contribute to achieving Goal 5. While a subset of five performance measures are highlighted here, a full set of nine performance measures are used to gauge the effectiveness in achieving Goal 5. The results for these performance measures and corrective actions for those not meeting their performance measure targets may be found in the DHS Annual Performance Report for Fiscal Years 2008 – 2010.

DHS continues to improve our financial management oversight, and has again reduced the number of material weakness conditions in the Department. A large number of Homeland Security Intelligence Reports were issued during FY 2008, and future efforts will focus on quality enhancements to these reports. Although not listed in Table 6, there is a high acceptable rate of recommendations made by our Office of Inspector General to improve operations and address deficiencies. Ongoing challenges exist to improve employee morale as reflected in Department-wide surveys, and to integrate and share information, including intelligence information. Finally, the challenge of improving Departmental governance and performance continues, with a multi-year focus on reaching sustained improvements.

PART Ratings Overview

Integral to DHS performance management are the program evaluations that occur in collaboration with the Office of Management and Budget (OMB) using the Program Assessment Rating Tool (PART). The PART process evaluates programs across a set of performance-related criteria, including program design, strategic planning, program management, and delivery of results. Since FY 2006, DHS has reduced the number of “Results not Demonstrated” ratings from 27 to 13, a 52 percent improvement. For more detailed information on PART, please visit www.expectmore.gov.

Figure 4. PART Rating Trend



Scorecard on the President's Management Agenda

DHS is also striving to improve critical management functions in the Department. Criteria for success and milestones to achieve progress are established in conjunction with OMB as part of the President's Management Agenda (PMA). Explanations for status and progress color rating criteria may be found at <http://www.whitehouse.gov/results/agenda/scorecard.html>. In addition, the Major Management Challenges section of the DHS Annual Financial Report (AFR) for Fiscal Year 2008 discusses efforts under-way to improve the overall management of DHS.

Table 7. DHS PMA Scorecard as of the End of FY 2008




	Status					Progress
	FY '04	FY '05	FY '06	FY '07	FY '08	FY '08
Human Capital	R	Y	Y	Y	Y	G
Commercial Services Management	Y	Y	Y	Y	Y	R
Financial Performance	R	R	R	R	R	Y
E-Government	R	R	R	Y	Y	R
Performance Improvement	Y	Y	Y	Y	Y	G
Eliminating Improper Payments	R	R	Y	R	R	G
Real Property	R	R	Y	Y	Y	G
Faith Based and Community Initiative				R	R	G

DHS integrates performance measurement results and PART evaluations into the development of a performance budget, using the Planning, Programming, Budgeting, and Execution (PPBE) process. As an element of the programming phase of the PPBE cycle, performance measurement information and program evaluations are considered in the resource allocation plans and decisions for each Component. The process culminates in the annual development of the Department's Future Years Homeland Security Program (FYHSP). The FYHSP expresses the Secretary's five-year strategic resource allocation intentions, and connects the multi-year spending priorities of each program in the Department with the achievement of the goals and objectives of the DHS Strategic Plan.

Summary of Major Management Challenges

This summary presents high priority management challenge areas facing the Department of Homeland Security. For a more detailed analysis of these areas, please see the full report on management challenges identified each year by the DHS Office of the Inspector General ([OIG](#)), located on page 234 of the [AFR](#). The indicators below display progress in meeting the listed challenge areas, all of which will take several years to address. DHS determined the highest priority management challenges and progress ratings indicated below.

Table 8. DHS's Highest Priority Management Challenges

Management Challenge	Progress
<p>Border Security (Full response on page 300 of the AFR)</p>	
<p><i>Accomplishments:</i> The Secure Border Initiative (SBI) has completed construction of 358 miles of fencing to further secure the border by the end of FY 2008. Border Patrol met hiring targets and over 17,000 agents were on board as of the end of FY 2008. The pace of SBInet development and deployment was reduced to address issues related to equipment capabilities and operational requirements, but progress was made on defining the deployment configuration.</p> <p><i>Plans:</i> The Department has committed resources to extend both pedestrian and vehicle fencing to complete a total of 661 miles of border fencing by the first half of 2009. U.S. Customs and Border Protection (CBP) will recruit Mission Support Specialists to perform non-law enforcement functions to allow agents to focus their efforts on safeguarding the borders and is on track to meet its patrol agent hiring, training, and deployment goals for both 2009 and 2010. CBP will continue to upgrade and enhance its Special Operations Group and Special Response Teams to significantly improve CBP's ability to respond to specific terrorist threats and support Border Patrol missions.</p>	
<p>Catastrophic Disaster Response and Recovery (Full response on page 288 of the AFR)</p>	
<p><i>Accomplishments:</i> The Federal Emergency Management Agency (FEMA) continues to work closely with the public to develop quick response capabilities. FEMA awarded approximately 27 pre-disaster response contracts to pre-position materials and approximately 70 recovery contracts to assist communities recovering from disasters. To provide disaster assistance, FEMA now has 236 pre-scripted mission assignments with 33 Federal agencies up from FY 2006 when there were 44 pre-scripted mission assignments with only 2 Federal agencies. FEMA also established the Disaster Reserve Workforce Division within the Management Directorate in March 2008 to manage the reserve workforce. As of October 1, 2008, 4,072 FEMA reservists were deployed in support of disaster response and recovery throughout the United States, including 2,365 reservists serving on the Gulf Coast and in other hurricane-affected areas.</p> <p><i>Plans:</i> FEMA will continue to build on those logistics management capabilities similar to the Department of Defense's well-recognized logistics system and organization. We will continue to work with the Department of Housing and Urban Development and other Federal and State partners to improve both short-term disaster housing response and long-term housing recovery.</p>	
<p>Acquisition Management (Full response on page 274 of the AFR)</p>	
<p><i>Accomplishments:</i> The Office of Chief Procurement Officer (OCPO) strengthened acquisition management across the Department through enhancements to its policies, procedures and workforce. New Directives and policies aligned acquisition functions, established clear lines of authority, and created the framework for investment reviews. A new periodic reporting system provides Components and the Department with a structured approach to producing standardized, improved program cost, schedule and performance metrics. OCPO established and initiated a centralized contracting intern program, resulting in the on-boarding of 48 contract specialists. Additionally, it continued to expand its certification and training efforts to cover other career fields, including program management, and contracting officer technical representatives.</p> <p><i>Plans:</i> The OCPO will continue its work to improve reporting capabilities to the Congress and taxpayers by ensuring that procurements are properly reported and that the Heads of Contracting Activity are held accountable for accurately reporting their acquisitions to the Federal Procurement Data System-Next Generation.</p>	

Message from the Chief Financial Officer

December 12, 2008



More than five years ago, DHS financial management began with limited infrastructure, non-existent business processes, scarce office supplies, and a handful of dedicated staff detailed to build the organization from the ground up. We inherited 18 material weaknesses and were put on the Government Accountability Office's high-risk list from day one. What did exist was the desire to make it work. Through strong leadership and the hard work of our teams, we put in place strong internal controls, critical workforce training, and sound policies – the fundamental building blocks for effective financial management.

The FY 2008 audit shows that we continue to make measurable progress and that our corrective actions and internal controls are working. Earlier this year, we released the second edition of the Internal Control Playbook outlining our plan to resolve material weaknesses and build management assurances. I am encouraged with how the corrective actions process has been sustained. Although DHS still faces financial management challenges, the auditor acknowledges the significant progress we've made this year and over the past four years. Consider these highlights:

- The number of material weaknesses decreased from 10 in FY 2006, to 7 in FY 2007, to 6 in FY 2008;
- We reduced the number of component conditions contributing to material weaknesses from 25 in FY 2006, to 16 in FY 2007, to 13 in FY 2008;
- We reduced Department-wide audit qualifications from 10 in FY 2006, to 6 in FY 2007 to 3 in FY 2008; and
- Fifty percent of our budget is now managed by Components with no material weaknesses compared to 7 percent in FY 2005.

Challenges remain, albeit in much more focused areas. We will continue to partner with the U.S. Coast Guard, Transportation Security Administration, and the Federal Emergency Management Agency to help resolve material weakness conditions and build upon their demonstrated success.

Financial management has come a long way at DHS since its inception. I continue to be inspired by the extraordinary efforts of our dedicated staff at Headquarters and in the Components. We have established a culture of integrity and accountability in all we do. It has been my honor to serve as the Department's Chief Financial Officer. I am pleased we have established a solid foundation in financial management to help ensure the continued success of the Department of Homeland Security. For more information on financial results in FY 2008, please see the DHS Annual Financial Report at our public website, http://www.dhs.gov/xabout/budget/editorial_0430.shtm.

Sincerely,

A handwritten signature in black ink that reads "David Norquist". The signature is written in a cursive, flowing style.

David L. Norquist

Financial Highlights

Overview and Analysis of Financial Statements

DHS primarily uses the cash basis for its budgetary accounting. DHS appropriated budgetary resources were approximately \$58 billion¹ for FY 2008. The budget represents our plan for achieving the strategic objectives set forth by the Secretary to carry out our mission and to ensure that DHS manages its operations within the appropriated budgets using budgetary controls. DHS prepares its annual financial statements on an accrual basis, in accordance with generally accepted accounting principles, meaning that economic events are recorded as they occur, regardless of when cash is received or disbursed. These financial statements provide the results of our operations and financial position, including long-term commitments and obligations.

DHS's FY 2008 budgetary resources increased by \$11 billion from FY 2007, excluding borrowing authority, reflecting additional funding for Border Security, the Federal Emergency Management Agency, and the Transportation Security Administration. In addition, DHS restated FY 2007 balances primarily as a result of actions completed to correct financial management weaknesses reported in prior financial statement audit reports.

Balance Sheet: What We Own and What We Owe

The Balance Sheet presents the resources owned or managed by DHS that have future economic benefits (assets) and amounts owed by DHS that will require future payments (liabilities). The difference between DHS's assets and liabilities is the residual amounts retained by DHS (net position) that are available for future programs and capital investments.

Condensed Consolidated Balance Sheet
As of September 30, 2008 and 2007
(In Millions)

	FY 2008	FY 2007 (Restated)	Change
Assets			
Fund Balance with Treasury	\$63,157	\$56,185	\$6,972
General Property, Plant and Equipment, Net	14,501	12,602	1,899
Other	10,237	10,337	(100)
Total Assets	\$87,895	\$79,124	\$8,771
Liabilities			
Federal Employee and Veterans Benefits	\$36,230	\$34,910	\$1,320
Debt	17,719	18,153	(434)
Employee related and other	15,563	10,890	4,673
Accounts Payable	4,903	5,244	(341)
Total Liabilities	\$74,415	\$69,197	\$5,218
Net Position			
Unexpended Appropriations	\$55,228	\$48,810	\$6,418
Cumulative Results of Operations	(41,748)	(38,883)	(2,865)
Total Net Position	\$13,480	\$9,927	\$3,553
Total Liabilities and Net Position	\$87,895	\$79,124	\$8,771

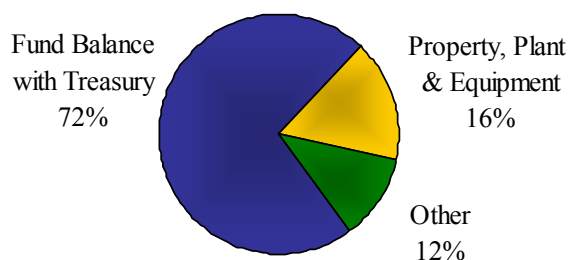
¹ Budgetary resources of \$61.3 billion referenced earlier in the report differ from those stated above primarily due to the difference between obligational accounting methods and proprietary accounting methods used for financial statements.

Composition of Assets – What We Own

Assets represent amounts owned by DHS that can be used to accomplish its mission. On September 30, 2008, DHS had \$87.8 billion in assets, representing an \$8.8 billion increase from FY 2007 restated assets of \$79 billion. The increase is primarily attributable to supplemental appropriations for FEMA's disaster recovery efforts. Additionally, CBP's assets increased due to the Secure Border Initiative (SBI) and significant investments in technology equipment. The U.S. Coast Guard also contributed to the asset increase with the completion of the first National Security Cutter and additional investments in the U.S. Coast Guard's Deepwater Program.

Fund Balance with Treasury (FBwT), the Department's largest asset, comprises 72 percent (\$63.2 billion) of the total assets. Included in FBwT is the remaining balance of DHS unspent prior year budgets plus miscellaneous receipts. FBwT increased approximately \$7 billion from FY 2007 in part due to supplemental appropriations for disaster recovery efforts during Hurricanes Gustav and Ike and an increase in funds received to support the SBI.

DHS Assets as of September 30, 2008



The U.S. Coast Guard operates an inventory of 12 high-endurance cutters, 31 medium-endurance cutters, and numerous patrol boats and aircraft. The completed construction of the first U.S. Coast Guard National Security Cutter, the WMSL-750 Bertholf, in FY 2008, was a crowning achievement for Coast Guard Deepwater Program.

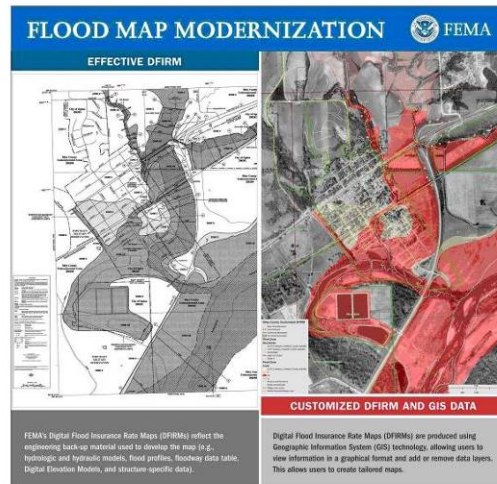
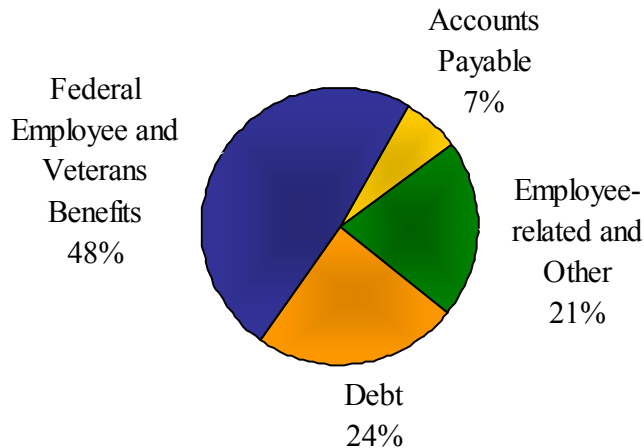
Property, Plant, and Equipment is the second largest asset, comprising 16 percent of total assets. The major items in this category include construction in progress, buildings and facilities, vessels, aircraft, and other equipment. In acquiring these assets, DHS either spent cash or incurred a liability to make payment at a future date; however, because we expect these assets to provide future benefits to DHS to help us accomplish our mission, we report these items as assets rather than expenses. During FY 2008, Property, Plant, and Equipment increased by \$1.9 billion. Contributing to this increase was CBP's initiative to protect America's borders by constructing additional fencing for the SBI and purchasing technology equipment and software related to the Automated Commercial Environment. An additional increase occurred due to the completion of the first U.S. Coast Guard National Security Cutter, which resulted in a capitalized asset of \$781 million.

Composition of Liabilities – What We Owe

At September 30, 2008, DHS reported approximately \$74.4 billion in total liabilities. Liabilities represent amounts owed to the public or other federal agencies for goods and services provided but not yet paid for; to DHS employees for wages and future benefits; and for other liabilities. Eighty two percent of these liabilities are unfunded, meaning they will need to be paid from funds received in future appropriations. DHS's largest unfunded liability is for Federal Employee and Veterans Benefits, arising primarily from U.S. Coast Guard personnel benefits. The National Flood Insurance Program (NFIP) administered by FEMA is the second largest unfunded liability.

Liabilities increased approximately \$5.2 billion from FY 2007 restated liabilities totaling \$69.2 billion. The increase represents higher insurance liabilities existing at September 30, 2008, related to unpaid Hurricane Gustav and Ike flood insurance claims and U.S Coast Guard personnel benefits which increased 4 percent from FY 2007.

DHS Liabilities as of September 30, 2008



FEMA Flood Insurance Liability (included under Debt) increased in FY 2008 through response and rescue efforts associated with Hurricanes Gustav and Ike.

DHS's largest liability is for Federal Employee and Veterans Benefits, representing 48 percent of total liabilities. This liability increased approximately 4 percent from FY 2007 due to an increase in personnel benefits for U.S. Coast Guard and actuarial adjustments reported by United States Secret Service for the District of Columbia Pension Plan. DHS owes these amounts to current and past civilian and military personnel for pension and other post employment benefits. The liability also includes medical costs for approved workers compensation cases and an estimate for incurred, but not yet reported, worker's compensation costs. Ninety-five percent of this liability is not covered by current budgetary resources, and DHS will need to seek future appropriations to cover these liabilities.

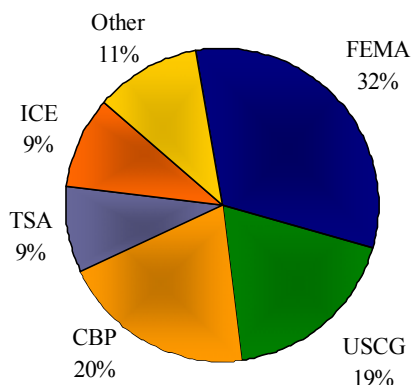
Debt is the second largest liability, representing 24 percent of total liabilities. This debt results from Treasury loans and related interest payable to fund the NFIP and Disaster Assistance Direct Loan Program operations of FEMA. Total debt decreased by 2 percent from FY 2007 as a result of the NFIP debt. Most of this debt is not covered by current budgetary resources. The premiums collected by FEMA for disaster assistance do not cover the cash outlays.

Employee-related and other liabilities, comprising 21 percent of the Department's liabilities, grew approximately 4 percent from FY 2007, primarily due to an increase in insurance claims related to floods in the Midwest caused by Hurricanes Gustav and Ike. Also included in these liabilities are unpaid wages and benefits for current DHS employees. Seven percent of total liabilities results from accounts payable, which are actual or estimated amounts DHS owes to vendors for goods and services provided for which we have not yet paid. These liabilities are covered by current budgetary resources.

Statement of Net Cost: What Came In and What Went Out

The Statement of Net Cost presents the annual net cost DHS expends to fulfill its mission. The statement shows all costs less certain revenue, such as fees collected by the U.S. Citizenship and Immigration Services (USCIS) that offset our costs. For FY 2008, DHS used the strategic goals as a basis to integrate its net costs.

Composition of Net Costs at September 30, 2008



FEMA took steps to ensure that we were prepared for Hurricane Ike, without leaving those recovering from Gustav and previous hurricanes behind. DHS supported Texas and Louisiana with significant quantities of food, bottles of water, ice, generators, blankets and cots and plastic sheeting.

FEMA represents 32 percent of the Department's net cost, a 35 percent increase from FY 2007 resulted from FEMA funding much of the recovery costs associated with Hurricanes Gustav and Ike. The U.S. Coast Guard incurred 19 percent of total net costs in ensuring maritime safety, security, and stewardship and represents an 11 percent decrease from FY 2007. CBP's net costs increased by approximately 20 percent from FY 2007, reflecting costs associated with employing new technologies to protect the border. Net costs for TSA and ICE, each representing nine percent of total net costs, increased slightly from FY 2007. TSA's net costs increased 4 percent and net costs for ICE, which includes the Federal Protective Service, increased 14 percent.

During FY 2008, the Department earned approximately \$9.2 billion in revenues; this is an increase of about \$816 million from the restated amount of \$8.4 billion on September 30, 2007. The Department classifies revenues as either exchange ("earned") or non-exchange revenue. Exchange revenues arise from transactions in which DHS and the other party receive value, and that are directly related to departmental operations. DHS also collects non-exchange duties, taxes and fee revenues on behalf of the Federal Government. Non-exchange revenues are either retained by the Department to further its mission or returned to the General Fund of the Treasury. These non-exchange revenues are presented in the Statement of Custodial Activity rather than the Statement of Net Cost.

Statement of Changes in Net Position: Where We Are

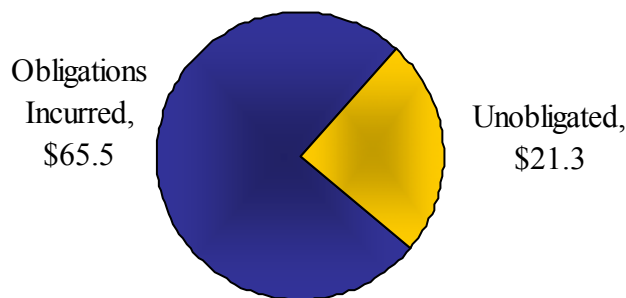
The Statement of Changes in Net Position shows the "accrual-based" results of DHS's operations and its affect on our overall net financial position. It is much like a corporation's stockholder's equity in that it shows the Department's "bottom line." Financing sources increase net position and include, but are not limited to, appropriations, user fees, and excise taxes. The net costs discussed

above and transfers to other agencies decrease net position. In FY 2008, FEMA had higher disaster-related costs, thus contributing to the change in DHS's overall net position.

Statement of Budgetary Resources: Budget Execution Data

This statement provides information on the status of the approximately \$87 billion in budgetary resources available to DHS during FY 2008. This authority was derived from appropriations of \$58 billion, \$17 billion in authority carried forward from FY 2007, \$10 billion in collections, and \$2 billion of miscellaneous authority. The total amount of resources available increased by approximately \$7 billion, primarily as a result of an increase of \$11 billion in appropriated funds.

**Status of Budgetary Resources
at September 30, 2008
(in billions)**



U.S. Customs and Border Protection (CBP) has completed a total of 358 miles of fencing along the southwest border, comprised of 204 miles of primary pedestrian fence and 154 miles of vehicle fence as of

September 30, 2008. Resources are committed to extend both pedestrian and vehicle fencing to achieve a total of 661 miles in the near future. Budgetary resources are obligated to train and equip 2,200 new Border Patrol agents in 2009 which will more than double the size of the Border Patrol from 2001 levels, to 20,019 agents.

Of the total budget authority available, DHS incurred a total of \$65.5 billion in obligations from purchase orders placed, contracts awarded, salaries and benefits, or similar transactions. These obligations will require payments during the same or future period. As of September 30, 2008, \$21.3 billion of the \$87 billion available was not obligated.

Statement of Custodial Activities: What We Collected

This statement presents the disposition of revenues collected and disbursed by DHS on behalf of other recipient entities. CBP and USCIS collect revenue from a variety of duties, excise taxes and various other fees that are subsequently remitted to the Treasury's General Fund or to other entities. Total cash collections increased by approximately \$721 million in FY 2008 to a total of \$31.8 billion. The increase is primarily attributable to an increase in duties, but also to an increase in user fees and excise taxes.

The Department of Homeland Security's FY 2008 Citizens' Report is available at the following website:
http://www.dhs.gov/xabout/budget/editorial_0430.shtm

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