



Office of the Attorney General
Washington, D. C. 20530

June 1, 2005

The Honorable Tom Davis
Chairman
Committee on Government Reform
U.S. House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

On September 11, 2001, we came face-to-face with a new threat to America. Since that day, the top priority of the United States Government has become the protection of our citizens against terrorism. President Bush has led a bold, visionary transformation of our defenses. He asked the men and women of law enforcement to track down and uproot terrorist operations in the United States as well as protect families, friends and our fellow citizens from crime. The President asked that we use all the tools available to us, that we communicate with each other more efficiently, and that we cooperate more effectively.

Since I arrived at the Department of Justice (Department) in February 2005, I have come to appreciate how far Department employees have progressed in the war on terror while accomplishing the more traditional aspects of their jobs. In the latter regard, the President challenged the Department to work with our partners to drive down the rate of violent crime, crimes committed with guns, and trafficking in illegal drugs. The Department has met the challenge. Today, violent crime is at its lowest rate in 27 years. However, we know that significant terrorist threats persist and that criminal activity is ever present.

Thus, we pursue the critical goals of the Department with a commitment to improving levels of efficiency and effectiveness both within the Department and in our relationships with other federal and local law enforcement entities. To that end, the Department has worked closely with the Office of the Inspector General (OIG) to improve our efforts to protect and serve the American people and, consequently, it is my pleasure to present you with the Inspector General's Semiannual Report to Congress and to apprise you of the actions the Department has taken to address the significant findings of the OIG. Specifically, the Management Report and these remarks document the Department's most significant undertakings to identify and correct activities that the OIG characterized, over the first half of fiscal year 2005, as needing improvement. The reports setting forth the statistical analyses of this audit period can be found at <http://www.usdoj.gov>. The Department is aggressively pursuing management improvements in an atmosphere of cooperation with the Inspector General.

The Department continues to enhance its capability to prevent terrorist incidents by restructuring our organizations, setting new priorities, and developing new methods and means to better accomplish our mission. During this reporting period, the OIG reviewed a number of the Department's efforts to leverage its law enforcement information sharing capabilities internally and with others.

The Federal Bureau of Investigation (FBI) undertook many projects to reorganize and transform its Information Technology (IT) assets, including its technology staff, budget, software, hardware, policies, procedures and practices. The FBI significantly enhanced the effectiveness and efficiency of its IT operations during and after the Trilogy review, which efforts demonstrated a solid commitment to improvement. These improvements, which addressed prior OIG observations and recommendations, established a strengthened IT organizational structure and an advanced IT management and governance framework, evident in the new Life Cycle Management Directive (LCMD) and the IT Portfolio Management Program that will improve and ensure the long-term success of the management of IT operations, programs, and projects throughout the FBI. A major component of this comprehensive effort to upgrade and improve IT infrastructure at the FBI was Trilogy, a project that the OIG reviewed and whose evaluation helped shape further enhancements to the effort.

With Trilogy, the FBI expected to significantly modernize IT hardware and software at the FBI, its communications network and the five most important FBI investigative applications, including its case management system. The FBI successfully completed the upgrades of its hardware and software and communications networks, as the OIG noted. Although the OIG found the FBI was behind schedule completing its new case management system, the OIG acknowledged that the difficulties stemmed mostly from unexpected complexities of the project. Those complexities were significant and made execution difficult. When planning Trilogy, the FBI expected to build its case management system by consolidating a variety of existing user applications. However, after work started, design requirements grew to accommodate the more complex data sharing demands presented by the Hanssen espionage case, the Oklahoma City bombing case and the terrorists attacks of 9-11. The FBI realized it needed an interactive, cutting-edge tracking system that incorporated a new workflow process for agents, allowed document searches and data manipulation by multiple users, and one that would facilitate data sharing between FBI offices and with others in law enforcement. The magnitude of the project far exceeded original expectations and the OIG review revealed the importance of better estimates of final costs and more accurate work load projections.

Since the OIG issued its Trilogy Report, the FBI worked diligently to address all nine recommendations. The Systems Requirements Specification and Concept of Operations for an enterprise-wide case management capability were compiled and vetted with the Lines of Business owners. Two independent cost estimates for the design and deployment of the new concept were developed. An acquisition strategy was developed and vetted with the FBI's

Finance Division and with the Department's Justice Management Division (JMD) and the Office of Management and Budget. The FBI developed an acquisition schedule and an incremental development and deployment that will reduce and mitigate the risks and issues associated with the original Virtual Case File (VCF) Team's approach of a one time "flash" cut over to a new system. Also, the FBI implemented an approved interim enterprise architecture baseline and made considerable progress toward the development of the "To-Be" enterprise architecture.

In its review to determine how well the Department and the FBI are prepared to support the increase in law enforcement inquiries of the FBI's Integrated Automated Fingerprint Identification System (IAFIS), the OIG found that the Department had yet to fully integrate IAFIS with the Department of Homeland Security's (DHS) Automated Biometric Identification System (IDENT). We are pleased that the Homeland Security Council has recently established a biometric standard that will support interoperability between IDENT and IAFIS. Accordingly, DHS will migrate to the uniform biometric standard of 10 flat prints for enrollment and background checks. In addition, the FBI changed its business process to provide fingerprints of Known or Suspected Terrorists to the DHS daily. These and other recent activities, such as the new FBI initiative called Next Generation IAFIS, will begin to address the other issues identified in the OIG Report and move the agencies closer to a fully integrated, data sharing environment.

As we have worked to preserve lives and liberties and combat terrorism, we have pursued critical management goals to improve the Department's efficiency and effectiveness. This includes ensuring the Department meets the highest financial standards. In 2004, while eight out of the Department's 10 component-level financial statement audits resulted in unqualified or "clean" opinions, the independent auditors disclaimed the Office of Justice Programs' (OJP) financial statements. The disclaimed opinion was due to two major factors, including underlying internal control weaknesses in the grant related systems and the difficulties in accurately reporting the grant accrual. The materiality of the OJP balances affected the Department's overall statement; therefore, the Department also received a disclaimer at the consolidated financial statement level. The impact of the grant accrual weaknesses also extended to the financial statements issued in prior years, and the auditors from 2003 rescinded the unqualified opinions they had previously issued to OJP and the Department. A second component, Alcohol, Tobacco, Firearms and Explosives (ATF), received a qualified opinion in 2004 due to weaknesses in its accounts payable reporting.

The Department is committed to regaining its agency-wide unqualified financial audit opinion. To that end, the Department is aggressively pursuing corrective actions to address the accounting and systems weaknesses, material and otherwise, that were identified by the OIG and auditors. The Justice Management Division (JMD) is monitoring the corrective action plans to ensure that forward progress is being made. Additional steps, described below, were taken at the OJP and ATF to address the problems which resulted in the loss of the unqualified opinions.

Two JMD teams were dedicated to supporting the corrective action efforts at OJP, one addressing grant accounting weaknesses and the other focusing on IT systems weaknesses. The teams performed extensive accounting reviews and data reconciliations to demonstrate the validity of OJP journal vouchers and other system entries. Three separate efforts are underway to produce reliable and auditable grant accruals for the 2003, 2004 and 2005 financial statements. The OJP initiated a plan to: 1) establish an internal review office to enhance its internal control structure and policies for monitoring financial transactions in accordance with federal accounting standards; 2) improve its supporting documentation techniques for recording manual journal entries and estimating grant accrual balances; and 3) establish an audit manager to coordinate audit activities and ensure accurate and timely financial reporting. Furthermore, the OJP hired a CIO who, working with the Department's team from JMD, developed and implemented several new security controls, strengthened separation of duties, eliminated application and data access weaknesses, and installed formal change control procedures for OJP applications. While establishing an IT security management structure, the OJP implemented a process for ensuring completeness and accuracy of the interfaces between the grant feeder systems and the core financial system.

The ATF is working to improve its oversight controls for recording accounts payable, and is enhancing its financial control environment by implementing newly revised policies, procedures, and user training throughout its field offices and at its Headquarters. The ATF executive staff meets weekly to monitor progress in closing out the corrective actions identified from the audit process.

In addition to planning and undertaking corrective actions within its components, the Department is increasing the internal evaluation and review activities within the office of its Chief Financial Officer. The effort will continuously monitor and evaluate the Department's financial operations and internal controls, and establish a base from which the Department can comply with the internal control guidelines set forth in OMB Circular A-123, Management's Responsibilities for Internal Control, which become effective in FY 2006.

Finally, the Department is working to replace its outdated financial systems. Currently, the agency's financial data is spread across seven core systems with dissimilar conventions and which lack the capability to produce Department-wide oversight and diagnostic information, or consolidated financial reports. Rather than invest in needed upgrades for these separate systems, the Department intends to implement a Unified Financial Management System (UFMS), a single core system capable of providing coordinated Department-wide financial management with lower out-year maintenance and operational costs. The Department has awarded a contract to acquire the new software, and has finished testing a software baseline. An integration contract solicitation will be released soon, with an award expected to cover the implementation of the first three Department components. The contract award and project rollout is contingent upon identification of funding. While the Department urgently works to identify sufficient funding for

the UFMS, we will continue working with the OIG to ensure that our financial operations are sound and reliable, aggressively re-engineering operations that are not.

The commitment to fully compliant financial systems carries over into our efforts to fully address those OIG recommendations that may lead to improvements in our automated management controls. The United States Marshals Service (USMS) already has improved its background investigations processing. The Personnel Security Standard Operating Procedures the USMS uses were revised to cover all aspects of background investigations and to reflect current federal regulations and Department policy. Moreover, the USMS developed self-inspection criteria, procedures and a schedule for all its programs to use when they perform periodic self-inspections. With these criteria, the USMS will be able to evaluate how well adjudicators respond when and if they receive incomplete investigation files, a capability the OIG found critical for a secure process. To complete its adoption of the OIG recommendations, the USMS consolidated all contractor and employee records (except those for Court Security Officers) into a single database, which the USMS updated and revised. The database now segregates into separate fields information about types of employees, the dates of their background investigations and waivers, date when employment was offered, the date and type of an employee's initial investigation, subsequent reinvestigation dates and types, and the other information the OIG felt was crucial.

Actions the ATF took to implement the Safe Explosives Act (SEA) and to implement recommendations made by the OIG show a commitment to security and a determination to leverage our information sharing capabilities. The ATF, in implementing the SEA, focused on preventing prohibited persons from access to explosives, improving the consistency and effectiveness of program oversight, establishing a Federal Explosives Licensing Center (FELC), and implementing a process for collecting and cataloging explosives at the ATF National Laboratory, a facility available to federal and local law enforcement for their investigations of explosive incidents. Responding to OIG recommendations, ATF implemented procedures to ensure that background checks required by the SEA on the employees of explosive licensees and permittees who possess explosives (known as "employee possessors") are promptly completed; that employee possessors' data are entered into the ATF's Firearms Licensing System (FLS)—a database that contains explosives data also—and into an FBI database. The FELC now automatically retrieves results from the FBI database and they automatically migrate into the FLS. As a result, ATF database checks usually come back within minutes.

During this reporting period, the ATF and the FBI made substantial progress in eliminating duplication in their efforts to compile data and maintain databases related to arson and explosives incidents in the United States. In 2004, the Department consolidated the management of the ATF's Repository databases, the Arson and Explosives Incident Systems and the Bombing Arson Tracking System, and the FBI's Bomb Data Center databases, the Automated Incident Reporting Systems under ATF management. The consolidations provide the Department and eligible federal, state and local law enforcement agencies with a comprehensive

data source for statistical analysis and research, investigative leads, and general intelligence on arson and explosives matters. To further ensure consistency in reporting and sharing of intelligence, the ATF surveyed users of its system to ensure that they adhered to a Memorandum of Understanding (MOU) that governed the sources and entry of arson and explosive data. The survey revealed that records in the system complied with the MOU. The actions taken by the ATF and the FBI, prior to issuance of the OIG Report, resolved the recommendations directed to the ATF and closed the recommendations directed to the FBI.

To date, OJP already implemented nine of the OIG's recommendations for improving awarding of grants under the No Suspect Casework DNA Backlog Reduction Program. In March 2003, the President announced his Initiative "Advancing Justice through DNA Technology." This initiative and the OIG's report, issued in November 2004, recognized that changes in grant awards and oversight could increase the capacity of state laboratories to process and analyze crime-scene DNA. OJP implemented many program improvements, most of which fall under the DNA Capacity Enhancement Program, the DNA Convicted Offender Program and the DNA Casework Program. These programs now award grants directly to local crime laboratories (that previously were ineligible for federal funding); centralize procurement for the analysis of offenders' DNA samples (which lowered the unit cost of samples); implement a grant's progress assessment program; require that federally-funded DNA profiles be uploaded promptly into the FBI's National DNA Index System which allows system-wide comparisons; and include monthly tracking and performance standards that allowed continued performance measuring. The OJP will continue to work vigilantly with the state and local grantees to strengthen the overall DNA program and reduce the DNA backlog.

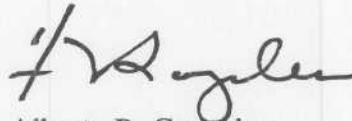
In its first audit of the Office of the Federal Detention Trustee (OFDT), which was established as a Department component in fiscal year 2001, the OIG examined how the OFDT coordinates and oversees detention activities across the Federal Government. The OIG recommended that OFDT evaluate and clarify its role, mission, and functions, which the OFDT already accomplished. To increase oversight, the Department took many steps to enlarge the OFDT presence with the DHS's Bureau of Immigration and Customs Enforcement (ICE). The OFDT assigned senior advisors to work with the Federal Bureau of Prisons (BOP), the USMS and ICE. Also, the OFDT affected an Interagency Agreement (IAA) with ICE to clarify their mutual obligations and responsibilities. The OFDT is using the IAA as a basis for discussions with the Office of Management and Budget about the need for a unified procurement process for detention resources that could eliminate redundant purchases and competition among detention providers. The OFDT completed a project with the judicial districts of Arizona and Southern California designed to assist the BOP, USMS, and the U.S. Probation Office reduce the average detention time from sentencing to incarceration. The pilot was successful and is now being implemented throughout the Southwest border districts. The Trustee developed an aggressive cost management plan that targeted immediate, and short- and long-term cost efficiencies, allowing the OFDT to reduce the original projected shortfall for 2005 by about \$70 million. Those efforts involved considerable cooperation and support by the Department leadership and

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other agencies with the Department. The OFDT is committed to improving the federal detention process and will continue to work to implement the recommendations.

The Department of Justice remains focused intensely on the tasks at hand and will strive forward tirelessly to defend America's freedom and security while we build a freer, more just society with equal opportunity for all. Even though our accomplishments have made America safer, we understand that in waging the war on terror and in fulfilling our other critical responsibilities, we cannot rest on past successes. With vigilance in pursuit of our mission and an unwavering dedication to integrity, we can learn from our accomplishments and translate the results achieved into a framework for future success. Continuous improvement is our goal, and excellence is our standard.

Sincerely,

A handwritten signature in black ink, appearing to read 'A. Gonzales', written in a cursive style.

Alberto R. Gonzales
Attorney General

Enclosure